

**ASSEMBLY BILL**

**No. 2595**

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**Introduced by Assembly Member Arambula**

February 24, 2006

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An act to add Section 6377.7, 17277, and 24417 to the Revenue and Taxation Code, and to add Division 11 (commencing with Section 19000) to the Unemployment Insurance Code, relating to manufacturing.

LEGISLATIVE COUNSEL'S DIGEST

AB 2595, as introduced, Arambula. Manufacturing: logistics training: sales, income, and corporation tax incentives.

The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. That law provides various exemptions from that tax.

This bill would additionally exempt from that tax the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of, qualified manufacturing equipment, as defined, purchased for use by a small size manufacturer, as defined.

The Personal Income Tax Law and the Corporation Tax Law allow various deductions in computing the income that is subject to the taxes imposed by those laws.

This bill would allow a small size manufacturer, as defined, to elect to take a deduction for depreciation for the entire cost of qualified manufacturing equipment in three years, as provided.

Existing law establishes in state government the Labor and Workforce Development Agency consisting of, among other things, the Office of the Secretary of Labor and Workforce Development and the California Workforce Investment Board.

This bill would require the secretary and the board to establish, in partnership with specified entities, a logistics worker training initiative for the purpose of making California workers more skilled in the competitive global manufacturing value chain, as provided.

Counties and cities are authorized to impose local sales and use taxes in conformity with state sales and use taxes. Exemptions from state sales and use taxes enacted by the Legislature are incorporated into the local taxes.

This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 6377.7 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 6377.7. (a) There are exempted from the taxes imposed by
- 4 this part, the gross receipts from the sale in this state of, and the
- 5 storage, use, or other consumption in this state of, qualified
- 6 manufacturing equipment purchased for use by a small size
- 7 manufacturer.
- 8 (b) For purposes of this section:
- 9 (1) “Qualified manufacturing equipment” means tangible
- 10 personal property that meets all of the following requirements:
- 11 (A) The property expands the manufacturing capacity of the
- 12 manufacturing facility located in this state.
- 13 (B) The property results in the creation of additional jobs at
- 14 the facility.
- 15 (C) The property results in a reduction in harmful air
- 16 emissions and liquid discharges.
- 17 (D) \_\_\_\_\_.
- 18 (2) “Small size manufacturer” means a manufacturer that
- 19 meets all of the following requirements:
- 20 (A) The annual gross receipts from manufacturer’s
- 21 manufacturing activity is less than five million dollars
- 22 (\$5,000,000).

1 (B) The manufacturing facility is located in a census tract in  
2 this state with a poverty level of 61 percent or higher based on  
3 the most recent United States Census.

4 (C) \_\_\_\_\_.

5 SEC. 2. Section 17277 is added to the Revenue and Taxation  
6 Code, to read:

7 17277. In lieu of any other method of depreciation allowed by  
8 this part, in the case of any qualified manufacturing equipment,  
9 as defined by Section 6377.7, the taxpayer may elect to take a  
10 deduction for depreciation for the entire cost of the equipment in  
11 three years, commencing with the year the costs are paid or  
12 incurred and each of the two subsequent years, using the straight  
13 line method of depreciation.

14 SEC. 3. Section 24417 is added to the Revenue and Taxation  
15 Code, to read:

16 24417. In lieu of any other method of depreciation allowed by  
17 this part, in the case of any qualified manufacturing equipment,  
18 as defined by Section 6377.7, the taxpayer may elect to take a  
19 deduction for depreciation for the entire cost of the equipment in  
20 three years, commencing with the year the costs are paid or  
21 incurred and each of the two subsequent years, using the straight  
22 line method of depreciation.

23 SEC. 4. Division 11 (commencing with Section 19000) is  
24 added to the Unemployment Insurance Code, to read:

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26 DIVISION 11. LOGISTICS WORKER TRAINING  
27 INITIATIVE  
28

29 19000. (a) The Office of the Secretary of Labor and  
30 Workforce Development and the California Workforce  
31 Investment Board shall establish a logistics worker training  
32 initiative for the purpose of making California workers more  
33 skilled in the competitive global manufacturing value chain. The  
34 initiative shall be conducted in partnership with the following:

- 35 (1) The manufacturing sector.  
36 (2) The Community College Chancellor's Office.  
37 (3) The Office of the President of the California State  
38 University System.  
39 (4) The Employment Development Department.  
40 (5) Manufacturing trade associations.

1 (6) International trade logistic professionals.

2 (7) The Gateway Cities Partnership.

3 (b) The partnership shall develop a strategy to support  
4 regionally-based workforce intermediaries to provide training,  
5 re-training, and ongoing training in advanced logistical systems  
6 especially in the transportation and goods movement sectors in  
7 support of California manufacturing.

8 (c) For purposes of this division, workforce intermediaries  
9 means entities dedicated to connecting employer demand and  
10 worker interest with multiple funding sources and partner  
11 organizations such as general government, community colleges,  
12 and community-based organizations.

13 SEC. 5. Notwithstanding Section 2230 of the Revenue and  
14 Taxation Code, no appropriation is made by this act and the state  
15 shall not reimburse any local agency for any sales and use tax  
16 revenues lost by it under this act.