
THIRD READING

Bill No: SB 1041
Author: Atkins (D), et al.
Amended: 4/26/22
Vote: 21

SENATE GOVERNANCE & FIN. COMMITTEE: 5-0, 5/4/22
AYES: Caballero, Nielsen, Durazo, Hertzberg, Wiener

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/19/22
AYES: Portantino, Bates, Bradford, Jones, Kamlager, Laird, Wieckowski

SUBJECT: Sales and use taxes: general exemptions

SOURCE: Author

DIGEST: This bill removes the sunset date for the sales and use tax exemption for goods sold by thrift stores that are both located on a military installation and operated by a "military welfare society."

ANALYSIS:

Existing law:

- 1) Imposes the sales tax on every retailer "engaged in business in this state" that sells tangible personal property, and requires them to register with the California Department of Tax and Fee Administration (CDTFA), and remit taxes collected from purchasers to CDTFA.
- 2) Applies the sales tax whenever a retail sale occurs in the state, with some exceptions, defined generally as any sale other than one for resale in the regular course of business.
- 3) Applies the current statewide rate of %7.25, and additionally allows cities, counties, and special districts to impose their own transactions and use tax within its jurisdiction subject to voter approval, known as "local add-ons" or

“district taxes,” so long as they relied on the same base and procedures as the sales and use tax.

- 4) Exempts property sold by a thrift store located on a military installation and operated by a military welfare society from state and local sales and use taxes, first until January 1, 2014 (SB 765, Dutton, Chapter 615, Statutes of 2009), then to January 1, 2024 (AB 163, Atkins, Chapter 72, Statutes of 2013).

This bill:

- 1) Removes the sunset for the sales and use tax exemption for tangible personal property sold by a thrift store operated by a military welfare society and on a military installation.
- 2) Makes legislative findings and declarations to comply with Section 41 of the Revenue and Taxation Code.

Background

Military welfare society thrift stores. Federal law designates four organizations as military welfare societies (Army Emergency Relief, Air Force Aid Society, Inc., Navy-Marine Corps Relief Society, and Coast Guard Mutual Assistance), and establishes criteria for other nonprofit organizations to qualify (10 USC §1033). Military welfare societies manage and administer programs that provide financial, educational, and other assistance to members of the US Armed Forces, eligible family members, and survivors. These non-profit organizations aim to support the immediate needs of those who are eligible and in need, while promoting practices that allow for long-term self-sufficiency and financial management. Participating organizations provide military installations with resale stores that offer low prices on donated clothes, uniforms, and household items. The Navy-Marine Relief Society operates thrift stores across the state, in Barstow, Camp Pendleton, China Lake, Lemoore, Miramar, North Island, San Diego, and Ventura.

Section 41. Section 41 of the Revenue and Taxation Code, requires any bill authorizing a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve, detailed performance indicators, along with data collection and reporting requirements (SB 1335, Leno, Chapter 845, Statutes of 2014). To meet these requirements, SB 1041 states that its purpose is to provide an incentive for thrift stores to continue to operate on military installations in partnership with the United States Department of Defense to provide financial, educational, and other assistance to members of the Armed Forces of the United States, eligible family members, and survivors in

need. The stated performance indicator of SB 1041 is measured through the amount of charitable giving by recipients of this relief and the number of service members who receive that aid. To measure the exemption's impact, the bill directs the California Department of Tax and Fee Administration to submit a report to the Legislature regarding the exemption no later than January 1, 2028.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, "The California Department of Tax and Fee Administration (CDFTA) estimates that this bill would result in annual General Fund revenue losses of \$12,000. The department would incur minor and absorbable costs to implement the measure."

SUPPORT: (Verified 5/20/22)

US Navy Region Southwest
US Marine Corps – Marine Corps Installations West
San Diego Military Advisory Council

OPPOSITION: (Verified 5/20/22)

None received

ARGUMENTS IN SUPPORT: According to the author, "The Navy-Marine Corps Relief Society (NMCRS) is a non-profit, volunteer service organization founded in 1904 to provide financial, educational, and other assistance to active duty and retired members of the Navy and Marine Corps, eligible family members, and survivors. One of NMCRS' primary sources of revenue to fund their service mission comes from a series of thrift stores located on Navy and Marine Corps military installations across the United States. NMCRS operates eight sites in California, located on military installations in Barstow, Oceanside, Ridgecrest, Lemoore, Miramar, Coronado, San Diego, and Ventura. Since the Legislature granted the 10-year sales tax relief, beginning in 2014, NMCRS has provided, on average, over \$11 million each year to over 14,000 California-based Service members, retirees, and their families. Relief provided far exceeds the combined average yearly income of \$334,000 from all the NMCRS in-state thrift stores. The existing 10-year relief from sales tax provided by the Legislature in AB 163 (Atkins, 2013) is set to expire on Jan 1, 2024. A new bill is required to extend the tax relief permanently, ensuring the continuation of charitable support to Service

members and their families at a small cost to the State. This change would give the NMCRS the same tax exemption currently provided to Goodwill Industries and the Salvation Army.”

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