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**SB-797 Lithium Extraction Tax Citizens Oversight Committee.** (2023-2024)

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**Senate Bill No. 797**

**CHAPTER 506**

An act to amend Section 47002 of, and to add Chapter 4 (commencing with Section 47110) to Part 25 of Division 2 of, the Revenue and Taxation Code, relating to taxation.

[ Approved by Governor October 08, 2023. Filed with Secretary of State October 08, 2023. ]

**LEGISLATIVE COUNSEL'S DIGEST**

SB 797, Padilla. Lithium Extraction Tax Citizens Oversight Committee.

Existing law, the Lithium Extraction Tax Law, imposes a lithium extraction excise tax upon each metric ton of lithium carbonate equivalent extracted from geothermal fluid, spodumene ore, rock, minerals, clay, or any other naturally occurring substance in this state, as specified. Existing law requires the California Department of Tax and Fee Administration to administer and collect the tax and requires all collected revenues, less refunds and reimbursement to the department for administrative expenses, to be deposited into the Lithium Extraction Excise Tax Fund and disbursed in the manner prescribed.

This bill would establish the Lithium Extraction Tax Citizens Oversight Committee within the department for the purposes of ensuring that certain revenues from the lithium extraction excise tax are appropriately distributed or allocated, as specified, and making recommendations on how to improve community engagement and maximize community benefits from the revenues. The bill would prescribe the composition of the committee, the appointment of committee members, meeting provisions, and specified department duties related to the committee. The bill would also require the committee to report its findings and recommendations on April 1, 2027, and annually thereafter, to the Legislature, as specified. The bill would also make related legislative findings and declarations.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

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

**SECTION 1.** The Legislature finds and declares all of the following:

(a) In 2022, the Legislature passed and the Governor signed legislation that imposed a lithium extraction tax to help ensure that the economically depressed areas surrounding the Salton Sea realize tangible and sustained economic benefits from the nearby emerging lithium extraction industry.

(b) The revenues from that extraction tax are designed to remain in those historically underinvested communities in order to improve the overall health and welfare of their residents.

(c) The revenues from that extraction tax, after state administrative costs, are distributed in two ways. Eighty percent of those revenues are disbursed to the counties impacted by lithium extraction activities and 20 percent is set aside for Salton Sea

restoration projects and grants for community engagement or community benefit projects at or around the Salton Sea.

**SEC. 2.** Section 47002 of the Revenue and Taxation Code is amended to read:

**47002.** For purposes of this part, the following definitions apply:

- (a) "Department" means the California Department of Tax and Fee Administration.
- (b) "Extraction" means the process of removing lithium from geothermal fluid, spodumene ore, rock, minerals, clay, or any other naturally occurring substance by a physical or chemical process.
- (c) "Geothermal fluid" means naturally occurring groundwater, brines, vapor, and steam associated with, or derived from, a geothermal resource.
- (d) "Geothermal resource" has the same meaning as defined in Section 6903 of the Public Resources Code.
- (e) "In this state" means within the exterior limits of the State of California and includes all territory within these limits owned by, or ceded to, the United States.
- (f) "Metric ton" means a unit of mass equal to 1,000 kilograms.
- (g) "Minerals" has the same meaning as defined in Section 2005 of the Public Resources Code.
- (h) "Producer" means any person who extracts lithium from geothermal fluid, spodumene ore, rock, minerals, clay, or any other naturally occurring substance in this state.
- (i) "Committee" means the Lithium Extraction Tax Citizens Oversight Committee.

**SEC. 3.** Chapter 4 (commencing with Section 47110) is added to Part 25 of Division 2 of the Revenue and Taxation Code, to read:

#### **CHAPTER 4. Citizens Oversight Committee**

**47110.** (a) The Lithium Extraction Tax Citizens Oversight Committee is hereby established within the department for the purposes of ensuring that revenues from the lithium extraction excise tax are distributed pursuant to subparagraph (A) of paragraph (2) of subdivision (a) and subdivision (b) of Section 47100 and revenues deposited pursuant to subdivision (b) are allocated pursuant to Section 2951 of the Fish and Game Code, and making recommendations on how to improve community engagement and maximize community benefits from the revenues.

(b) The committee shall be composed of the following members:

- (1) Three public members who reside in the local communities where the lithium extraction occurs, to be appointed by the Governor.
- (2) Two public members who reside in the local communities where the lithium extraction occurs, to be appointed by the Senate Rules Committee. Of these two public members, one shall have environmental justice expertise and the other shall have economic development expertise.
- (3) Two public members who reside in the local communities where the lithium extraction occurs, to be appointed by the Speaker of the Assembly. Of these two public members, one shall have environmental restoration expertise and the other shall have vocational training expertise.

(c) The members of the committee shall serve at the pleasure of the appointing power and shall be appointed for terms of two years.

(d) The members of the committee shall serve without compensation.

(e) (1) Meetings of the committee shall be subject to the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code).

(2) The committee shall meet not more than once per calendar quarter.

(3) The committee shall hold its first meeting on the calendar quarter following the calendar quarter when the first revenues of the lithium extraction excise tax have been collected.

(f) The committee shall be responsible for the collection and analysis of any information included in the report required pursuant to Section 47115.

(g) The department's duties pursuant to this section shall be limited to the following:

(1) Administrative support for meetings held pursuant to subdivision (e).

(2) Compilation of the report required to be submitted by the committee pursuant to Section 47115.

**47115.** (a) Subject to subdivision (b), the committee shall report to the Legislature on how the revenues from the collection of the lithium extraction excise tax were distributed pursuant to subparagraph (A) of paragraph (2) of subdivision (a) of Section 47100 and how revenues deposited pursuant to subdivision (b) were allocated pursuant to Section 2951 of the Fish and Game Code in the prior fiscal year and any recommendations for improving the distribution or allocation, or both, of those revenues to enhance the health and welfare of the local communities where the lithium extraction occurs.

(b) (1) Notwithstanding Section 10231.5 of the Government Code, the report required pursuant to subdivision (a) shall be submitted on April 1, 2027 and every April 1 thereafter.

(2) The report shall be submitted in accordance with Section 9795 of the Government Code.