Assembly Bill 464 (Mullin and Gordon)
Date: Introduced
Program: Transactions and Use
Sponsor: Author
Revenue and Taxation Code Section 7251.1
Effective: January 1, 2016

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Summary: Increases the combined rate of all transactions and use taxes (district taxes) imposed in any county from 2% to 3%.

Purpose: To allow cities and counties to raise additional revenue to support local programs and services.

Fiscal Impact Summary: No impact to state revenue. The local revenue impact is specific to each local jurisdiction.

Existing Law: The BOE administers locally-imposed sales and use taxes under the Bradley-Burns Uniform Local Sales and Use Tax Law and under the Transactions and Use Tax Law, which are set forth in the Revenue and Taxation Code. By law, cities and counties contract with the BOE to administer the ordinances imposing the local and transactions and use (district) taxes.

The **Bradley-Burns Uniform Local Sales and Use Tax Law**[1] authorizes cities and counties to impose local sales and use tax. This tax rate currently[2] is fixed at 1% of the sales price of tangible personal property sold at retail in the local jurisdiction, or purchased outside the jurisdiction for use within the jurisdiction. Of this 1%, cities and counties use 0.75% to support general operations. The remaining 0.25% is designated by statute for county transportation purposes, but restricted for road maintenance or the operation of transit systems. The counties receive the 0.25% tax for transportation purposes regardless of whether the sale occurs in a city or in the unincorporated area of a county. In California, all cities and counties impose Bradley-Burns local taxes at the uniform rate of 1%.

The **Transactions and Use Tax Law**[3] and the statutes imposing additional local taxes[4] authorize cities and counties to impose district taxes under specified conditions. Counties may impose a district tax for general purposes and special purposes at a rate of 0.125%, or multiples of 0.125%, if the tax ordinance is approved by the required percentage of voters in the county. Cities also may impose a district tax for general purposes and special purposes at a rate of 0.125%, or multiples of 0.125%, if the tax ordinance is approved by the required percentage of voters in the city. Under these laws, the combined district tax rate imposed within any county cannot exceed 2%[5] (with the exception of the counties of Alameda, Contra Costa, and Los Angeles[6]).

Counties can also establish a transportation authority to impose district taxes under the Public Utilities Code (PUC). Various statutes under the PUC authorize a county board of supervisors to create an authority within the county or designate a transportation-planning agency to impose a district tax, subject to the applicable voter approval requirement. District taxes imposed under the PUC must conform to the administrative provisions contained in the Transactions and Use Tax Law, including the

[1] Part 1.5 of Division 2 of the Revenue and Taxation Code (RTC), commencing with Section 7200.
[2] RTC Section 7203.1.
[3] Part 1.6 of Division 2 of the RTC, commencing with Section 7251.
[4] Part 1.7 of Division 2 of the RTC, commencing with Section 7280.
[5] RTC Section 7251.1.
[6] Exceptions authorized through AB 1324 (Ch. 795, 2014, Skinner) for City of El Cerrito, AB 210 (Ch. 194, 2013, Wieckowski) for Alameda County and Contra Costa County and SB 314 (Chapter 785, 2003, Murray) for the Los Angeles Metropolitan Transportation Authority.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

requirement to contract with the BOE to perform all functions related to the administration and operation of the ordinance. In general, these statutes specify a tax rate to be imposed or specify that a rate may be imposed in specific increments (0.25% increments) up to a maximum tax rate. These statutes do not specify a combined rate limitation.

Proposed Law: This bill amends RTC Section 7251.1 to increase the combined rate of all district taxes imposed within any county from 2% to 3%. The bill is effective January 1, 2016.

Legislative History: Bills enacted that established or increased the maximum combined district tax rate include:

Year	Legislation	Maximum Combined Rate
1987	SB 142, Ch. 786, Deddeh, in effect January 1, 1988	1%[7]
1990	AB 1930, Ch. 1024, Farr, in effect January 1, 1991	1.5%
2003	SB 566, Ch. 709, Scott, in effect January 1, 2004	2%

Over the years, four bills have been approved by the Legislature granting specific authority to local entities to impose a district tax not subject to the 2% rate limitation:

Year	Legislation	Description
2003	SB 314 Chapter 685	Authorizes the Los Angeles MTA to impose a district tax at a rate of 0.5% for the funding of specified transportation-related capital projects and programs.
2011	AB 1086 Ch. 327	Authorized the County of Alameda to impose a district tax for the support of countywide transportation programs at a rate of no more than 0.5%. It required that the ordinance proposing the tax be submitted to the electorate on the November 6, 2012, General Election ballot. Alameda County voters declined to approve the proposed district tax (Measure B1) on the November 6, 2012, ballot.
2013	AB 210 Ch. 194	Extends the authority of Alameda County, and authorizes Contra Costa County, to impose a countywide transportation program district tax at a rate of no more than 0.5%.
2014	AB 1324 Ch. 795	Authorizes the City of El Cerrito to impose a general-purpose district tax at a rate of no more than 0.5%.

District Taxes Currently Administered by the BOE. Beginning April 1, 2015, 202 local jurisdictions (city, county, and special purpose entity) [8] will impose a district tax for general or special purposes. Of the 202 jurisdictions, 48 are county-imposed and 154 have city-imposed taxes. Four of the 48 county-imposed taxes are general purpose taxes and 44 are special purpose taxes. Of the 154 city-imposed taxes, 124 are general purpose taxes and 30 are special purpose taxes.

Currently, the individual district tax rates vary from 0.1%[9] to 1%. Some cities and counties have more than one district tax in effect, while others have none. Accordingly, combined state, local and district tax rates generally range from 7.5% to 9.5%, with the exceptions of the cities of Albany, Hayward, San Leandro, and Union City in Alameda County, and the cities of La Mirada, Pico Rivera, and South Gate in

[7] The Transactions and Use Tax Law was enacted on November 10, 1969, and authorized certain transit districts to impose a district tax at a rate of 0.5%. On April 1, 1970, the Bay Area Rapid Transit (BART) District was the first entity to impose a district tax. In 1987, SB 142 established the maximum combined district tax rate of 1% in law.
[8] Currently, all district taxes are levied exclusively within the borders of either a county or an incorporated city (with the exception of the Bay Area Rapid Transit District, which is comprised of Alameda, Contra Costa, and San Francisco counties and the Sonoma-Marin Rail Transit District). For purposes of calculating the 202 jurisdictions, the Bay Area Rapid Transit District and the Sonoma-Marin Rail Transit District are counted as one jurisdiction, even though each jurisdiction is comprised of three counties and two counties, respectively.
[9] Through specific authority, SB 1187 (Ch. 285, Stats. 2001, Costa) authorized Fresno County to impose a 0.1% district tax for zoological purposes.

Los Angeles County, which, subject to the specific exemptions discussed above, each have a tax rate of 10%. A listing of the district taxes, rates, and effective dates is available on the BOE's website: www.boe.ca.gov/sutax/pdf/districtratelist.pdf.

Commentary:

1. **A 3% cap.** The highest sales and use tax rate is 10%, imposed in the cities of Albany, Hayward, San Leandro, and Union City in Alameda County, and the cities of La Mirada, Pico Rivera, and Southgate, in Los Angeles County. Based on the current 7.5% statewide tax rate, a city or county that reached the 3% cap would have a combined state, local and district tax rate of 10.5%.
2. **This bill would eliminate the need to seek specific authorization.** In recent years, more counties sponsored legislation to gain an exception to the current 2% cap. This bill streamlines the process for those jurisdiction to bring an increased tax rate before their local voters.
3. **Alameda, Contra Costa, Los Angeles, and San Mateo Counties have reached the 2% limit.**
   - Alameda County has four[10] 0.5% county-wide taxes (2%) and four 0.5% city-wide taxes (Albany, Hayward, San Leandro, and Union City). Because these four cities each impose a 0.5% tax, Alameda County has reached the 2% limit.
   - Contra Costa County has two 0.5% county-wide taxes (1%) and fourteen city-wide taxes (Antioch (0.5%), Concord (0.5%), El Cerrito (two taxes at 0.5% and 1% for a total of 1.5%), Hercules (0.5%), Moraga (1%), Orinda (0.5%), Pinole (two 0.5% taxes for a total of 1%), Pittsburg (0.5%), Richmond (two 0.5% taxes for a total of 1%), and San Pablo (two taxes at 0.5% and 0.25% for a total of 0.75%). El Cerrito's two taxes totaling 1.5%[11]and Moraga's 1% tax have pushed Contra Costa County to the 2% limit.
   - Los Angeles County has three 0.5% county-wide taxes (1.5%) and eleven city-wide taxes (Avalon (0.5%), Commerce (0.5%), Culver City (0.5%), El Monte (0.5%), Inglewood (0.5%), La Mirada (1%), Pico Rivera (1%), San Fernando (0.5%), Santa Monica (0.5%), South El Monte (0.5%), and South Gate (1%). Because the cities of La Mirada, Pico Rivera, and South Gate each impose a tax at rates of 1%, Los Angeles County has reached the 2% limit.
   - San Mateo County has three 0.5% county-wide taxes (1.5%) and two city-wide taxes (Half Moon Bay (0.5%) and San Mateo (0.25%)). Because Half Moon Bay imposes a 0.5% tax, San Mateo County is at the 2% limit.
4. **Marin, San Diego, and Sonoma Counties are near the 2% limit.**
   - Marin County has ten district taxes imposed within its borders—three county-wide taxes and seven city-wide taxes. For the three county-wide taxes, the tax rates are 0.25% (two 0.25% taxes) and 0.5% for a total county-wide tax rate of 1%. The seven cities that impose a district tax are Corte Madera, Fairfax, Larkspur, Novato, San Anselmo, and Sausalito, each at a rate of 0.5%, and San Rafael at a rate of 0.75%. Because San Rafael imposes a tax of 0.75%, Marin County is 0.25% shy of the 2% limit.
   - While San Diego County only levies one 0.5% district tax, five cities impose their own. National City's 1% rate leaves San Diego County 0.5% shy of the 2% limit.
   - Sonoma County has three 0.25% county-wide taxes (0.75%) and eight city-wide taxes (Cotati (1%), Healdsburg (0.5%), Santa Rosa (two 0.25% taxes for a total of 0.5%), Sebastopol (two taxes at 0.25% and 0.5% for a total of 0.75%), and Sonoma (0.5%). Because Santa Rosa imposes two taxes totaling 0.75%, Sonoma County is 0.5% shy of the 2% limit.

[10] AB 210 (Ch. 194, Stats. 2013), authorizes Alameda County to levy a district tax not subject to the 2% cap.
[11] AB 1324 (Ch. 795, Stats. 2014) El Cerrito is authorized to levy a tax not subject to the 2% cap.

5. **Related Legislation.** AB 338 (Hernandez) and SB 767 (De Leon) both authorize the Los Angeles Metropolitan Transportation Authority to impose an additional 0.5% district tax for a period to be determined by the MTA for the funding of transportation-related projects and programs. The tax may exceed the existing 2% rate limitation.

Administrative Costs: This bill does not increase administrative costs to the BOE because it only increases the maximum combined rate limitation in law. Under current law, if the voters of a city or county approve a tax, that city or county would be required to contract with the BOE and pay for its preparation costs, as well as ongoing service costs to administer the ordinance. However, to the extent that more local tax measures are approved by local voters within a city or county, the BOE will need additional resources to administer new taxes. The BOE will utilize the normal budget change proposal process to obtain the necessary funding when the number of newly approved measures requires additional staff to administer the workload.

Revenue Impact: This bill would not affect state revenues. The local revenue impact would be specific to each city or county that approved a tax. That revenue impact cannot be estimated.