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March 15, 2021

The Honorable Suzette Valladares
California State Assembly
State Capitol, Room 3147
Sacramento, CA 95814

**RE: AB 217 (Valladares): Sales and Use Tax Exemption: School Supplies
As introduced 1/11/21 – Oppose Unless Amended
Set for hearing 3/22/21 – Assembly Revenue and Taxation Committee**

Dear Assembly Member Valladares:

On behalf of the California State Association of Counties, I regret to inform you of our “oppose unless amended” position on Assembly Bill 217, related to sales tax exemptions for certain consumer goods from July 30 through August 1, 2022.

We understand the intent of this measure but, unfortunately, must oppose it as currently written due to the erosion of revenue for counties. After the past thirty years of changes to sales and use tax allocations, counties now depend on these revenues not only to balance their general fund budgets, but also to directly fund a number of county programs and realigned services. In fact, the piece of the sales and use tax that funds 2011 Realignment is protected by the California Constitution and the state is required to backfill any reductions. Reducing the tax results in direct reductions to other programs, however, including public safety, transportation, health, social services, and behavioral health programs.

California’s position as essentially the only state to limit the sales tax only to tangible items has caused a steady erosion of the tax as spending has steadily shifted to services and digital products. Legislation exempting specific products further narrows our already restricted tax base.

For the reasons stated above, we oppose AB 217 unless it is amended to exclude the local portions from the proposed exemption so that revenue continues to flow to critical services. Please do not hesitate to contact me at gneill@counties.org with any questions about our position.

Respectfully,

Geoff Neill
Legislative Representative

Cc: Honorable Members and Consultant, Assembly Revenue and Taxation Committee