

Date of Hearing: April 24, 2019

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Cecilia Aguiar-Curry, Chair
AB 994 (Mathis) – As Amended March 21, 2019

SUBJECT: Business license fees: veterans.

SUMMARY: Exempts veterans of the United States Armed Forces from paying certain business license fees. Specifically, **this bill:**

- 1) Specifies that any veteran who served in any branch of the United States Armed Forces and has been honorably discharged from active service, and who owns a business by at least 51%, may operate that business without payment of any license tax or fee whatsoever, whether municipal, county, or state, and the county board of supervisors shall issue the veteran, without cost, a license therefor.

EXISTING LAW:

- 1) Exempts every soldier, sailor, or marine of the United States who has received an honorable discharge or a release from active duty under honorable conditions from the payment of any license, tax or fee imposed by any city, county, or the state for hawking, peddling, or vending any goods, wares, or merchandise owned by him or her, except as specified.
- 2) Requires the county board of supervisors to issue, without cost, to the soldier, sailor, or marine, a license.

FISCAL EFFECT: This bill is keyed fiscal.

COMMENTS:

- 1) **Local Business Licenses.** Existing statutes dating back to 1901 have empowered both counties and cities to license businesses for the purpose of regulation. The California Constitution allows a city or county to “make and enforce within its limits, all local, police, sanitary and other ordinances and regulations not in conflict with general laws,” known as police powers. It is from this fundamental power that local governments derive their authority to regulate behaviors, business operations, and land uses. Local agencies also use this “police power” to abate nuisances and protect public health, safety, and welfare.

As an extension of the police power, state law allows local governments to require businesses operating in their jurisdictions to obtain a license and impose related licensing fees. If a business operates in multiple jurisdictions, the fees imposed by any one jurisdiction are supposed to fairly reflect the amount of business that goes on in that jurisdiction.

Local governments license businesses for lots of reasons: to identify individuals operating businesses in their jurisdictions, to ensure compliance with other local laws, to facilitate contact in case a problem arises, and to raise money to support public services that support those businesses.

- 2) **Fees for Veterans.** It appears that the original legislation was aimed at assisting veterans, after reintegrating back into society due to the effects of war by allowing an exemption of business license fees to the veteran to "hawk, peddle and vend any goods, ware or merchandise," as specified. In *Brooks v. Santa Clara County* (236 Cal.Rptr. 509, 191 Cal.App.3d 750), the California Supreme Court opined "that the intent of section 16102 [Business and Professions] is not to exempt veterans from local regulation, but rather to enable specified veterans to engage in specified kinds of business without being required to pay."
- 3) **Bill Summary and Author's Statement.** This bill exempts all veterans of the United States Armed Forces that are honorably discharged from active duty from paying specified business license fees as long as the veteran owns a business by at least 51%. This bill is sponsored by the author.

According to the author, "The ambiguity of the original bill language makes it difficult for the veterans seeking the license fee waiver to understand. It also does a disservice to female veterans and veterans outside of the U.S. Army, Navy and Marines by not including them for eligibility in the original bill."

- 4) **Policy Consideration.** Existing law exempts certain veterans from paying business license fees when "hawking, peddling, and vending any goods, wares, or merchandise." This bill likely extends that exemption to any type of business, not just those that sell goods. AB 994 also removes the requirement that this exemption not apply to businesses that sell alcohol. Local agencies have the authority to exempt certain business owners from paying these fees without the need for legislation. For example, Sacramento County already exempts veterans from paying a license fee for businesses that provide services. The Committee may wish to consider if the decision to provide these exemptions should instead be left to the individual local agencies.
- 5) **Previous Legislation.** AB 893 (Mountjoy, 2003) was a similar bill that would have also extended to every member of the armed services that sells goods an exemption from paying business taxes or fees. This bill was held on the Assembly Appropriations Suspense File.
- 6) **Arguments in Support.** None on file.
- 7) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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