

August 30, 2022  
The Honorable Gavin Newsom  
Governor, State of California  
1021 O Street, Suite 9000  
Sacramento, CA 95814

**RE: AB 1951 (Grayson) Sales and Use Tax: Exemptions: Manufacturing  
Request for Veto (As Amended August 1, 2022)**

Dear Governor Newsom,

The City of La Quinta respectfully requests your **Veto of AB 1951 (Grayson)**, which provides manufacturing companies a full sales tax exemption on new equipment for the next five years, including any local voter-approved transaction and use taxes. This measure cuts local budgets by over \$2 billion, including direct cuts to behavioral health programs in the middle of a behavioral health and homelessness crisis.

Under existing law, manufacturers receive an exemption for the state share of the sales tax, so they already pay less sales tax than other businesses. Through the California Alternative Energy and Advanced Transportation Financing Authority, manufacturers can also receive full exemptions for qualifying equipment that increases smart manufacturing systems, sustainability, and high value jobs.

The City of La Quinta supports California's manufacturing industry and small businesses. We were there to help our small businesses stay open in 2020 and beyond with our innovative COVID-19 Small Business Emergency Economic Relief Program, consisting of zero-interest loans, rebates, and grants. Our sales and use tax revenue significantly contributed to the success of this relief program.

With the current high inflationary economic environment and a looming recession, now is not the time to reduce local government revenues. Reductions in local sales and use tax revenues will not only affect the cities that provide direct services to manufacturing facilities benefiting from the exemption, but also every county in the state due to the statewide formulas for distributing realignment funds for health, human services, and behavioral health.

For these reasons, the City of La Quinta **Strongly Opposes AB 1951** and respectfully **requests your veto**. Thank you.

Sincerely,



Linda Evans, Mayor  
City of La Quinta

CC: Assembly Member Timothy Grayson, Author  
Senator Melissa Melendez, Senate District 28  
Assembly Member Chad Mayes, Assembly District 42  
Members of the City of La Quinta Council  
League of California Cities