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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair  
2025 - 2026 Regular Session

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### **SB 696 (Alvarado-Gil) - Sales and Use Tax Law: exemptions: firefighting equipment**

**Version:** May 8, 2025

**Urgency:** No

**Hearing Date:** May 19, 2025

**Policy Vote:** REV. & TAX. 5 - 0

**Mandate:** No

**Consultant:** Robert Ingenito

**Bill Summary:** SB 696 would enact a state General Fund-only sales and use tax (SUT) exemption for firefighting apparatus, equipment, or specialized vehicles, as defined, purchased by a fire department, including an all-volunteer fire department, or a fire protection district, as specified.

**Fiscal Impact:** The California Department of Tax and Fee Administration (CDTFA) estimates that this bill would result in a General Fund revenue loss of \$21 million in 2026-27. CDTFA's administrative costs would be minor and absorbable.

**Background:** Tax expenditure programs (TEPs) are special tax provisions that reduce the amount of revenues the "basic" tax system would otherwise generate in order to provide (1) benefits to certain groups of taxpayers, and/or (2) incentives to encourage certain types of behavior and activities, such as charitable giving. Specifically, current law provides for, among other things, various income and corporation tax credits and deductions, as well as exemptions from the sales and use tax. The Department of Finance is required to publish a list of TEPs (currently totaling several hundred), which currently exceed \$91 billion annually.

Except where a specific exemption or exclusion is provided, current law imposes SUT on all retailers for the privilege of selling tangible personal property (TPP) at retail in California, or on the storage, use, or other consumption in this state of TPP purchased from a retailer. Unless purchasers pay the sales tax to the retailer, they are liable for the use tax, which the law imposes on any person consuming tangible personal property in the state. The use tax is the same rate as the sales tax.

After CDTFA collects SUT revenue (\$80 billion in 2022-23), it allocates the money to various state and local funds. Roughly half—collected from an approximately 3.9 percent rate—goes to the General Fund and can be spent on any state program, such as education, health care, and criminal justice. Another 1.25 percent, known as the Bradley-Burns rate, goes to cities and counties for general purposes. Three sales tax funds have uniform state rates and support specified programs—a 1.0625 percent rate for 2011 realignment (county-administered criminal justice, mental health, and social service programs); a 0.5 percent rate for 1991 realignment (county-administered health and social services programs); and a 0.5 percent rate for city and county public safety programs pursuant to Proposition 172 (1993). Additionally, some local governments levy optional local rates—known as Transactions and Use Taxes (TUTs)—and a small portion of these funds are used for general purposes. As of December 31, 2024, the average statewide SUT rate was 8.71 percent.

Many items, such as prescription drugs, food, and poultry litter, are fully exempt from the SUT in California. Other items are exempted only from the state sales tax of 3.9375%, but not the local share, such as farm equipment and machinery, diesel fuel used for farming and food processing, teleproduction and postproduction equipment, timber harvesting equipment and machinery, and racehorse breeding stock.

The California Department of Forestry and Fire Protection indicates that in 2024, there were 605,868 emergency responses, 8,024 wildfires, 1,050,012 acres burned, and 2,148 structures damaged or destroyed. In 2023, there were 595,075 emergency responses, 7,386 wildfires, 332,822 acres burned, and 179 structures damaged or destroyed. Through May 6, 2025, the current calendar year has seen 208,397 emergency responses, 1,083 wildfires, 61,205 acres burned, and 16,251 structures damaged or destroyed.

**Proposed Law:** This bill would enact a state General Fund-only (3.9375 percent) SUT exemption for firefighting apparatus, equipment, or specialized vehicles, as defined, purchased by a fire department, including an all-volunteer fire department, or a fire protection district beginning July 1, 2026, and before January 1, 2031.

**Related Legislation:**

- AB 1121 (Rodriguez, 2021) would have exempted from SUT the sale or purchase of emergency preparation items, as defined, sold or purchased during a specified three-day period. This bill died in the Assembly Revenue and Taxation Committee.
- AB 1049 (Grayson, 2019) would have exempted from SUT the sale or purchase of equipment, as defined, purchased for exclusive use by an on-call volunteer fire department, as defined. This bill was held under submission on the Suspense File of the Assembly Appropriations Committee.

**Staff Comments:** Local government financial data from the California State Controller's Office indicate that California cities, counties, and special districts spent \$14.3 billion for fire protection in 2022-23. Department staff estimate that this figure will reach \$15.5 billion in 2026-27. It is assumed that California local governments spend 3.5 percent of their total fire protection budget on purchases of firefighting apparatus, equipment, or specialized vehicles as defined in this bill.

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