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SB-419 Property tax: exemptions: personal property used in space flight. (2023-2024)

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Senate Bill No. 419

CHAPTER 713

An act to amend Section 242 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

[Approved by Governor October 10, 2023. Filed with Secretary of State October 10, 2023.]

LEGISLATIVE COUNSEL'S DIGEST

SB 419, Roth. Property tax: exemptions: personal property used in space flight.

The California Constitution authorizes the Legislature to classify personal property for differential taxation or for exemption by means of a statute approved by a $\frac{2}{3}$ vote of the membership of each house. Pursuant to this constitutional authorization, existing property tax law, for the January 1, 2014, lien date to and including the January 1, 2024, lien date, exempts qualified property, as defined, for use in space flight, as specified. Existing law repeals this exemption as of July 1, 2025.

This bill would extend to January 1, 2029, the operation of the property tax exemption for qualified property used in space flight. By extending the operation of this exemption, the bill would impose a state-mandated local program.

Existing law 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, and data collection requirements. The Legislative Open Records Act (LORA) authorizes any person to inspect legislative records, as defined, subject to specified exemptions.

This bill would include findings and reporting requirements in compliance with the above-described new tax expenditure requirement. The bill would require the Legislative Analyst's Office (LAO) to provide the report and would provide that records received by and in the custody of the LAO are confidential and not subject to disclosure under LORA.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Existing law requires the state to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding those provisions, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

This bill would take effect immediately as a tax levy.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 242 of the Revenue and Taxation Code is amended to read:

242. (a) There is exempted from the taxes imposed by this part qualified property for use in space flight.

(b) For purposes of this section:

(1) "Qualified property" means any of the following:

(A) Tangible personal property, whether raw materials, work in process or finished goods, that has, or upon manufacture, assembly, or installation has, space flight capacity, including, but not limited to, an orbital space facility, space propulsion system, space vehicle, launch vehicle, satellite, or space station of any kind, and any component thereof, regardless of whether that property is to be ultimately returned to this state.

(B) Fuel of a quality that is not adaptable for use in ordinary motor vehicles, but is produced, sold, and used exclusively for space flight.

(2) "Space flight" means any flight designed for suborbital, orbital, or interplanetary travel by a space vehicle, satellite, space facility, or space station of any kind.

(c) The exemption established by this section shall not be denied by reason of failure, postponement, or cancellation of a launch of a space vehicle, satellite, space facility, or space station of any kind, or the destruction of any launch vehicle or any component thereof, but the exemption shall not apply to any material that is not intended to be launched into space.

(d) This section shall be operative from the January 1, 2014, lien date to, and including, the January 1, 2029, lien date, and is inoperative for any lien date thereafter.

(e) A taxpayer shall provide, upon request of the assessor, evidence that the qualified property exempted from the taxes imposed by this part pursuant to this section has been or will be used as described in subparagraph (A) of paragraph (1) of subdivision (b).

(f) The exemption provided by this section from the taxes imposed by this part shall be limited to taxpayers that have a primary business purpose in space flight activities.

(g) For purposes of complying with Section 41, with respect to the exemption set forth in this section, as amended by the act adding this subdivision (hereafter "the exemption"), the Legislature finds and declares all of the following:

(1) The specific goal, purpose, and objective that the exemption will achieve includes increasing employment and investment in the space flight industry in California relative to other states with comparable infrastructure and capacity to support this industry.

(2) The detailed performance indicators for the Legislature to use in determining whether the exemption meets the goal, purpose, and objective specified in paragraph (1) are:

(A) The change in the number of employees in the space flight industry in California resulting from the exemption.

(B) The change in the compensation amounts of employees in the space flight industry in California resulting from the exemption.

(C) The change in the amount of investment made in space flight facilities in California resulting from the exemption.

(3) (A) By January 1, 2028, the Legislative Analyst's Office shall provide to the Assembly Committee on Revenue and Taxation, the Senate Committee on Governance and Finance, and the public a report that summarizes its findings regarding the performance indicators described in paragraph (2). The findings in the report shall be provided in an aggregated data format that anonymizes all information in the report. In researching the report, the Legislative Analyst's Office may request and receive information from county assessors, the State Board of Equalization, taxpayers benefitting from the exemption, trade associations, or other individuals or entities. The Legislative Analyst's Office may also request and receive information from the Employment Development Department in a nonconfidential form, as described in subdivision (c) of Section 1094 of the Unemployment Insurance Code.

(B) County assessors, the State Board of Equalization, the Employment Development Department, and taxpayers claiming the exemption shall provide information specified by the Legislative Analyst's Office as needed to research the report required by this paragraph.

(C) Notwithstanding any law, records received by and in the custody of the Legislative Analyst's Office in accordance with this subdivision shall be deemed confidential and shall not be subject to disclosure under the Legislative Open Records Act (Article 3.5 (commencing with Section 9070) of Chapter 1.5 of Part 1 of Division 2 of Title 2 of the Government Code).

(h) This section shall remain in effect only until July 1, 2030, and as of that date is repealed.

SEC. 2. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 3. Notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse any local agency for any property tax revenues lost by it pursuant to this act.

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