

ARTS FOR EVERYONE, EVERYWHERE IN CALIFORNIA



ISSUE BRIEF: **AB 1777 the Creative Industries Revitalization Act**

QUESTIONS & ANSWERS about AB 1777, a bill that would transfer 20% of the sales tax generated from arts related items to the Creative Industries and Community Revitalization Fund (CICRF) administered by the California Arts Council (CAC) for arts programs in California's communities.

What is this funding stream? The transfer of 20% of the state's General Fund sales and use tax revenue derived from taxpayers engaged in certain lines of business to the State Treasury for allocation to the California Arts Council.

Is this an additional tax? No, this refers to the existing sales and use tax in California. This is a transfer of the existing sales and use tax revenues levied on arts-related purchases.

Does this transfer the sales tax collected only from the sale of works of art? No, it does not single out just works of art. The Board of Equalization (BOE) business codes 11 and 15 reference include: Art goods and gift stores, bric-a-brac stores, ceramic stores, imported gift merchandise, novelties and souvenir stores, music stores, musical instrument stores, piano stores, phonographic records stores and retail sheet music stores. The North American Industry Classification System codes are: Art dealers, art supply stores, candle shops, flower shops and other specialized retail stores.

Is this transfer of revenue difficult to administer or costly to the state? No, it can be administered easily and cost effectively. Some minor costs would be incurred in accounting but are expected to be absorbable by the BOE. The first transfer of the funds would occur about six months following the effective date of the bill and transfers of funds to the CICRF would continue quarterly.

The revenue is transferred to the CICRF and administered by the CAC for grants programs. The CAC's mission is to advance the state through the arts and creativity, with an emphasis on children and underserved communities. This kind of funding stream would provide more access to arts and culture for 37 million Californians and the millions of tourists who visit California each year. Funding to provide arts for everyone, everywhere in California.

Will this take revenue away from local government? No, cities and counties continue to receive their portion of the existing percentage of sales and use tax revenue equation. The statewide sales and use tax rate in California is 7.25%. Local governments receive 2% of this revenue; the state's General Fund receives 5% and the state Fiscal Recovery Fund receives .25%. This concept transfers to the CAC only 20% of the state General Fund's sales and use tax revenue levied on two, specific retail categories pertaining to arts, crafts and music purchases, as described in BOE codes 11 and 15.

How much is the projected revenue stream for the California Arts Council? \$30+ million. It is estimated that \$30 million will be transferred to the CICRF for the CAC to administer in the first year of the bill's enactment.

Will this transfer of revenue be a significant loss to other state programs? No. Nonprofit arts organizations generate nearly \$300 million in state and local taxes each year. This revenue provides an opportunity for arts organizations and artists to promote the sale of art and other arts related items, and increase the overall economic contribution to the state of California. Creating more art for more people generates more tax revenue for California. This is a public investment in the arts and in California creative industry workforce.

Who opposes this concept? Despite California's current fiscal crisis, there is no public opposition.

BACKGROUND:

Since 2003, California has been 50th in the nation in public investment for the arts, spending three cents per capita for the arts from the state's General Fund. As an effort to refurbish the state's arts funding structure and return the CAC grants budget to previous levels, Assemblywoman Betty Karnette (D-Long Beach) introduced AB 1365 in 2007.

It would have redirected sales taxes charged in two, specific retail categories pertaining to arts, crafts and music. The following year, Ms. Karnette introduced AB 2728 to transfer the 20% sales tax from two specific retail categories with an amendment that provided for a trigger that to enact the transfer when there was a structural balance in the state budget. Both bills did not pass their house of origin. Last year Assembly Member Paul Krekorian, assistant majority leader of the State Assembly, introduced AB 700, the Creative Industries Revitalization Act to invest in arts programs that serve communities. The state legislature continues to be challenged by the current economic crisis. However, the arts sector, nonprofit and for profit is an economic driver in California that contributes significantly to state and local revenue. More funding for more arts for more people will bring more dollars to California.

IMPACT: It is estimated that a 20% transfer of sales tax from arts related items would generate **\$30 million annually.**
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