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June 7, 2019

The Honorable Kevin Mullin
California State Assembly
State Capitol
Post Office Box 942849
Sacramento, CA 94249-0022

Subject: **AB 784 (Mullin) – SUPPORT**

Dear Assembly Member Mullin:

On behalf of the Orange County Transportation Authority (OCTA) Board of Directors, we are pleased to support AB 784, your legislation that would provide a sales tax exemption for the purchase of zero-emission transit buses. This bill is an important first step in helping transit agencies across California finance the adoption of zero-emission bus technology and comply with associated regulatory requirements.

AB 784 would provide a sales tax exemption for the purchase of zero-emission transit buses until January 1, 2024. The exemption is only from sales tax liability and does not extend to use taxes, property taxes, or other dedicated revenue sources. The bill would also require that the Legislative Analyst's Office work with the California Department of Tax and Fee Administration to assess the effectiveness of the sales tax exemption in incentivizing the adoption of zero-emission buses. The tax exemption would save transit agencies tens of thousands of dollars on each zero-emission bus purchase. Based on current cost estimates, OCTA projects that it will cost an additional \$442 million to convert its current bus fleet to zero-emission technology, which is nearly double what it would cost to replace its fleet with traditional fuel vehicles. As such, AB 784 would provide much-needed financial assistance to facilitate the adoption of this new technology, saving OCTA as much as \$80,000 on each zero-emission bus purchase.

The sales tax exemption envisioned in AB 784 would provide a significant benefit for transit agencies like OCTA that are working to comply with the recently enacted Innovative Clean Transit (ICT) regulation. The ICT regulation requires that transit agencies begin purchasing zero-emission buses in 2023, and the purchase mandate escalates such that, starting in 2029, all transit bus purchases must be zero-emission. The ICT regulation

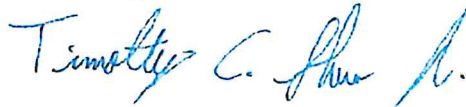
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unfortunately does not currently identify how agencies will finance the procurement of zero-emission bus technology, which makes AB 784 a critical economic incentive for agencies trying to stretch taxpayer dollars in order to both fund transit operations and adopt this new technology. With the purchase mandate being phased in through 2029, the tax exemption would continue to be a useful financial tool for transit agencies well beyond the 2024 sunset date, and OCTA looks forward to continuing to find ways to make the transition to zero-emission buses as seamless as possible.

A SUPPORT position is consistent with the OCTA 2019-20 State Legislative Platform's principle to "support efforts to ensure the availability of proven technology and adequate funding prior to the implementation of any mandated purchase requirements for zero-emission bus technology."

If you or your staff have any questions regarding OCTA's position on AB 784, please contact Kristin Essner, Manager of State and Federal Relations, at (714) 560-5754 or kessner@octa.net.

Sincerely,



Tim Shaw
Chairman

TS:djs

c: Darrell E. Johnson, Chief Executive Officer
Orange County State Legislative Delegation
Platinum Advisors, LLC

AMENDED IN ASSEMBLY APRIL 9, 2019
AMENDED IN ASSEMBLY MARCH 25, 2019
AMENDED IN ASSEMBLY MARCH 18, 2019
CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

ASSEMBLY BILL

No. 784

Introduced by Assembly Member Mullin

February 19, 2019

An act to add and repeal Section 6377 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 784, as amended, Mullin. Sales and use taxes: exemption: California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project: transit bus vehicles.

Existing state sales and use tax laws impose a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this ~~state of~~, *state*, or on the storage, use, or other consumption in this ~~state of~~, *of* tangible personal property purchased from a retailer for storage, use, or other consumption in this state. The Sales and Use Tax Law provides various exemptions from those taxes.

This bill would, until January 1, 2024, provide an exemption from those taxes with respect to the sale ~~of of~~, *and the storage and use of*, *or other consumption in this state of*, specified zero-emission technology medium- and heavy-duty transit bus vehicles. The bill would provide that this exemption does not apply to specified state sales and use taxes from which the proceeds are deposited into the Local Revenue Fund, the Local Revenue Fund 2011, or the Local Public Safety Fund.

The Bradley-Burns Uniform Local Sales and Use Tax Law authorizes counties and cities to impose local sales and use taxes in conformity with the Sales and Use Tax Law, and existing laws authorize districts, as specified, to impose transactions and use taxes in accordance with the Transactions and Use Tax Law, which generally conforms to the Sales and Use Tax Law. Amendments to the Sales and Use Tax Law are automatically incorporated into the local tax laws.

Existing law requires the state to reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse any local agencies for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 6377 is added to the Revenue and
2 Taxation Code, to read:

3 6377. (a) (1) There are exempted from the taxes imposed by
4 this part the ~~greater of either of the following:~~

5 ~~(1) (A) The gross receipts from the sale of, and the storage and~~
6 ~~use of, or other consumption in this state of, any zero-emission~~
7 ~~technology medium- and heavy-duty transit bus vehicles that are~~
8 ~~eligible for the California Hybrid and Zero-Emission Truck and~~
9 ~~Bus Voucher Incentive Project funded under the Air Quality~~
10 ~~Improvement Program at the State Air Resources Board.~~

11 ~~(B)~~

12 (2) Notwithstanding any provision of the Bradley-Burns
13 Uniform Local Sales and Use Tax Law (Part 1.5 (commencing
14 with Section 7200)) or the Transactions and Use Tax Law (Part
15 1.6 (commencing with Section 7251)), the exemption established
16 by this ~~paragraph~~ *subdivision* does not apply with respect to any
17 tax levied by a county, city, or district pursuant to, or in accordance
18 with, either of those laws.

19 ~~(2) The gross receipts measured by the value of a motor vehicle~~
20 ~~that is traded in for zero-emission technology medium- and~~
21 ~~heavy-duty transit bus vehicles that are eligible for the California~~

1 ~~Hybrid and Zero-Emission Truck and Bus Voucher Incentive~~
2 ~~Project funded under the Air Quality Improvement Program at the~~
3 ~~State Air Resources Board, if the value of the trade-in motor~~
4 ~~vehicle is separately stated on the new motor vehicle invoice or~~
5 ~~bill of sale or similar document provided to the purchaser.~~

6 (b) Notwithstanding subdivision (a), the exemption established
7 by this section shall not apply with respect to any tax levied
8 pursuant to Section 6051.2 or 6201.2, pursuant to Section 35 of
9 Article XIII of the California Constitution, or any tax levied
10 pursuant to Section 6051 or 6201 that is deposited in the State
11 Treasury to the credit of the Local Revenue Fund 2011 pursuant
12 to Section 6051.15 or 6201.15.

13 (c) This section shall become inoperative on January 1, 2024,
14 and as of that date is repealed.

15 SEC. 2. (a) It is the intent of the Legislature to apply the
16 requirements of Section 41 of the Revenue and Taxation Code to
17 this act.

18 (b) With respect to Section 6377 of the Revenue and Taxation
19 Code, as added by this act, the Legislature finds and declares the
20 following:

21 (1) The specific goals, purposes, and objectives of this act are
22 as follows:

23 (A) To assist transit agencies in transitioning bus fleets to
24 zero-emission by reducing upfront capital costs and incremental
25 costs between technologies.

26 (B) To overcome an important upfront funding shortfall that
27 currently impedes procurement of zero-emission transit buses and
28 is critically needed to help public transit agencies ramp up to the
29 Innovative Clean Transit initiative.

30 (C) To eliminate mobile criteria pollutant emissions and clean
31 the air in disadvantaged communities.

32 (D) To substantially reduce greenhouse gas emissions.

33 (2) The performance indicators related to this act are as follows:

34 (A) The annual number of zero-emission transit bus purchases
35 by transit authorities and agencies statewide.

36 (B) The annual number of zero-emission transit buses purchased
37 in advance of the Innovative Clean Transit initiative timelines.

38 (3) The data collection requirements to enable the Legislature
39 to determine whether the tax exemption is meeting, failing to meet,

1 or exceeding its specified goals, purposes, and objectives are as
2 follows:

3 (A) The Legislative Analyst's Office shall review the
4 effectiveness of the tax exemption and may request information
5 from the ~~Franchise Tax Board~~ *California Department of Tax and*
6 *Fee Administration* and any state governmental entity with
7 authority relating to the purchasing of transit buses.

8 (B) The ~~Franchise Tax Board~~ *California Department of Tax*
9 *and Fee Administration* and any state governmental entity with
10 authority relating to the purchasing of transit buses shall provide
11 to the Legislative Analyst's Office any data requested by the
12 Legislative Analyst's Office pursuant to this ~~subparagraph~~.
13 *paragraph*.

14 SEC. 3. Notwithstanding Section 2230 of the Revenue and
15 Taxation Code, no appropriation is made by this act and the state
16 shall not reimburse any local agency for any sales and use tax
17 revenues lost by it under this act.

18 SEC. 4. This act provides for a tax levy within the meaning of
19 Article IV of the California Constitution and shall go into
20 immediate effect.