



SACRAMENTO UPDATE

May 6, 2010
SU11 -10

Tax Bill Sent to Suspense

SB 2060, which is co-sponsored by the **Golden State Builders Exchanges**, was sent to the Assembly Revenue and Taxation Committee suspense file this week. The bill will be amended and should be voted out of the committee next week. Amendments being constructed will clarify: that it is prospective; applies only to public contracts and possibly other clarifications for revenue neutrality. SB 2060 pertains to the 1% increase in the state sales tax imposed last year.

To reiterate, since the passage of the increased sales tax in April 2009, contractors who had entered into fixed price contracts prior to the sales tax increase have been forced to absorb the additional tax because the increase was not anticipated when their contract was entered into. The construction industry co-sponsored AB 1523 last year which would have provided that during the period of the sales tax increase, materials and supplies purchased or obligated by a fixed price contract entered into prior to the sales tax increase, are exempt from paying the additional tax. AB 1523 was held on the Appropriations Committee suspense file due to cost estimates. AB 2060 takes a similar approach as AB 1523, but only applies to any future state sales tax increase. This measure does not compensate contractors for any increased tax they are currently absorbing based on previously entered fixed price contracts.

The link below is the committee analysis of SB 2060.

http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_2051-2100/ab_2060_cfa_20100430_122140_asm_comm.html

-end-

