


# REPORT OF THE CHIEF LEGISLATIVE ANALYST

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DATE: June 1, 2015

TO: Honorable Members of the Rules, Elections and Intergovernmental Relations Committee

FROM: Sharon M. Tso   
Chief Legislative Analyst

Council File No: 15-0002-S52  
Assignment No: 15-05-0387

SUBJECT: Resolution (Wesson – Huizar) to SUPPORT AB 88 (Gomez) Sales Tax Exemption for Energy/Water Efficient Appliances

CLA RECOMMENDATION: Adopt Resolution (Wesson – Huizar) to include in the City’s 2015-2016 State Legislative Program SUPPORT for AB 88 (Gomez) which seeks to establish a sales tax exemption for energy or water efficient home appliances, purchased by a public utility, that is provided at no cost to low-income participants in order to further energy and water efficiency objectives.

SUMMARY:

Resolution (Wesson – Huizar), introduced on May 13, 2015, states that existing state law calls for a sale tax to be imposed on retailers for the privilege of selling tangible personal property. The Resolution follows that AB 88 (Gomez), introduced January 7, 2015, seeks to establish a sales tax exemption for energy or water efficient home appliances, purchased by a public utility, that is provided at no cost to low-income participants in a federal, state, or ratepayer-funded energy efficiency program.

The Resolution indicates that AB 88 also seeks to provide that any amounts that would have been paid as sales tax by the public utility, should be used to purchase additional energy or water efficient home appliances to be provided to low-income participants.

The author of the measure maintains that AB 88 will help further the state's environmental goals by reducing energy and water consumption, while facilitating access of these products to a greater number of low-income participants.

The Resolution follows that the City's Department of Water and Power (DWP) conducts an energy efficiency program that supports the use of energy and water efficient home appliances for residential customers.

The measure would allow the DWP to provide a greater number of energy and water efficient home appliances to low-income participants thereby furthering the City's energy and water efficiency objectives. Therefore, the Resolution requests that the City support AB 88.

BACKGROUND:

Following a 2014 audit conducted by the Board of Equalization (BOE), it determined there is no exemption for energy or water efficient appliances purchased by public utilities and provided, at no cost, to qualified low-income customers participating in energy efficiency programs. As a result, the BOE established a sales tax for these appliances.

The author of the measure believes appliance replacement programs already serve too few of those who qualify, and an additional sales tax only weakens the effectiveness of energy efficiency programs.

The state's Energy Savings Assistance Programs (ESAP) provide no-cost services to low-income households to improve energy efficiency, such as weatherization and insulation. Certain ESAP customers may also be eligible to receive energy-efficient replacement appliances - when older units are either too old or inefficient to repair, or when those units are unsafe.

The author notes ESAP helps reduce energy and water consumption while lowering utility costs for low-income customers. The program also fosters safer recycling of older appliances, helping to reduce illegal dumping and ensuring hazardous components are handled properly.

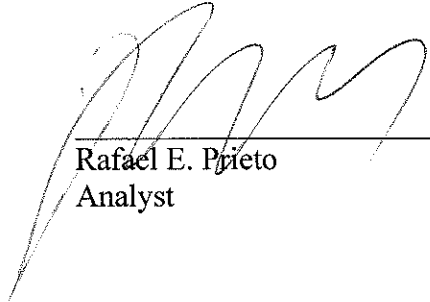
DEPARTMENTS NOTIFIED

Department of Water and Power

BILL STATUS

5/28/15

Passed Assembly Appropriations Committee



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Rafael E. Prieto  
Analyst

Attachment: 1. Resolution (Wesson – Huizar)

**RESOLUTION**

**RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS**

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state, or federal government body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, existing state law calls for a sale tax to be imposed on retailers for the privilege of selling tangible personal property; and

WHEREAS, AB 88 (Gomez), introduced January 7, 2015, seeks to establish a sales tax exemption for energy or water efficient home appliances, purchased by a public utility, that is provided at no cost to low-income participants in a federal, state, or ratepayer-funded energy efficiency program; and

WHEREAS, AB 88 also seeks to provide that any amounts that would have been paid as sales tax by the public utility, should be used to purchase additional energy or water efficient home appliances to be provided to low-income participants; and


WHEREAS, the author of the measure states that AB 88 will help further the state's environmental goals by reducing energy and water consumption - while facilitating access of these products to a greater number of low-income participants; and

WHEREAS, the City's Department of Water and Power (DWP) conducts an energy efficiency program that supports the use of energy and water efficient home appliances for residential customers; and

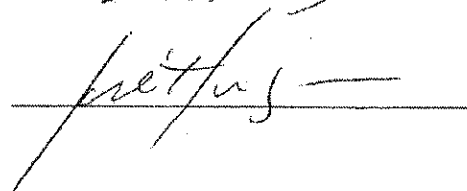
WHEREAS, AB 88 would allow the DWP to provide a greater number of energy and water efficient home appliances to low-income participants thereby furthering the City's energy and water efficiency objectives;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2015-2016 State Legislative Program SUPPORT for AB 88 (Gomez) which seeks to establish a sales tax exemption for energy or water efficient home appliances, purchased by a public utility, that is provided at no cost to low-income participants in order to further energy and water efficiency objectives.

PRESENTED BY:

  
HERB J. WESSON, JR.  
Councilmember, 10<sup>th</sup> District

SECONDED BY:



ORIGINAL

MAY 13 2015

