

SB 197: Military and Veteran Medical Facilities: Sales Tax Exemption

Senators Patricia Bates and Toni Atkins

IN BRIEF

SB 197 waives state and local sales and use taxes for charitable organizations that donate certain facilities to the U.S. Department of Defense (DoD) for operation on federal land in California. The facilities must be used for research and treatment of medical conditions prevalent in military personnel.

THE ISSUE

A number of active duty troops and veterans who have returned home from service suffer from posttraumatic stress disorder (PTSD) and/or traumatic brain injury (TBI).

For example, in Operations Iraqi Freedom and Enduring Freedom (Afghanistan), anywhere between 11 to 20 percent of those who served have PTSD in a given year. Those afflicted may need treatment to help readjust to civilian life. Without help, depression and thoughts of suicide may continue to persist in those afflicted.

The federal government is responsible for taking care of the medical needs of service members and veterans. However, there remains a need for additional facilities to serve those suffering from PTSD and TBI. Non-government entities are helping to meet that need by constructing and donating facilities to the U.S. DoD.

These facilities diagnose and treat PTSD, TBI and psychological health (PH) conditions. Since the facilities are constructed with private funds, they provide a way for Americans to personally support those who have sacrificed so much. The non-profit Intrepid Fallen Heroes Fund has completed facilities located at:

- Fort Campbell, Kentucky
- Camp Lejeune, North Carolina
- Fort Bragg, North Carolina
- Fort Hood, Texas
- Fort Belvoir, Virginia

A facility has already broken ground at:

- Joint Base Lewis-McChord, Washington state

Planned future sites for facilities include:

- Fort Carson, Colorado
- Fort Bliss, Texas
- *Camp Pendleton in San Diego County*

Maryland, Texas and Virginia have granted sales tax exemptions to qualified charitable organizations for purchases of tangible personal property used to construct the facilities. These exemptions help ensure that every dollar spent goes towards the construction of the facilities.

The desire to build a medical and rehabilitation facility at Camp Pendleton, and possibly additional facilities in the state that would serve active duty troops and veterans with PTSD and TBI, is an opportunity that California should seize.

There was a request in March 2016 to the California Board of Equalization (BOE) to grant an exemption from paying state sales tax (approximately \$1 million) on purchases to help build the Camp Pendleton facility. In April 2016, the BOE denied the request citing that the charitable organization that would construct and donate the facility is considered the consumer of the tangible personal property it purchases. It would have to pay sales tax reimbursement to its vendors or report use tax on its purchases of tangible personal property for use in California.

This decision is in contrast to other states that provide sales tax exemptions to encourage the building of similar facilities within their boundaries. Building a facility in California would cost even more than in other states.

Given that such facilities are built with charitable donations and are ultimately donated to the U.S. DoD for operation on federal land for the benefit of active duty troops and veterans living in the

surrounding area and beyond, it makes sense for California to not charge sales tax to build such facilities that ultimately benefit the state.

EXISTING LAW

The Sales and Use Tax Law exempts various items from taxes, including the storage, use, or consumption of meals and food products that are furnished or served by any nonprofit veteran's organization for the purpose of fundraising.

However, existing law does not exempt from these taxes the consumption of building materials and supplies purchased by qualified organizations in the construction of military and veteran medical facilities in California.

THE SOLUTION

SB 197 will give the state the legal authority to waive sales and use taxes for qualified charitable organizations that purchase building materials and supplies to construct and equip military and veteran medical facilities in California.

If enacted, the bill will encourage the construction of needed facilities to serve active duty troops and veterans afflicted with significant medical conditions.

FOR MORE INFORMATION

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Bill text and status can be found at:

www.leginfo.ca.gov.

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