



# This Week in State Tax (TWIST)

September 30, 2024



## California: Governor Vetoes Income Tax Credit to Offset Local Sales Tax on Manufacturing Equipment

Governor Gavin Newsom vetoed Assembly Bill 52 that would have provided a state income tax credit to offset that portion of the sales and use tax imposed on the purchase of manufacturing machinery and equipment, as well as certain research and development purchases, that is not currently exempted. Recall, under current law, purchases of qualified manufacturing and research equipment are exempted from the 3.975 percent state sales and use tax, but remain subject to city, county, and district sales and use taxes. AB 52 would have provided a state income tax credit for the local tax imposed on such qualified purchases to become effective in 2025, provided that the state budget specifically provided funding to administer the credit. In his September 20 [veto message](#), the Governor indicated he agreed with the intent of the bill, but said the impact on the state general fund was significant and should be considered as a regular part of the budget process. See our [earlier TWIST](#) on Assembly Bill 52 here. [Assembly Bill 2854](#), which would require public disclosure of certain local sales tax sharing agreements, is still before the Governor. He must act on it by September 30. For further information, please contact [Jim Kuhl](#).

Learn about us:



[kpmg.com](https://www.kpmg.com)

The following information is not intended to be "written advice concerning one or more federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS011027-1AG