

# SMAC

# SMAC Legislative Report

Of CALIFORNIA

News from the Small Manufacturers Association of California

*A compilation of news and commentary on the recent actions of California Legislators and bureaucrats in Sacramento*

## MANUFACTURERS AND RESEARCH AND DEVELOPERS MAY QUALIFY FOR EXEMPTIONS ON SALES AND USE TAX

"The Sales and Use Tax Law (section 6596) provides that business owners can obtain relief from tax and any penalty or interest charges if they fail to report tax on a transaction because they relied on erroneous written advice from the BOE."

California Board of Equalization

"Political prognostications earlier this year that the Affordable Care Act could be pivotal in the midterm elections have proven largely untrue. While about 6 in 10 voters say they've seen ads trying to influence their vote, 27 percent said the health law will be "extremely" important and just 8 percent picked it as the most important issue. Ranking higher were the economy (16 percent), dissatisfaction with government (12 percent) and education (10 percent), among other issues.

Mary Agnes Carey, Kaiser Health News

By Tom Martin  
SMAC Executive Director  
& Legislative Chairman

Beginning on July 1, 2014, California manufacturers and certain research and developer organizations may qualify for a partial exemption of sales and use tax on certain manufacturing and research and development equipment purchases and leases, according to the Board of Equalization.

To be eligible for this partial exemption, you must meet all three of these conditions:

- Be engaged in certain types of business, also known as a "qualified person."
- Purchase "qualified property."
- Use that qualified property for the uses allowed by this law.

### GET IT IN WRITING

The California Board of Equalization (BOE) reports California tax and fee laws can be complex and difficult to understand. If employers have specific questions about this exemption and who or what qualifies, they recommend that employers get answers in writing from the BOE. They say this will enable BOE staff to give manufacturers the best advice and will protect them from tax penalties and interest in case BOE representatives give erroneous information.

BOE says the Sales and Use Tax Law can be complicated, and employers are encouraged to put tax questions, directed to the BOE, in writing. Not only will

that give more information on which BOE may base advice to you, it may protect business owners from owing tax, interest, or penalties if BOE gives erroneous information. Such protection is not provided for BOE advice given verbally, in person, or on the telephone.

The Sales and Use Tax Law (section 6596) provides that business owners can obtain relief from tax and any penalty or interest charges if they fail to report tax on a transaction because they relied on erroneous written advice from the BOE.

For this relief to apply, the following conditions must be met:

- You must have written to the BOE for tax advice, and your request must have described the specific facts and circumstances of the activity or transaction (if someone writes on your behalf, you must be identified as the taxpayer to whom the advice applies); and
- The BOE must have responded in writing and stated whether the described activity or transaction was subject to tax or stated the conditions under which tax would apply.

For more specific information, go to [http://www.boe.ca.gov/sutax/manufacturing\\_exemptions.htm#Qualifications](http://www.boe.ca.gov/sutax/manufacturing_exemptions.htm#Qualifications) or please see publication 8 at: <http://www.boe.ca.gov/pdf/boe8.pdf> Please see publication 8, *Get It in Writing!*

Questions and/or requests for written advice can be emailed to the (BOE) at: [www.boe.ca.gov/info/email.html](http://www.boe.ca.gov/info/email.html) or mailed directly to the nearest BOE field office.

## KNOW THE LAW

### AFFORDABLE CARE ACT "OBAMACARE" OPEN ENROLLMENT STARTS NOV. 15

Mary Agnes Carey, of Kaiser Health News reports almost nine of 10 uninsured Americans – the group most likely to benefit — don't know that the ObamaCare law's second open enrollment period begins Nov. 15, 2014 according to a poll released October 21..

The open enrollment period between November 15, 2014 and February 15, 2015.

Two-thirds of the uninsured say they know “only a little” or “nothing at all” about the law’s online insurance marketplaces where they can buy coverage if they don’t get it through their jobs. Just over half are unaware the law might give them financial help to buy coverage, according to a new poll.

Despite that lack of awareness, nearly 60 percent of those uninsured people say they plan to get coverage in the next few months, including 15 percent who say they’ll get it through an employer, 15 percent who say they’ll purchase it themselves and 8 percent who expect to get it through Medicaid.

One in five respondents in the latest monthly tracking poll by the Kaiser Family Foundation say they expect to get coverage but they’re not sure where. (Kaiser Health News is an editorially independent program of the foundation and is not related to Kaiser Permanente).

*Kaiser Health News (KHN) is a nonprofit national health policy news service.* Mary Agnes Carey, is a health reform and federal health policy expert for Kaiser Family Foundation

Carey says the poll found that most of those who expect to remain uninsured say they don’t think they can afford coverage (18 percent) or don’t want to be forced into buying a plan (12 percent). Three percent say they would rather pay the fine than pay for coverage.

Political prognostications earlier this year that the Affordable Care Act could be pivotal in the midterm elections have proven largely untrue. While about 6 in 10 voters say they’ve seen ads trying to influence their vote, 27 percent said the health law will be “extremely” important and just 8 percent picked it as the most important issue. Ranking higher were the economy (16 percent), dissatisfaction with government (12 percent) and education (10 percent), among other issues.

#### UNFAVORABLE VIEW OF LAW DECREASING

The poll found little change in the public’s view of the landmark law, with 43 percent viewing it unfavorably and 36 percent favorably. That gap, however, has decreased since July when the rate of those expressing unfavorable views was 53 percent. Public opinion of the law is at about the same level it was a year ago as the first open enrollment period began.

Just over half of Americans – 56 percent – say the law has had no direct impact on their families. For those who say the law has had an impact, more (26 percent) say it has hurt them than helped (16 percent). Republicans are most likely to say they have been hurt by the law (48 percent) while Democrats are more likely to say they have been helped (28 percent) and independents fall in the middle.

Across party lines, the health law ranks fourth as voters’ most important issue for Democrats, Republicans

and independents. Nearly two-thirds of the public — 64 percent— would rather see their congressional representative work to improve the law than repeal and replace it — 33 percent favor that.

## CALIFORNIA LAWMAKERS BLAST USE OF RUSSIAN ROCKET ENGINES

Many weeks before the October 28 fiery explosion of an unmanned NASA sponsored rocket bound for the space station, a bipartisan group of U.S. House members from California were seriously questioning the Pentagon’s use of old Russian-made rocket engines to launch satellites.

In a letter to Defense Secretary Chuck Hagel, 32 members of California’s congressional delegation called on the Pentagon to stop relying on Russian rocket engines and buy them instead from American manufacturers, including those in the state.

The group wrote in the Sept. 22 letter that the Defense Department “has chosen to limit competition” and buy from Russia even though rocket engines are “built here, in American factories by American workers.”

Russian-made, 1960s-era rocket engines – tested, modified and supplied by Rancho Cordova-based Aerojet Rocketdyne – became an early focus of speculation following the explosion of an unmanned Antares rocket, which blew up just seconds after its nighttime launch on the Virginia coast.

Contractor Orbital Sciences Corp’s 13-story Antares rocket was carrying about 5,000 pounds of food, supplies and experiments. The mission would have been Orbital’s third such trip to the space station, according to NASA

#### ENGINES BUILT IN 1960’S OR 1970’S

The engines on the rocket were built in the 1960s and 1970s during an early and unsuccessful attempt by Russia to launch cosmonauts to the moon. They had recently been refurbished by Aerojet- Rocketdyne of Canoga Park.

The explosion, just seconds after liftoff, marked the first time a resupply mission contracted by NASA to a private company has failed.

Officials of NASA and Dulles, Va.-based Orbital Sciences Corp., operator of the Antares rocket, said they will conduct a wide-ranging investigation and stressed Wednesday that no assumptions or conclusions have yet been made.

Orbital noted that Aerojet “refurbished and Americanized” the Russian AJ-26 engines to meet engineering requirements for its Antares rockets, which are used to send supplies to the orbiting International Space Station.

During a brief telephone interview, Aerojet spokesman Glenn Mahone said: "Orbital has formed an anomaly investigation board, and that board will work closely with all the appropriate government agencies and their suppliers to determine the cause of t(he rocket) mishap. Obviously, we will be part of the investigation as we go forward. It's too early to know the details of what happened, but we are confident that, as a result of the investigation, Orbital and the investigation board will get to the bottom of what caused the anomaly."

In recent years, with America's space shuttle program scrapped, NASA has turned to private companies to carry cargo and crews into space. Among the U.S. companies that NASA tapped are Orbital and Hawthorne-based SpaceX, founded in 2002 by Tesla Motors chief Elon Musk.

Orbital has a \$1.9 billion NASA contract for eight cargo-shipment missions to the space station; SpaceX has a \$1.6 billion contract for a dozen missions. Both companies have had a series of successful rocket launches under their NASA contracts.

Orbital and Aerojet Rocketdyne pointed at the earlier mission successes while insisting that the Russian rockets, as refurbished are adequate for the future missions.

SpaceX, which received a \$500 million government loan to help fund new rockets and engines, argues their rockets are safer. They too have flown successful NASA missions.

According to Los Angeles Times reporter Melody Petersen reports the Air Force took some first steps in an attempt to move away from the Russian engine known as the RD-180.

Future supplies of the rocket engines became a concern this year when Russian Deputy Prime Minister Dmitry Rogozin threatened to stop shipments. The engines are manufactured by NPO Energomash, a company largely owned by the Russian government, Petersen said.

A U.S. Air Force spokesman, Major Eric D. Badger, said that the Pentagon had obtained enough Russian engines to propel launches scheduled through spring 2016. "We are evaluating options to end the use of Russian engines," he said.

The Air Force recently asked American companies to offer suggestions on developing a new rocket engine to replace the RD-180, he said. Officials are also evaluating shorter-term solutions in case the Russians stop shipments, Badger said, including buying more American-made engines.

For years, the Air Force has paid United Launch Alliance, a joint venture between aerospace giants Boeing and Lockheed Martin, to launch its satellites. The joint venture uses some of Aerojet's engines but depends on the powerful Russian RD-180 to launch its Atlas V rocket.

This year, SpaceX filed a lawsuit against the Pentagon, challenging its multi-year contract with United Launch Alliance. SpaceX contends that the deal — which was approved without accepting bids from other companies — is costing taxpayers billions of dollars in excessive launch costs and funneling hundreds of millions of dollars to Russia's military-industrial base.

## SMAC BOARD RECOMMENDS THE FOLLOWING VOTES IN NOVEMBER 2014

The next statewide election is scheduled for Tuesday, November 4, 2014. All eight of the state's constitutional officers will be elected to four year terms, all state assembly members will be elected to two year terms and six state wide propositions will be voted upon.

With a large portion of California voters now voting by absentee ballot, voters will begin marking their ballots and mailing them in mid October.

The Small Manufacturers Association of California Board of Directors offers the following endorsements:

### PROPOSITION 1.

#### **Water Quality, Supply, and Infrastructure Improvement Act of 2014.**

THE SMAC BOARD RECOMMENDS A **NO** VOTE

This bond is on the ballot by legislative action. (This bond replaces a previous measure known as Proposition 43 which sought \$12 billion in mostly government pork.)

- Authorizes \$7.12 billion in general obligation bonds for state water supply infrastructure projects, such as surface and groundwater storage; ecosystem and watershed protection and restoration; drinking water protection; water supply management; water recycling and advanced water treatment technology; and flood control.
- However, the money is not yet tied to specific projects. The bond was deliberately left vague so that projects would go through a public competitive grant process. It provides no relief or support for businesses that must use large amounts of water in their processes. A statewide coalition of fishermen, farmers, sustainable water advocates, river protection groups and others opposing Prop. 1 has called on voters to reject "the wrong investment."

"Prop 1 is bad for the environment, our rivers and our salmon," said Zeke Grader, Pacific Coast Federation of Fishermen's Associations. "Prop. 1 is a bad deal for Californians, unfair to taxpayers and does not produce any new water now to help with our prolonged drought."

The opponents say the measure wrongly focuses on building more dams — more than one-third of Prop. 1's total. That \$2.7 billion will not produce new water; but

through pork subsidizes unsustainable mega-growers. It does not assist businesses, especially high-tech manufacturers, who use large quantities of water for production or product testing.

The money is not yet tied to specific projects allowing politicians and their designees to distribute the pork where it will most benefit them.

### **PROPOSITION 2.**

#### **Rainy Day Budget Stabilization Fund Act**

THE SMAC BOARD RECOMMENDS A **YES** VOTE

(This prop. number changed from 44 to 2.)

This bill mandates creation of a Rainy Day fund with annual transfer of 1.5% of general fund revenues to state budget stabilization account.

- Requires additional transfer of personal capital gains tax revenues exceeding 8% of general fund revenues to budget stabilization account and, under certain conditions, a dedicated K-14 school reserve fund.
- Allows limited use of funds in case of emergency or if there is a state budget deficit.
- Caps budget stabilization account at 10% of general fund revenues, directs remainder to infrastructure.

### **PROPOSITION 45**

#### **Public Notice Required for Insurance Company Rates Initiative (2014).**

THE SMAC BOARD RECOMMENDS A **NO** VOTE

A YES vote on this measure means rates for individual and small group health insurance would need to be approved by the State Insurance Commissioner before taking effect. A NO vote on this measure means: State regulators would continue to have the authority to review, but not approve, rates for individual and small group health insurance.

### **PROPOSITION 46**

#### **Medical Malpractice Lawsuits Cap and Drug Testing of Doctors (2014).**

NO RECOMMENDATION

### **PROPOSITION 47**

#### **REDUCED PENALTIES FOR SOME CRIMES (2014)**

NO RECOMMENDATION

## **PROPOSITION 48** **REFERENDUM ON INDIAN GAMING (2014)** NO RECOMMENDATION

### **CONSTITUTIONAL OFFICERS**

#### **GOVERNOR**

The SMAC Board of Directors endorses Republican **NEEL KASHKARI** for governor.

#### **LIEUTENANT GOVERNOR**

The SMAC Board of Directors endorses Republican **RON NEHRING** for lieutenant governor.

#### **SECRETARY OF STATE**

The SMAC Board of Directors makes no endorsement for secretary of state.

#### **STATE CONTROLLER**

The SMAC Board of Directors makes no endorsement for state Controller.

#### **STATE TREASURER**

The SMAC Board of Directors endorses Democrat **John Chiang** for state treasurer.

#### **ATTORNEY GENERAL**

The SMAC Board of Directors endorses Republican **RON GOLD** for attorney general.

#### **INSURANCE COMMISSIONER**

The SMAC Board of Directors endorses Republican **Ted Gaines** for insurance commissioner.

#### **STATE SUPERINTENDENT OF PUBLIC INSTRUCTION**

The SMAC Board of Directors endorses **Marshall Tuck** for state superintendent of public instructions.

Thanks and a tip of the hat to:

*California Board of Equalization*  
*Mary Agnes Carey, Kaiser Health News*  
*Melody Peterson, Los Angeles Times*  
*Sacramento Bee*  
SMAC Board of Directors

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