

# California State Senate

## SENATOR MIKE MCGUIRE

NORTHERN CALIFORNIA'S SECOND SENATE DISTRICT



April 13, 2018

The Honorable Richard D. Roth  
Chair, Senate Budget Subcommittee 4 on State Administration and General Government  
State Capitol – Room 4031  
Sacramento, CA 95814

### **RE: Subcommittee 4 Priority Items for the 2018-2019 State Budget**

Dear Chairman Roth:

I would like to bring to your attention two budget priority items related to taxation before your budget subcommittee: Payment in Lieu of Taxes (PILT) and tribal taxes related to earned income. Both items seek to help communities who have been disadvantaged by previous budget cuts or our state's current tax structure.

- 1. Payment In Lieu of Taxes (PILT):** In 1949, California established a process to offset adverse impacts to county property tax revenues that result when the state acquires private property for state controlled wildlife management areas. Payment in Lieu of Taxes (PILT) helps small and rural counties fund vital services such as law enforcement, local fire and paramedic agencies, and healthcare programs. In 2015, the State Budget included language in Fish and Game Code that changed a decade's long commitment to millions of Californians by changing "shall" to "may," making future PILT payments to California's 36 PILT counties optional. While urban areas throughout the state have mostly recovered from the impacts of the Great Recession, rural areas of the state continue to struggle to provide core services, and rely on this funding for critical needs.


Making PILT permanent would ensure that these much needed, and duly owed, funds are provided to the affected counties by reverting the Fish and Game Code to the original intent of the law by changing the "may" back to "shall." The ongoing cost would only be \$644,000 (General Fund) for annual PILT obligations to counties. While this is a minuscule amount compared to the overall General Fund, these funds will make a significant difference for rural law enforcement, infrastructure programs and fire and emergency services.

2. **Tribal Taxes**: Members of any of California's 110 federally-recognized Native American Tribes must currently reside on their tribe's land to be exempt from state income tax on any income they receive from that specific Native American tribe. However, they are not exempt from state income tax on income they earn within any other tribal lands in California. This especially creates a problem for marriages between members of different tribes, as one spouse may ultimately work on their partner's tribe's lands.

The administration vetoed SB 289 last year related to the concept, noting that it should be part of the 2018-2019 budget discussions. Therefore, I respectfully request that we include changes to state law identical to SB 289 at a cost of \$1.1 annually. This will reduce the reach of California's personal income tax onto tribal land by exempting the earned income derived from tribal land of an individual who is a member of federally recognized tribe, who resides within any tribal land in California.

Thank you for your consideration of these two items. Together, they will ensure that California's tax policy helps those who need assistance at a reasonable cost. If you have any questions or concerns about any of these measures, please do not hesitate to contact me at 916.651.4002.

Warmest Regards,



MIKE McGUIRE  
Senator