



LOCAL TAX TRENDS IN CALIFORNIA

A SURVEY OF BALLOT MEASURE ELECTIONS FROM 2010-2020

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An aerial photograph of the Fresno city skyline during the "golden hour" of sunset. The sun is low on the horizon, casting a warm, golden glow over the city. In the foreground, a large parking lot with several cars is visible. Behind it, a long, low building with a series of arched windows stretches across the frame. To the left, a tall building with a distinctive tower and antenna is prominent. To the right, a tall, modern skyscraper stands out. The city extends into the distance, with various other buildings and greenery visible under the hazy sky.

INTRODUCTION

Fresno County, City of Fresno

INTRODUCTION

In California, local taxes require voter approval, giving taxpayers a significant amount of power over the tax burden in their cities, counties, and special districts, including school districts.

This report examines the local tax measures placed before voters from 2010 to 2020, a period in which 1,956 local tax measures appeared on the ballot and 1,359 (69.5 percent) were approved, representing a cumulative tax increase of more than \$8.8 billion per year.

The measures include sales taxes, parcel taxes, hotel taxes, business license taxes and more. Most were placed on the ballot by city councils, school boards,

and other governmental bodies, while a small number reached the ballot via the initiative process.

The California Constitution provides that local taxes earmarked for a specific government program are “special taxes” that require a two-thirds vote, while local taxes that are not earmarked are “general taxes” that require approval by a simple majority of the voters. (However, recent court decisions have created a loophole that has allowed special taxes to be approved with a simple majority vote if placed on the ballot via an initiative – even when sponsored by elected officials.)

This report analyzes the passage rates under existing vote thresholds and the potential effects of changing the thresholds. Additionally, this report examines the electoral process itself.

TABLE 1 – LOCAL TAX MEASURES IN CALIFORNIA (2010 TO 2020)

TYPE OF TAX	ANNUAL TAX PROPOSED	NUMBER OF MEASURES
Business License & Gross Receipts Tax	\$1,841,956,750	57
Cannabis Tax	\$230,408,172	225
Documentary Transfer Tax	\$411,640,462	20
Parcel Tax	\$2,552,776,124	802
Transactions & Use Tax (Sales Tax)	\$6,402,806,076	516
Transient Occupancy Tax (Hotel Tax)	\$262,405,660	174
Utility Users Tax	\$180,608,078	123
Vehicle Tax	\$38,700,000	16
Other Taxes, Including Excise Taxes	\$74,833,000	23
TOTAL	\$11,996,134,322	1956

TABLE 2 – LOCAL TAX MEASURES BY TYPE OF GOVERNMENTAL ENTITY (2010 TO 2020)

TYPE OF GOVERNMENT	FAIL	PASS	TOTAL
City	266	866	1132
College District	5	5	10
County	85	125	210
Fire District	80	64	144
School District	83	205	288
Special District	78	94	172
TOTAL	597	1359	1956



HOW LOCAL TAXES ARE APPROVED

Marin County, City of Tiburon

HOW LOCAL TAXES ARE APPROVED

Under the California Constitution, a local tax must be imposed with the consent of the voters where the tax will be levied. This avoids taxation without representation, but can result in people approving taxes they will not directly pay (for example, renters can vote for higher taxes on property owners, and residents can approve taxes paid primarily by out-of-town tourists).

Proposition 13, the property tax reform initiative approved by California voters in 1978, amended the state constitution to specify that any local tax earmarked to fund specific programs is a special tax that requires approval by at least two-thirds of the local electorate.

Proposition 218 in 1996 strengthened vote requirements to provide that all taxes and most charges on property owners are subject to voter approval.

The constitution was amended again in 2000, when voters approved Proposition 39 to lower the vote threshold for school bonds – from two-thirds to

55 percent – when specified conditions are met. These are tax measures because the bonds are repaid via increased property taxes in the school district that issues the bonds.

The lowering of the vote threshold for school bonds prompted repeated efforts by local governments to reduce the threshold to 55 percent for other types of local taxes (for example, ACA 1 in the 2021-22 legislative session). As of mid-2021, no such proposal had succeeded.

The constitution was amended again in 2010, this time with passage of Proposition 26, the Stop Hidden Taxes Initiative. Proposition 26 strengthened definitions to stop local governments from mislabeling taxes as “fees” to get around the taxpayers’ right to vote to approve a tax. The measure also placed the burden of proof on local government in disputes over whether a charge imposed without voter approval was an illegal tax or a legitimate fee.

In August 2017, the California Supreme Court ruled that local measures placed on the ballot via an initiative are not bound by the same restrictions as those placed on

the ballot by government agencies (*California Cannabis Coalition v. City of Upland*).

Although the case did not directly implicate the two-thirds vote threshold required under Proposition 13 and Proposition 218, the ruling has had a significant impact on the approval of local special taxes.

Almost immediately after the ruling, San Francisco City Attorney Dennis Herrera issued a memo stating that “it seems very likely that voters may now propose special taxes by initiative subject only to a majority vote.” In 2018, numerous cities and counties had measures on the ballot to impose special taxes by majority vote. Del Norte County’s Measure C, a hotel tax to fund debt repayment and harbor repairs, was declared approved despite receiving only 54.69 percent of the vote. The county counsel wrote that “because Measure C was submitted to the electorate by voter initiative, rather than a local government, a simple majority is sufficient for approval, even though it is a special tax.”

San Francisco also had a number of ballot initiatives passed by a simple majority vote. Proposition C of June 2018, a commercial rent tax to fund childcare and

early education, was declared to have passed despite receiving only 50.87 percent of the vote. Proposition G of June 2018, a parcel tax to fund teacher salaries and other education funding, was declared approved with 60.76 percent of the vote. In November of the same year, San Francisco declared that another Proposition C, a gross receipts tax increase to fund housing and homelessness services, passed with 61.34 percent of the vote.

Other measures deemed approved using simple majority-vote thresholds included Fresno’s Measure P and Oakland’s Measure AA, both in November 2018.

Litigation ensued almost immediately after the declarations that these initiatives had passed despite receiving votes well below the two-thirds threshold.

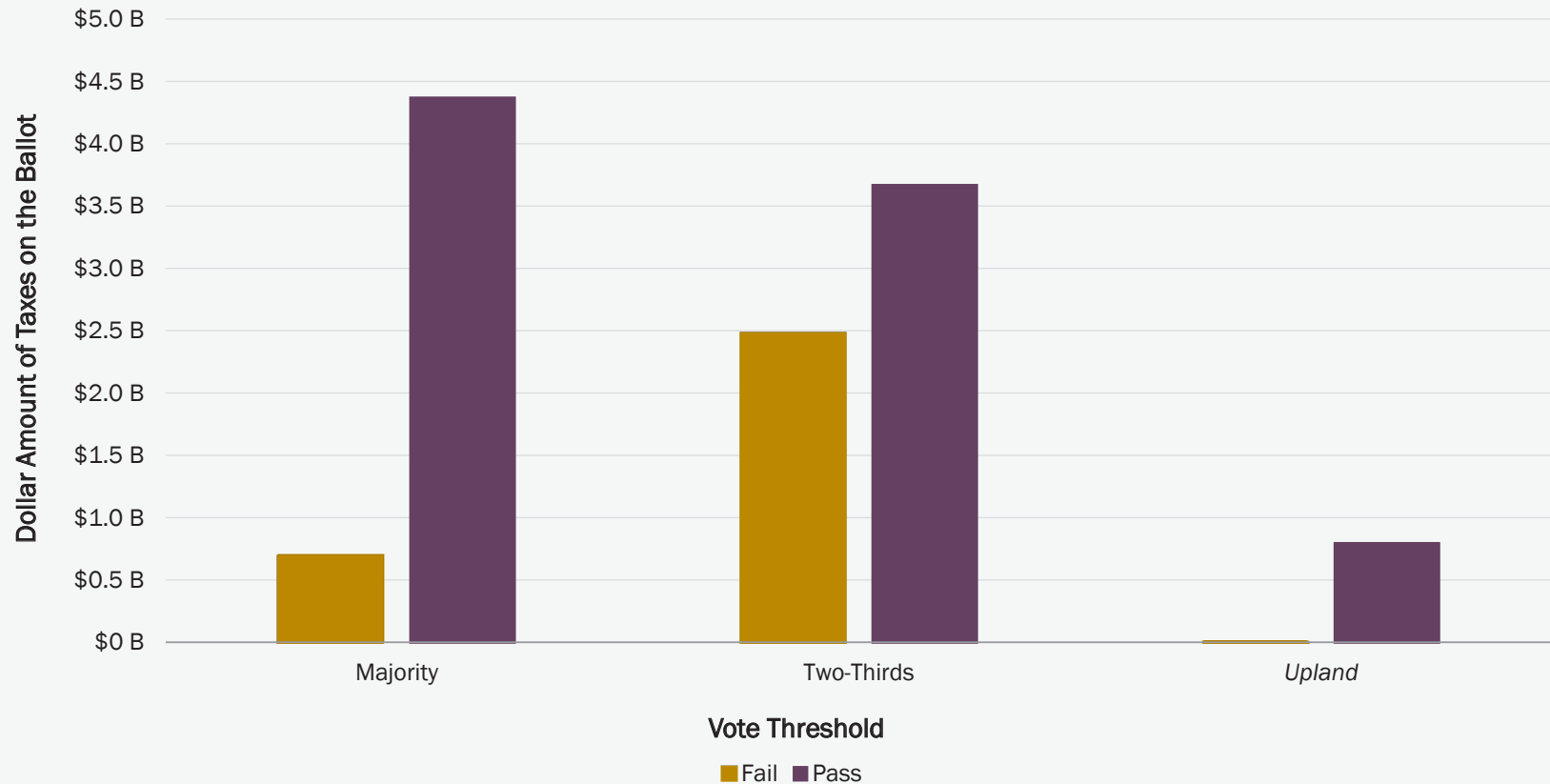
Except for a challenge to Oakland’s Measure AA, by August 2021, most challenges brought forward by taxpayers had lost on appeal or were denied a hearing before the California Supreme Court, leaving in place the ability of special interest-backed tax measures to be approved by a majority vote. As of this writing, the Oakland litigation remains pending in the courts.

TABLE 3 – SPECIAL TAXES DEEMED APPROVED BY MAJORITY VOTE

ELECTION DATE	DESCRIPTION	VOTES IN SUPPORT	ANNUAL PROPOSED TAX INCREASE
June 5, 2018	City & County of San Francisco – Proposition C. Imposes a gross receipts tax of 1 percent for warehouses and 3.5 percent for other commercial uses to fund early care and education for children from birth through age 5.	50.87%	\$250 Million to \$300 Million
November 6, 2018	City & County of San Francisco – Proposition C. Imposes a 1.5 percent gross receipts tax on any business in San Francisco that makes more than \$50 million annually, to fund homelessness services.	61.34%	\$280 Million to \$300 Million
June 5, 2018	San Francisco Unified School District – Proposition G. Imposes a \$298 parcel tax for 20 years to pay for teacher and paraeducator salary raises, increased staffing and to provide more competitive compensation for employees.	60.76%	\$80 Million
November 6, 2018	City of Fresno – Measure P. Imposes a 0.375 percent sales tax increase for 30 years to fund parks and arts programs.	52.17%	\$37.5 Million
November 6, 2018	City of Oakland – Measure AA. Imposes a \$198 parcel tax for single-family homes and other rates for other types of properties for 30 years to expand access to early childhood and preschool education.	61.79%	\$25 Million to \$30 Million
November 6, 2018	Del Norte County – Measure C. Increases the county's transient occupancy tax (hotel tax) by 2 percent to 10 percent to fund debt repayment for a federal loan issued following damages from the tsunamis of 2006 and 2011, and to fund harbor repairs. The measure also expands the application of the hotel tax to spaces rented at recreational vehicle parks at a rate of 2 percent.	54.69%	Unknown
March 3, 2020	Alameda County – Measure C. Imposes a 0.5 percent sales tax increase for 20 years to maintain, upgrade and expand a pediatric trauma center in Alameda County and provide expanded preschool and early education access to low- and middle-income children from birth to age 12.	64.35%	\$150 Million

Note: All of the above measures were placed on the ballot via the local initiative process. The only other special tax measure to be keyed for a “majority vote” was Measure T of April 2018 in the City of Avalon. Voters rejected that measure with 44.09 percent voting yes.

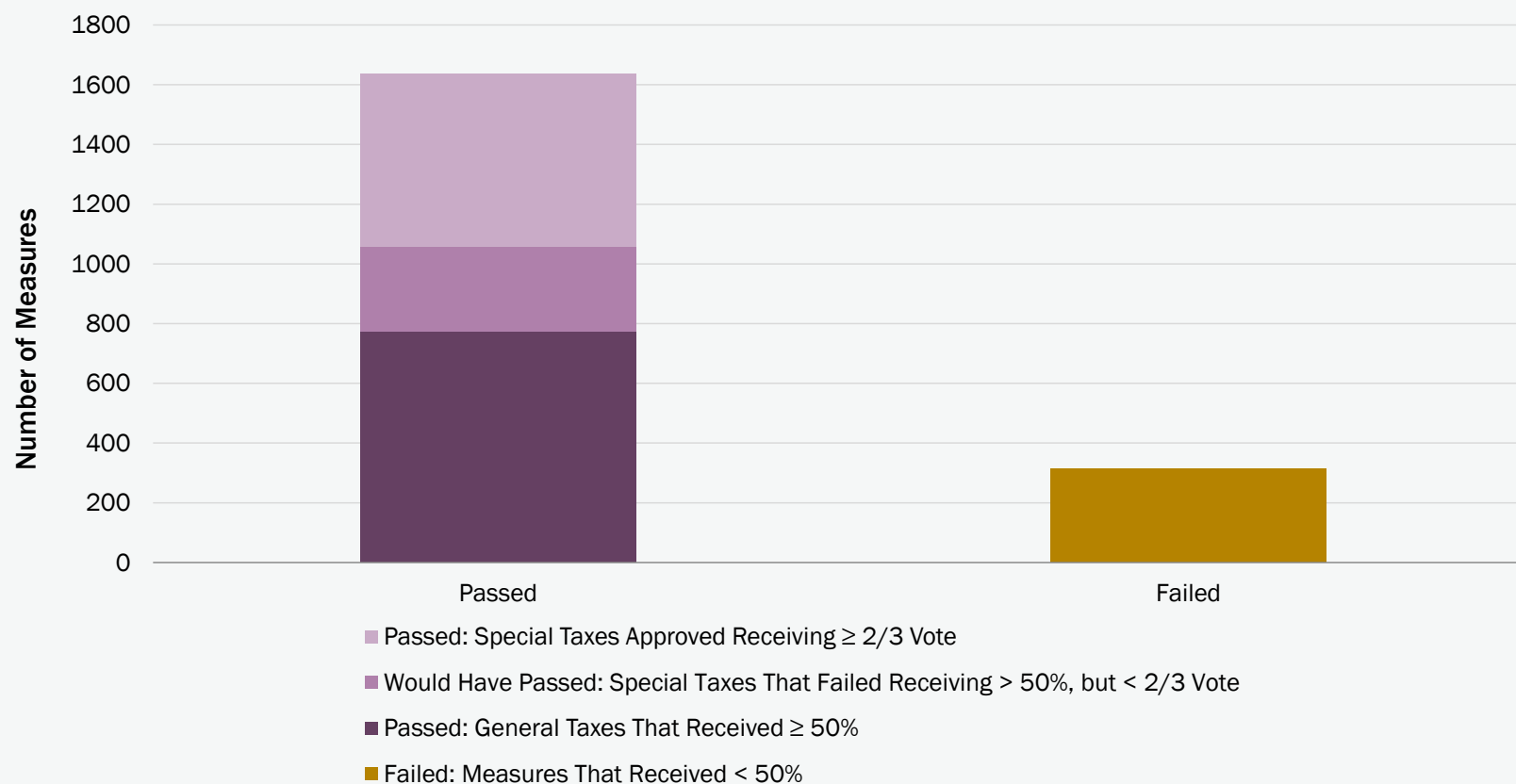
FIGURE 1 – PASSAGE RATE OF LOCAL TAX MEASURES, BY APPROVAL REQUIREMENT



From 2010 to 2020, voters approved \$8.82 billion in higher annual taxes and rejected \$3.17 billion in higher annual taxes. Of the 1,956 local tax measures that appeared on the ballot, 972 were general taxes, 984 were special taxes (including eight that used the

Upland decision to justify a majority-vote threshold). Voters approved 1,359 measures (774 general taxes, 578 special taxes, and seven *Upland* measures) and rejected 597 (198 general taxes, 398 special taxes, and one *Upland* measure).

FIGURE 2 – PASSAGE RATE OF LOCAL TAX IF ALL TAXES COULD BE APPROVED BY MAJORITY VOTE

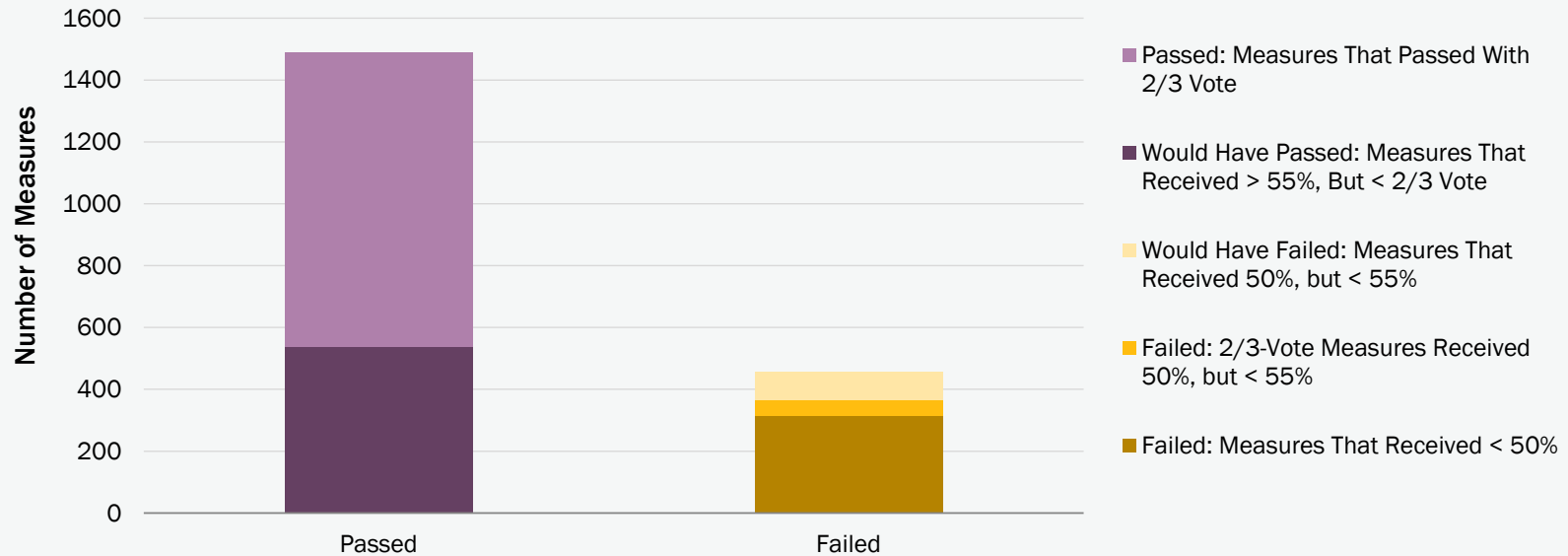


Note: The data above does not account for the possibility that campaigns for or against a measure would have used different tactics if the vote thresholds had been different, and election results may have changed as a result.

If all local measures could have been approved by a majority vote from 2010 to 2020, an additional \$2.4 billion in annual higher taxes would have

been approved. The lower vote threshold would have allowed an additional 284 special taxes to be approved.

FIGURE 3 – PASSAGE RATE OF LOCAL TAXES IF ALL TAXES COULD BE APPROVED BY A 55 PERCENT VOTE



Policymakers have considered reducing the vote threshold to 55 percent for some local taxes – the same vote currently required for school bonds that meet specified criteria. If a 55 percent vote requirement had applied to all local tax measures from 2010 to 2020, a net increase of \$852.9 million in annual taxes would have been approved (235 special tax measures would have passed, while 92 general tax measures would have failed under a 55 percent vote threshold).

A constitutional amendment proposed during the 2021-22 legislative session (ACA 1, Aguiar-Curry)

would use a 55 percent threshold for local measures that fund “public infrastructure,” defined to include water, climate change protections, parks, open space, transportation, flood control, hospitals, library facilities, and public safety facilities. Under this definition, the 235 measures that would have passed under an unrestricted 55 percent vote threshold would decline to 60 measures, generating approximately \$390 million in additional tax revenue annually.

TABLE 4 – GENERAL TAXES APPROVED BY MAJORITY VOTE WHICH WOULD HAVE FAILED IF ALL TAXES COULD BE APPROVED BY A 55 PERCENT VOTE

TYPE OF LOCAL GOVERNMENT & SPECIFIC FUNDING	COUNT OF RESULTS	SUM OF ANNUAL PROPOSED
CITY	79	\$752,603,000
Education	1	\$250,000,000
General Services	77	\$465,103,000
Parks & Recreation	1	\$37,500,000
COUNTY	11	\$183,290,000.00
General Services	10	\$183,290,000
Parks & Recreation	1	N/A
SPECIAL DISTRICT	2	\$14,277,050
Fire	1	\$277,050
Transportation	1	\$14,000,000
Grand Total	92	\$950,170,050

Note: While all except for three of the above measures were “general taxes,” the ballot language for these measures specified how local governments would earmark new funding. The remaining three measures were special taxes that used the *Upland* ruling to justify a majority vote requirement rather than a two-thirds vote requirement.

A statewide ballot initiative was filed in 2018 to increase the vote threshold to two-thirds for all local tax measures, regardless of how the revenue would be used. While that initiative did not go to the ballot, had it been approved by voters it would have limited the passage of new and increased taxes throughout California.

A two-thirds vote requirement for all local tax measures that appeared before voters from 2010 to 2020 would have resulted in a reduction of nearly \$3.1 billion in the amount of annual taxes approved. The higher threshold would have stopped 399 majority-vote measures from becoming law, including seven special taxes that became law with a majority vote due to local governments' interpretation of the *Upland* decision. During this time period, 382 majority-vote measures were approved by a margin of two-thirds or more.

Since special district tax measures are special taxes and require a two-thirds vote under current law, revenue generated to fund K-12 schools, community colleges, and fire districts would not be affected by a higher vote threshold for other taxes. A higher threshold would largely impact general tax measures proposed by cities and counties. Based on data from the past decade, the greatest impact likely would be on measures appearing before voters in the San Francisco Bay Area.

The revenue from general taxes proposed by cities and counties does not have to be spent on specific earmarked purposes. However, the ballot descriptions and information conveyed to voters often lists specific services that would

be funded by a revenue-generating measure.

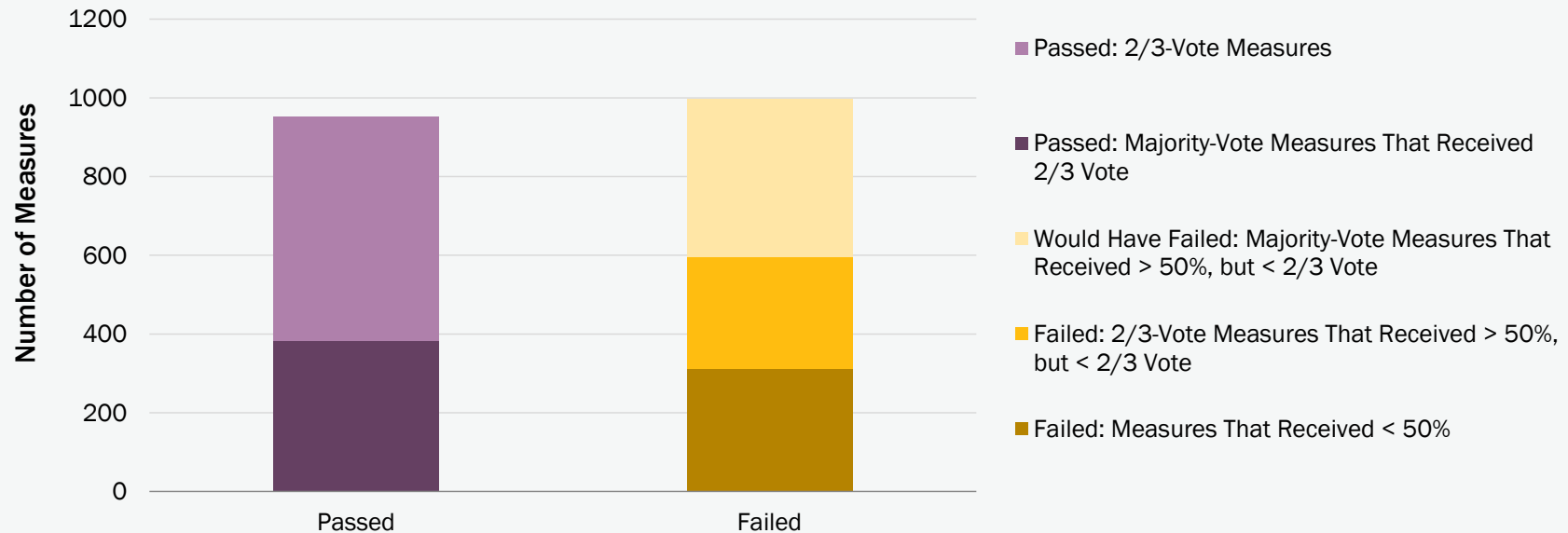
Below are examples of ballot descriptions of recently enacted, majority-vote tax measures that would have failed under a two-thirds vote requirement:

- **City of Sacramento – Measure U of 2018.** “Shall the measure to protect and enhance essential public safety services, including 9-1-1 response, fire protection, community neighborhood policing, and other essential services, including homeless supportive services, affordable housing, libraries, park maintenance, high-wage job promotion, and youth programming, by enacting a one-cent sales tax generating \$95 million annually that is legally required to stay in the City’s General Fund, until ended by voters, with independent annual financial audits and citizen oversight, be adopted?” (Vote in support: 55.64 percent.)
- **City of San José – Measure E of 2020.** “To fund general City of San José services, including affordable housing for seniors, veterans, disabled, and low-income families, and helping homeless residents move into shelters/permanent housing, shall an ordinance be adopted enacting a real property transfer tax including unrecorded transfers at these rates: EXEMPT transfers under \$2,000,000 adjusted for inflation, \$2,000,000 to \$5,000,000 at 0.75%, \$5,000,000.01 to \$10,000,000 at 1.0%, and over \$10,000,000 at 1.5%; generating approximately \$70,000,000 annually, until repealed, with all money staying local?” (Vote in support: 53.56 percent.)

- **City of Temecula – Measure S of 2016.** “To maintain 9-1-1 emergency response times, prevent cuts to local paramedic/police/fire protection, school safety patrols, youth/after-school, senior, disabled services; improve freeway interchanges/ reduce traffic; other general services; shall

Ordinance 2016-06 of the City of Temecula be adopted establishing a one-cent sales tax providing \$23,000,000 dollars annually, until ended by voters; requiring independent audits, no money for the State, all funds remaining local?” (Vote in support: 50.92 percent.)

FIGURE 4 – PASSAGE RATE OF LOCAL TAXES IF ALL TAXES REQUIRED A TWO-THIRDS VOTE



Note: The data above does not account for the possibility that campaigns for or against a measure would have used different tactics if the vote thresholds had been different, and election results may have changed as a result.

The data above includes all measures where the election results contained the percentage of voters in support. Measures that passed but did not include this data have not been included.

TABLE 5 – LOCAL TAXES APPROVED BY MAJORITY VOTE WHICH WOULD HAVE FAILED IF ALL TAXES REQUIRED A TWO-THIRDS VOTE FOR APPROVAL, BY TYPE OF GOVERNMENTAL ENTITY

TYPE OF LOCAL GOVERNMENT & SPECIFIC FUNDING	ELECTION RESULTS: MEASURES PASSED	TOTAL SUM OF ANNUAL TAXES PROPOSED
CITY	358	\$2,509,252,293
Education	2	\$275,000,000
Fire	1	N/A
General Services	348	\$2,174,052,293
Infrastructure	1	\$1,650,000
Library	1	\$250,000
Parks & Recreation	1	\$37,500,000
Public Safety	3	\$11,800,000
Seismic Safety	1	\$9,000,000
COUNTY	36	\$564,940,000
Education	1	\$150,000,000
General Services	32	\$403,940,000
Parks & Recreation	1	N/A
Transportation	1	\$11,000,000
Vehicle Abatement	1	N/A
SPECIAL DISTRICT	5	\$66,277,050
Fire	1	NA
Education	1	\$50,000,000
Other	3	\$16,277,050
GRAND TOTAL	399	\$3,140,469,343

Note: While all except for seven of the above measures were “general taxes,” the ballot language for these measures specified how local governments would earmark new funding. The remaining seven measures were special taxes that used the *Upland* ruling to justify a majority vote requirement rather than a two-thirds vote requirement.

TABLE 6 – LOCAL TAXES APPROVED BY MAJORITY VOTE WHICH WOULD HAVE FAILED IF ALL TAXES REQUIRED A TWO-THIRDS VOTE, BY REGION

REGION	NUMBER OF MEASURES	SUM OF ANNUAL TAXES PROPOSED
Central Coast	49	\$157,610,000
Central Valley	67	\$291,966,726
Los Angeles	59	\$349,720,000
Northern California	33	\$45,222,000
San Francisco Bay Area	98	\$1,847,405,250
Sierra Foothills	24	\$39,370,050
Southern California	69	\$409,175,317
TOTAL	399	\$3,140,469,343



TYPES OF TAXES

Orange County, City of Ladera Ranch

BUSINESS LICENSE TAXES

From 2010 to 2020, 43 cities and three counties approved business license tax measures, representing a cumulative business tax increase of more than \$1.8 billion annually. Of the 57 business license tax measures on the ballot during this period, nearly all had a majority-vote threshold, and of the 46 measures that were approved, 18 were approved with less than two-thirds of the vote.

More than 450 cities require businesses to purchase an annual license for the privilege of doing business in the city. Certain county ordinances also require a license if business is conducted within unincorporated areas. Doing business in a city or county without a license can result in penalties and legal action. While most business license taxes are imposed at a flat rate, others – including 16 measures placed on the ballot from 2010 to 2020 –

are based on gross receipts. Voters in Mountain View approved California’s only business license tax based on employee headcount (Measure P of 2018).

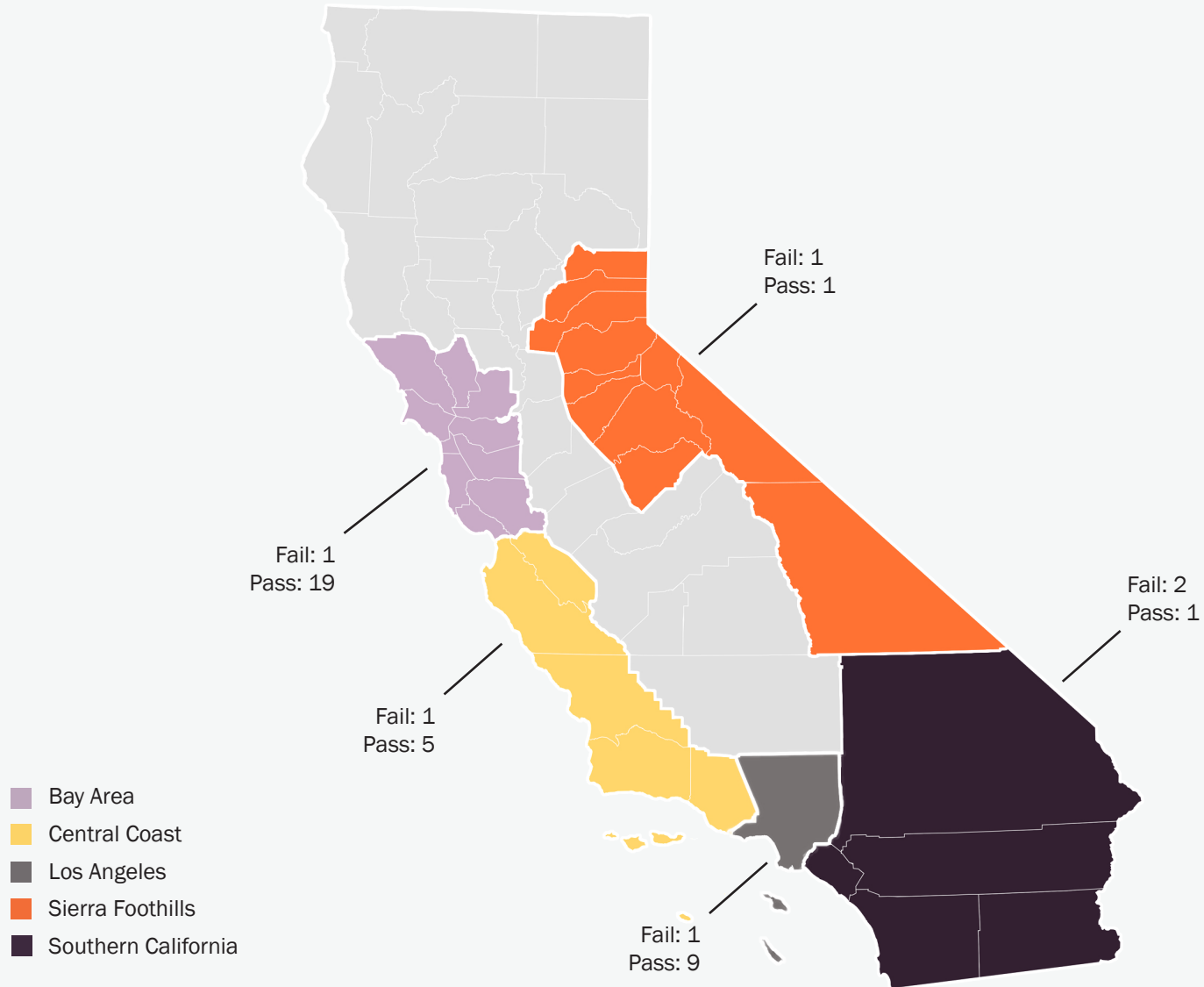
A business license tax based on gross receipts is structured so that taxes are imposed on all sales made by a company, regardless of the income source. Gross receipts taxes are levied on the seller of goods or services rather than on consumers. The cost of the tax may be built into a product or service, resulting in tax pyramiding — effectively a tax imposed upon another tax. Pyramiding can distort markets, as vertically integrated businesses are not subject to as many layers of taxation as non-vertically integrated businesses. As a result, consumers pay a higher price for goods than if another form of tax would have been imposed.

Authority to levy a business license tax is specified in Business and Professions Code Section 16000.

TABLE 7 – ELECTION RESULTS FOR BUSINESS LICENSE TAXES

TAX MEASURES	FAIL		FAIL TOTAL	PASS		PASS TOTAL	GRAND TOTAL
	MAJORITY	TWO-THIRDS		MAJORITY	TWO-THIRDS		
Business License Tax	6	–	6	33	1	34	40
Gross Receipts Tax	4	1	5	11	–	11	16
Headcount Tax	–	–	–	1	–	1	1
TOTAL	10	1	11	45	1	46	57

FIGURE 5 – WHERE BUSINESS LICENSE TAXES WERE APPROVED



CANNABIS TAX

Proposition 64, approved by voters November 8, 2016, legalized the use of recreational cannabis. Prior to that date, some local governments imposed taxes on medical marijuana (33 measures on the ballot), but after legalization of cannabis in 2016, 192 cannabis tax measures went before voters, with 169 approved and 23 rejected.

Of those 225 cannabis tax measures that went before voters in the past decade, 195 were approved, and 30 were rejected. From 2010 to 2020, 21 counties and 144 cities adopted cannabis taxes (the city total includes the consolidated city and county of San Francisco). Of the 195 tax measures approved, 132 were approved by at least a two-thirds vote.

Cannabis taxes can be based on a multitude of factors. Generally, the tax may be based on the gross receipts of a cannabis business, and the tax rate may differ depending on the stage of production (growing, cultivation, manufacturing, delivery, etc.), or sale to consumers. Alternatively, several tax measures proposed to tax cannabis businesses based on the square footage of a property, with different rates for cultivators, nurseries, “canopy space,” manufacturers, or retailers. While not common, sometimes the tax is based on dry-weight ounce of a cannabis flower or leaves.

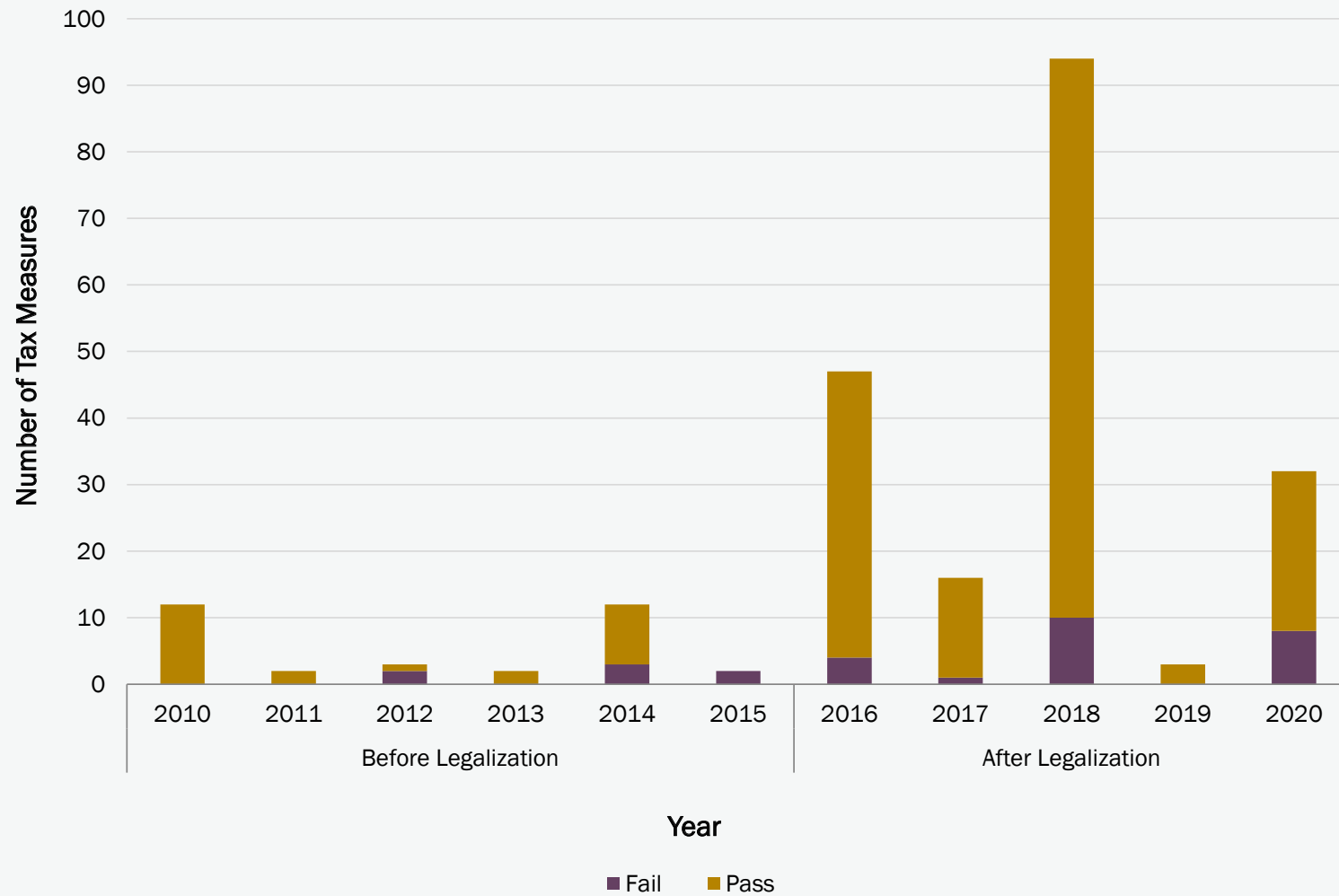
It is common for a local cannabis tax to combine several of these factors.

Authority to levy a cannabis tax is specified in Revenue and Taxation Code Section 34011.

TABLE 8 – REGIONAL APPROVAL OF CANNABIS TAXES BY VOTE THRESHOLD SINCE 2010

REGION	FAIL		FAIL TOTAL	PASS		PASS TOTAL	GRAND TOTAL
	MAJORITY	TWO-THIRDS		MAJORITY	TWO-THIRDS		
San Francisco Bay Area	2	–	2	42	1	43	45
Central Coast	–	1	1	30	–	30	31
Central Valley	5	4	9	29	1	30	39
Los Angeles	4	–	4	19	1	20	24
Northern California	3	–	3	15	2	17	20
Sierra Foothills	–	1	1	13	–	13	14
Southern California	9	1	10	42	–	42	52
TOTAL	23	7	30	190	5	195	225

FIGURE 6 – CANNABIS TAX PASSAGE RATES BEFORE AND AFTER LEGALIZATION OF RECREATIONAL MARIJUANA (PROPOSITION 64 OF 2016)



DOCUMENTARY TRANSFER TAX

Many cities and counties impose a tax on the transfer of the title of real property from one person or entity to another within the city or county. These property documentary transfer taxes often are based on the property's sale price, and are paid by either the buyer or seller, or both. Transfer tax revenue increases and declines with California's real estate market.

From 2010 to 2020, 20 documentary transfer tax measures appeared on the ballot, and all required majority approval from the voters to become law. Voters approved 13 measures, cumulatively increasing taxes approximately \$400 million annually. Of the measures that passed, only two received approval from at least two-thirds of the voters. Documentary transfer taxes were proposed only in two regions: Los Angeles County and the nine-county San Francisco Bay Area region.

Unless property is located in one of the incorporated areas listed on the next page, owners pay \$1.10 per \$1,000 of property value when transferring the title. Typically, half of that amount is levied by the county and the other half by the city.

Authority to levy a documentary transfer tax is specified in Revenue and Taxation Code Section 11911.

FIGURE 7 – DOCUMENTARY TRANSFER TAX

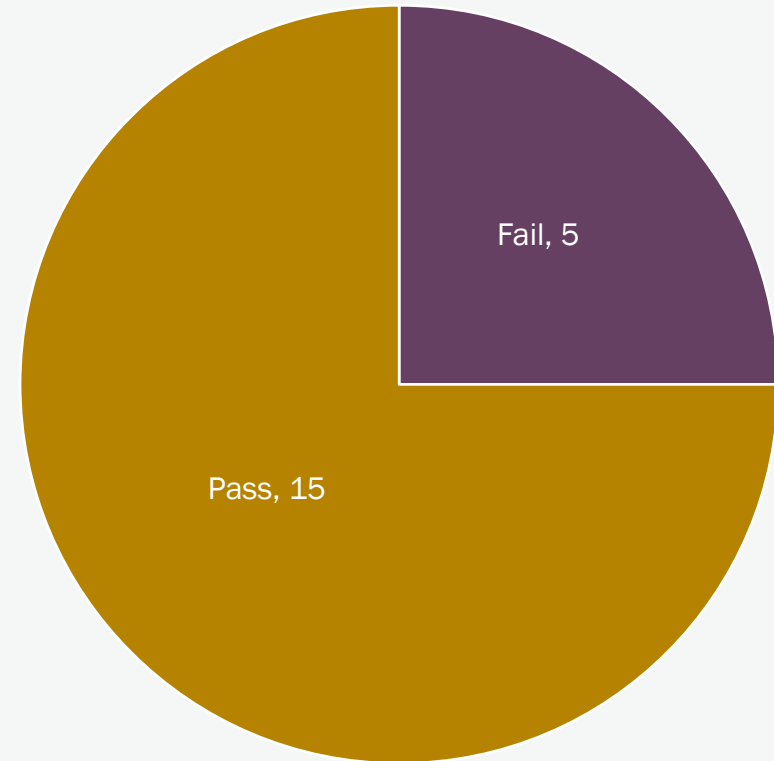


TABLE 9 – DOCUMENTARY TRANSFER TAX RATES PER \$1,000 OF VALUE

ALAMEDA COUNTY		
Alameda, \$13.10		
Albany, \$16.10		
Berkeley		
Property Value	Rate	
Less than \$1.5 Million	\$16.10	
\$1.5 Million or More	\$26.10	
Emeryville, \$13.10		
Hayward, \$9.60		
Oakland		
Property Value	Rate	
Less than \$300,000	\$11.10	
\$300,000 to \$2 Million	\$16.10	
\$2 Million to \$5 Million	\$18.60	
\$5 Million or More	\$26.10	
Piedmont, \$14.10		
San Leandro, \$7.10		
LOS ANGELES COUNTY		
Culver City		
Property Value	Rate	
Less than \$1.5 Million	0.45%	
\$1.5 Million to \$2,999,999	1.50%	
\$3 Million to \$9,999,999	3.00%	
\$10 Million or More	4.00%	

Los Angeles, \$5.60		
Pomona, \$3.30		
Redondo Beach, \$3.30		
Santa Monica		
	Property Tax	Rate
	Less than \$5 Million	\$4.10
	\$5 Million or More	\$7.10
MARIN COUNTY		
San Rafael, \$3.10		
RIVERSIDE COUNTY		
Riverside, \$2.20		
SACRAMENTO COUNTY		
Sacramento, \$3.85		
SAN FRANCISCO CITY & COUNTY		
	Property Value	Rate
	\$100,000 to \$250,000	0.50%
	\$250,000 to \$1 Million	0.68%
	\$1 Million to \$5 Million	0.75%
	\$5 Million to \$10 Million	2.25%
	\$10 Million to \$25 Million	5.50%
	\$25 Million or More	6.00%
SAN MATEO COUNTY		
San Mateo, \$6.10		

SANTA CLARA COUNTY	
Mountain View, \$4.40	
Palo Alto, \$4.40	
San Jose, \$4.40	
SOLANO COUNTY	
Vallejo, \$4.40	
SONOMA COUNTY	
Petaluma, \$3.10	
Santa Rosa, \$3.10	
YOLO COUNTY	
Woodland, \$2.20	

Note: Not inclusive of all local jurisdictions with a documentary transfer tax.

PARCEL TAX

A parcel tax is a local property tax, imposed in addition to the traditional *ad valorem* property tax. The state constitution prohibits parcel taxes from being based directly on a property's value, so they typically are imposed per parcel, or are based on square footage or other factors. Some of these annual taxes are less than \$10 per parcel, while others are more than \$1,000 per parcel. Parcel taxes can be imposed by a city, county, school district, fire district, or other local government entity if approved by at least two-thirds of the voters in the district where the tax will be imposed.

Some local governments interpret the *Upland* decision to allow majority-vote special taxes, including parcel taxes. With the two-thirds threshold in place, 61 percent of parcel taxes were approved from 2010 to 2020.

Since so many types of local governments are able to impose this tax, some properties may be subject to more than one parcel tax. The term "parcel tax" does not exist in state law, nor does any uniform tax structure. Instead, inconsistent rules in various code sections guide local governments on parcel tax administration.

In the past decade, voters approved 492 parcel tax measures and rejected 310 measures, cumulatively increasing taxes more than \$1.48 billion annually. Of the 802 measures on the ballot, 299 were to fund education, 186 for fire services, 56 for healthcare services, and 55 for parks and recreational programs. Generally, parcel taxes contain a sunset date, however the California Tax Foundation identified 36 measures that will be levied in perpetuity, unless repealed by voters, and nine measures that will sunset between 2040 and 2069.

TABLE 10 – TYPES OF PARCEL TAXES

FLAT RATE	A flat dollar amount per parcel (example: every parcel owner pays \$50).
FRONTAGE	Tax is based on the amount of a property's street frontage multiplied by a dollar amount.
SINGLE-FAMILY EQUIVALENT	Tax is based on several factors, including frontage, square feet, and use code to determine the approximate equivalent of a single-family home.
SQUARE FOOTAGE	Tax is determined by a property's improved and/or unimproved square footage, multiplied by a dollar amount.
USE CODE	Tax is determined by a parcel's use code (single-family, multi-family, commercial, etc.).
MELLO-ROOS TAX	Any of the above types of parcel taxes, but the revenue is used to repay debt for a capital project.

TABLE 11 – PARCEL TAX MEASURES BY TYPE OF GOVERNMENT

TYPE OF GOVERNMENT	FAIL		PASS		TOTAL NUMBER OF MEASURES	TOTAL SUM OF TAXES PROPOSED
	NUMBER OF MEASURES	SUM OF ANNUAL TAXES PROPOSED	NUMBER OF MEASURES	SUM OF ANNUAL TAXES PROPOSED		
City	54	\$72,964,600	98	\$128,255,294	152	\$201,219,894
College District	5	\$10,000,000	5	\$41,781,153	10	\$51,781,153
County	21	\$1,868,020	36	\$496,189,308	57	\$498,057,328
Fire District	76	\$327,569,510	63	\$29,083,680	139	\$356,653,190
School District	83	\$639,324,920	205	\$611,537,118	288	\$1,250,862,038
Other Special District	71	\$16,701,791	85	\$177,500,730	156	\$194,202,520
TOTAL	310	1,068,428,841	492	\$1,484,347,283	802	\$2,552,776,124

FIGURE 8 – PARCEL TAX PASSAGE RATES

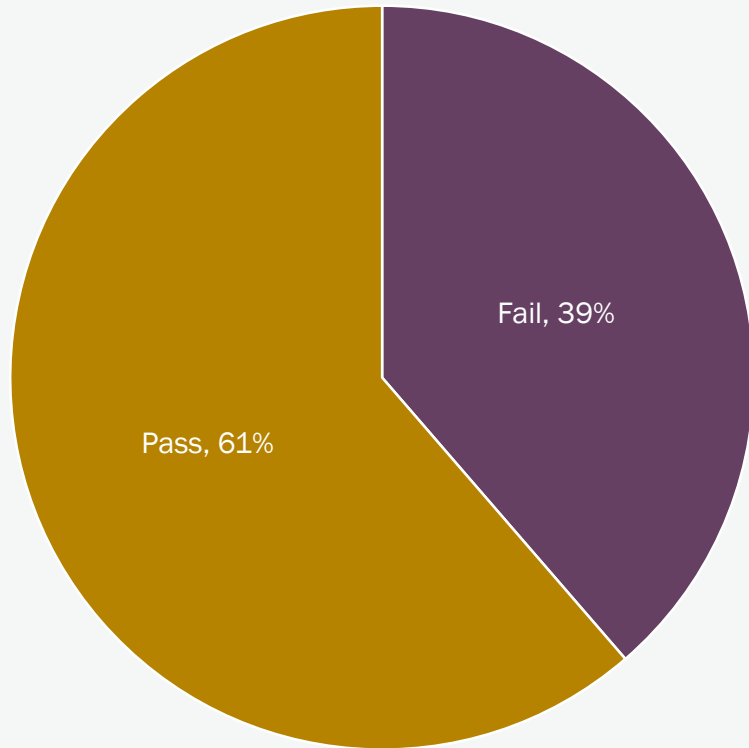


FIGURE 9 – LEVEL OF VOTER SUPPORT FOR PARCEL TAXES

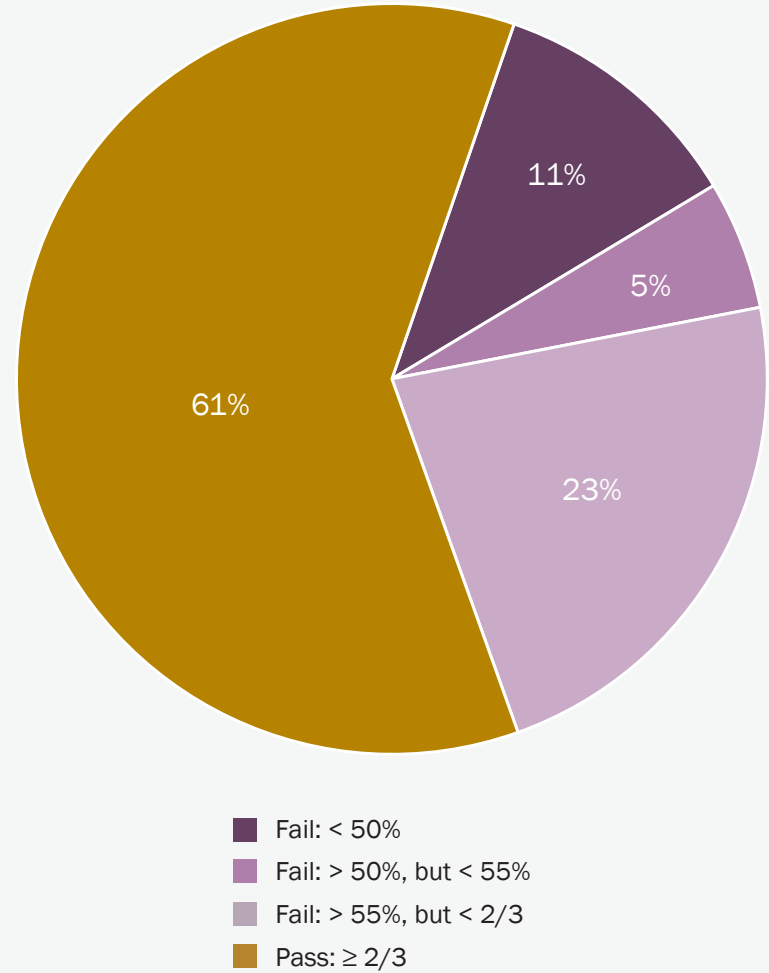
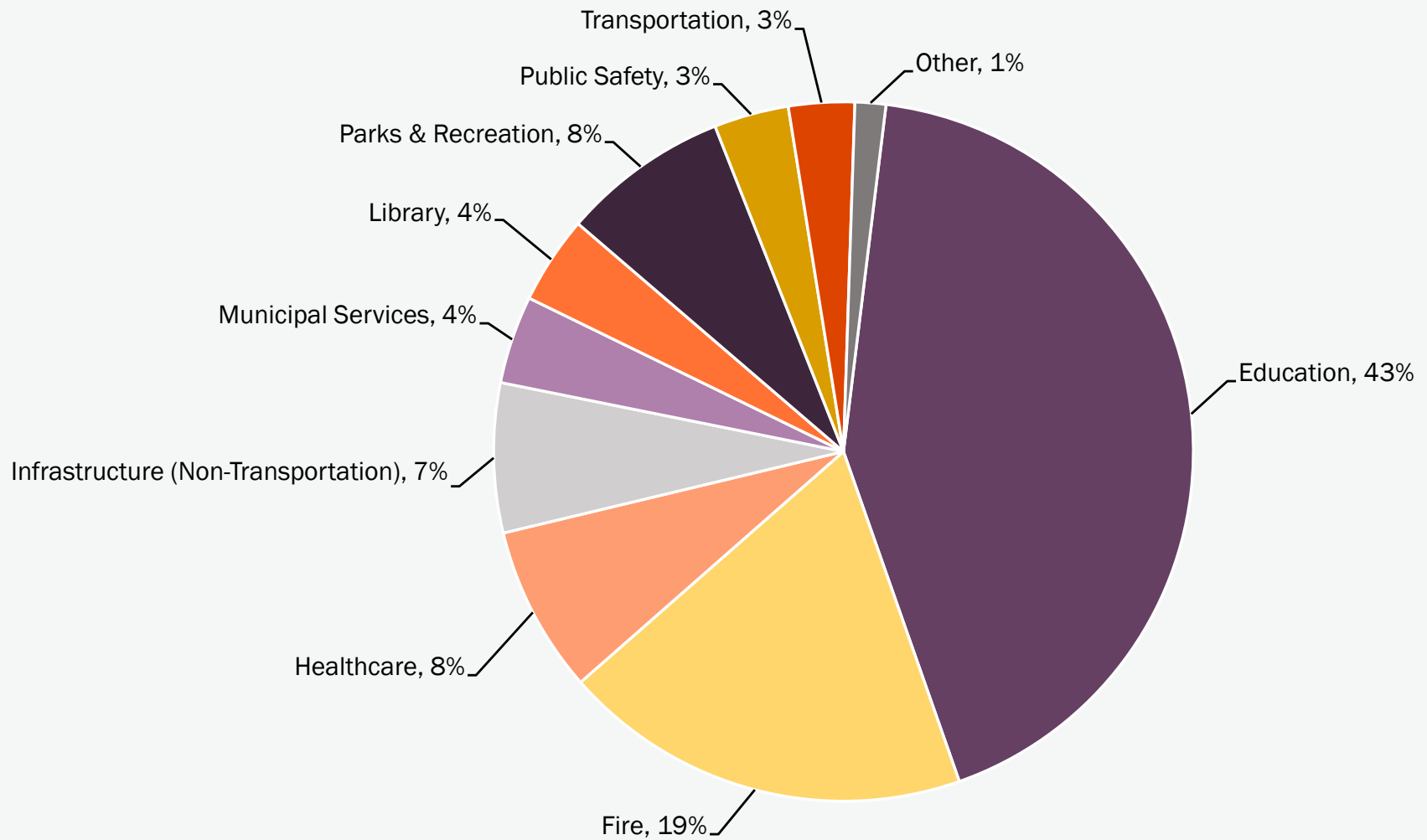


FIGURE 10 – PARCEL TAX MEASURES APPROVED BY TYPE OF FUNDING



SALES TAX (TRANSACTIONS AND USE TAX)

The base rate of California's state and local sales and use tax is 7.25 percent, but many regions of the state have approved additional sales taxes – called “transactions and use taxes.” These taxes are imposed by cities, counties and some special districts for general or special purposes. Rates vary by jurisdiction, but generally cannot exceed 2 percent, and can be levied in increments as small as 0.125 percent (one-eighth of a penny).

In the past decade, voters approved 382 local transactions and use tax measures (330 general taxes and 52 special taxes), representing more than \$4.5 billion in annual sales taxes. Voters rejected 134 measures that cumulatively would have increased sales taxes another \$1.87 billion.

Of the 516 measures proposed, 401 were proposed to fund “general services.” Some of these majority-vote general taxes were coupled with advisory measures directing the local government to earmark the new sales tax revenue to a specific program. Outside of these “general services” measures, sales tax measures were earmarked to fund libraries (13 measures), public safety (23 measures), fire services (17 measures), and transportation (32 measures) – all of which required a two-thirds vote.

**TABLE 12 – VOTER APPROVAL OF
SALES TAX MEASURES BY REGION**

REGION	GRAND TOTAL
SAN FRANCISCO BAY AREA	142
Fail	28
Pass	114
CENTRAL COAST	62
Fail	8
Pass	54
CENTRAL VALLEY	101
Fail	36
Pass	65
LOS ANGELES	76
Fail	14
Pass	62
NORTHERN CALIFORNIA	54
Fail	23
Pass	31
SIERRA FOOTHILLS	23
Fail	9
Pass	14
SOUTHERN CALIFORNIA	58
Fail	17
Pass	41
TOTAL	516

FIGURE 11 – SALES TAX MEASURES BY APPROPRIATION (EXCLUDING GENERAL TAX MEASURES)

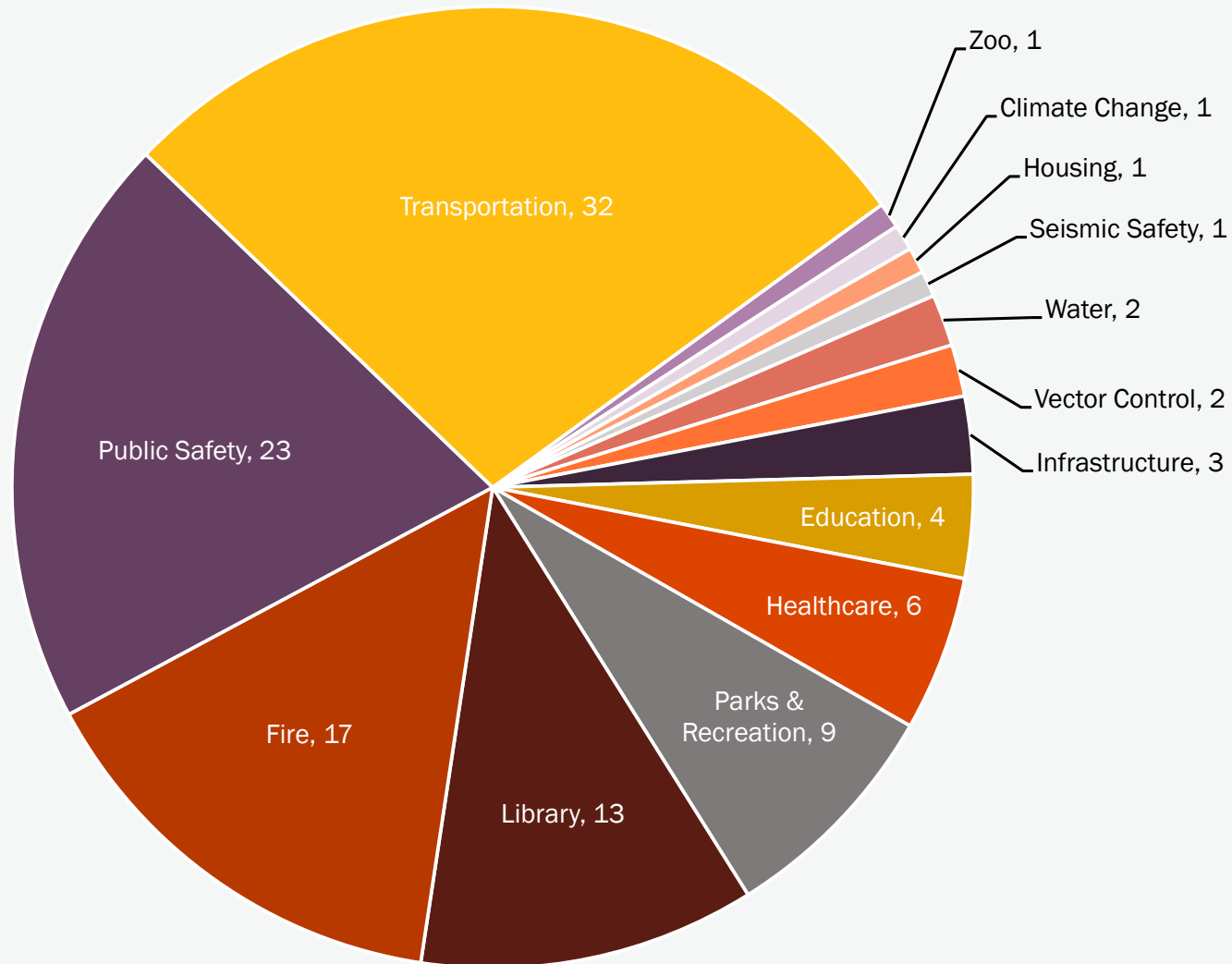


FIGURE 12 – SALES TAX PASSAGE RATES

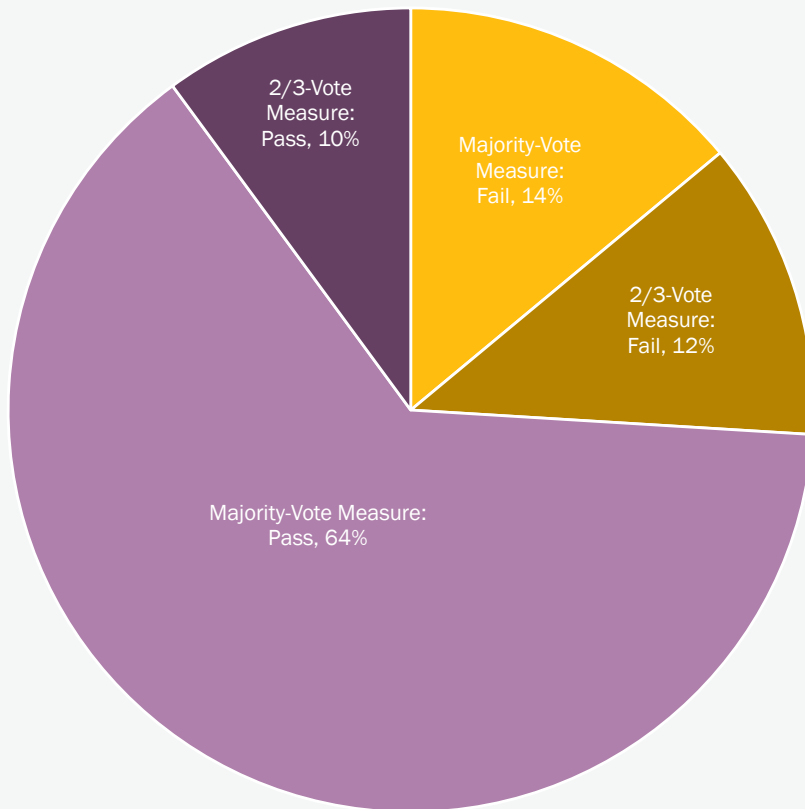
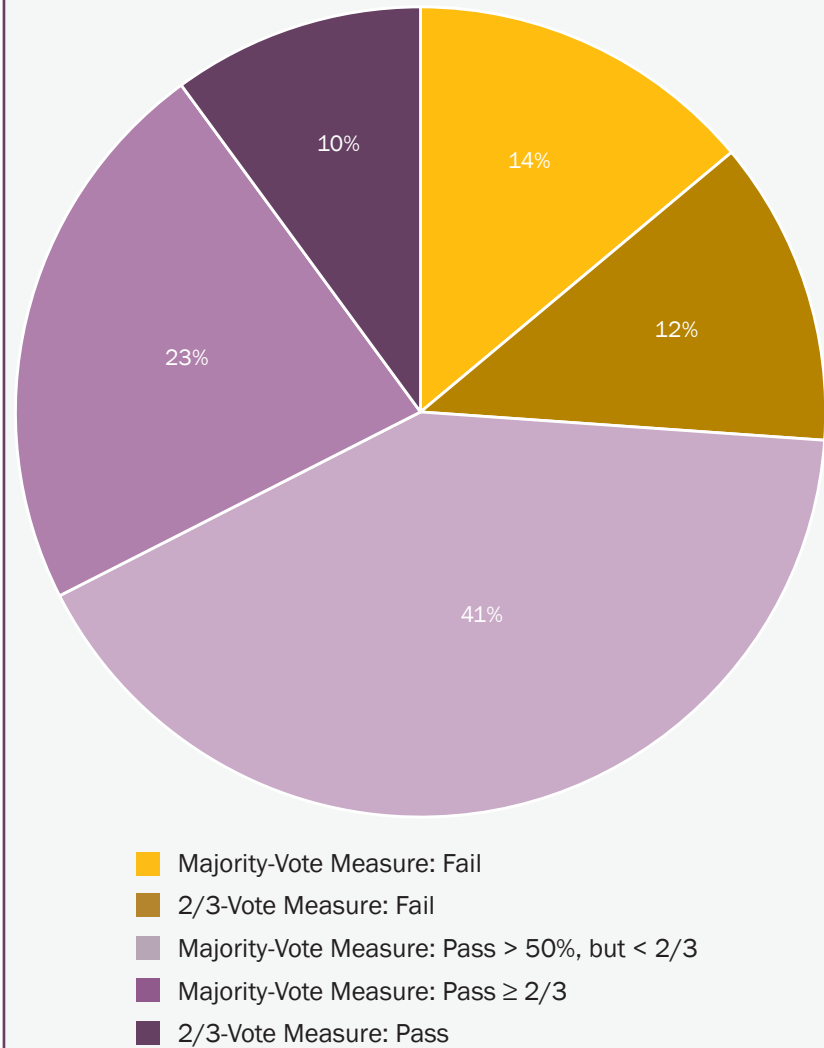


FIGURE 13 – LEVEL OF SUPPORT FOR SALES TAX MEASURES



Under the existing vote requirements, 402 measures needed majority-vote approval and 114 needed a two-thirds vote, with 330 majority-vote taxes passing and 52 two-thirds vote measures passing. Had a two-thirds vote been required for all sales tax measures,

220 measures would have failed. If a 55 percent vote requirement had been in place, 48 general tax measures would have failed rather than passed, and 39 special tax measures would have passed rather than failed.

FIGURE 14 – SALES TAX PASSAGE RATES BY VOTE THRESHOLD

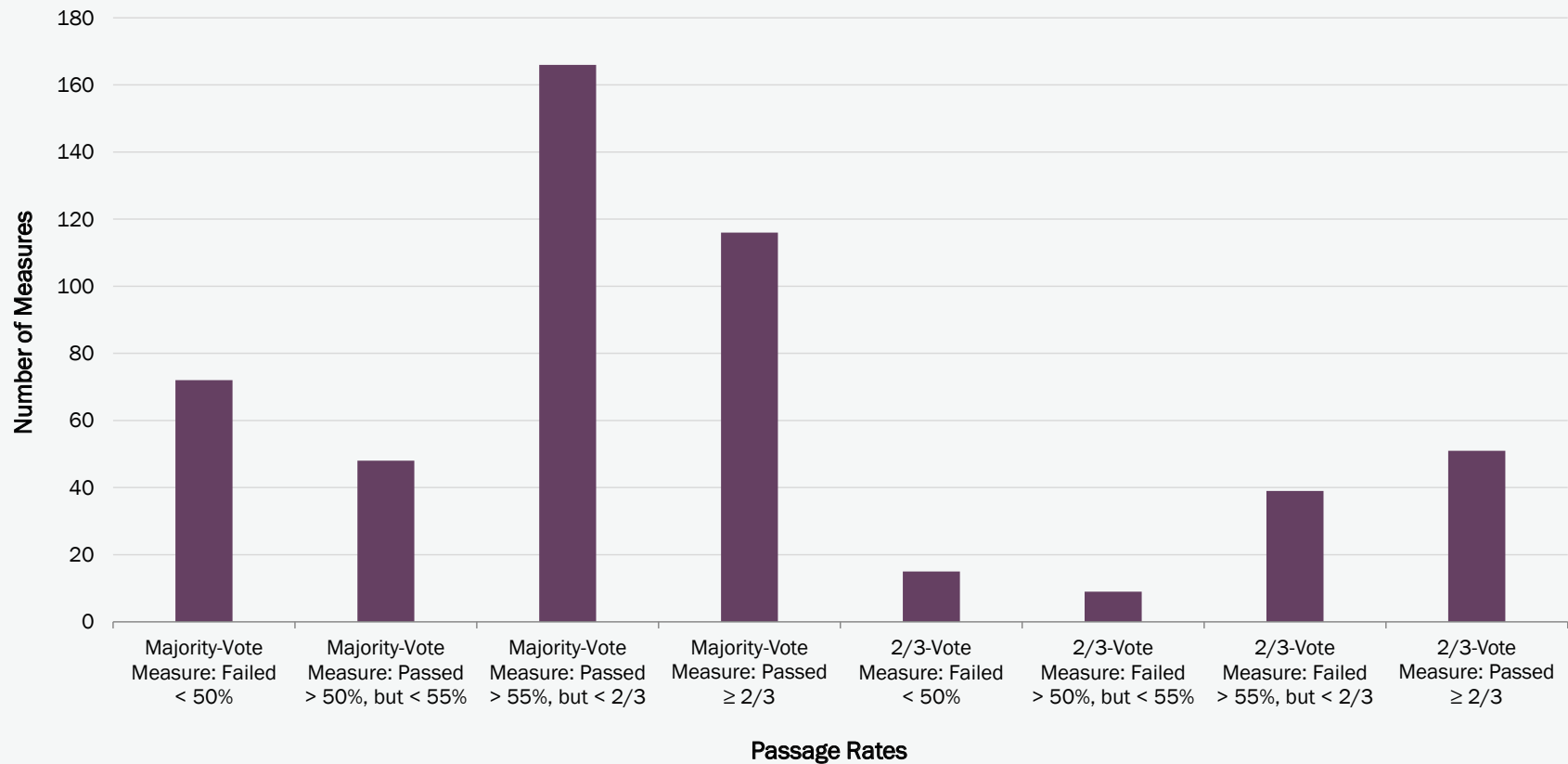
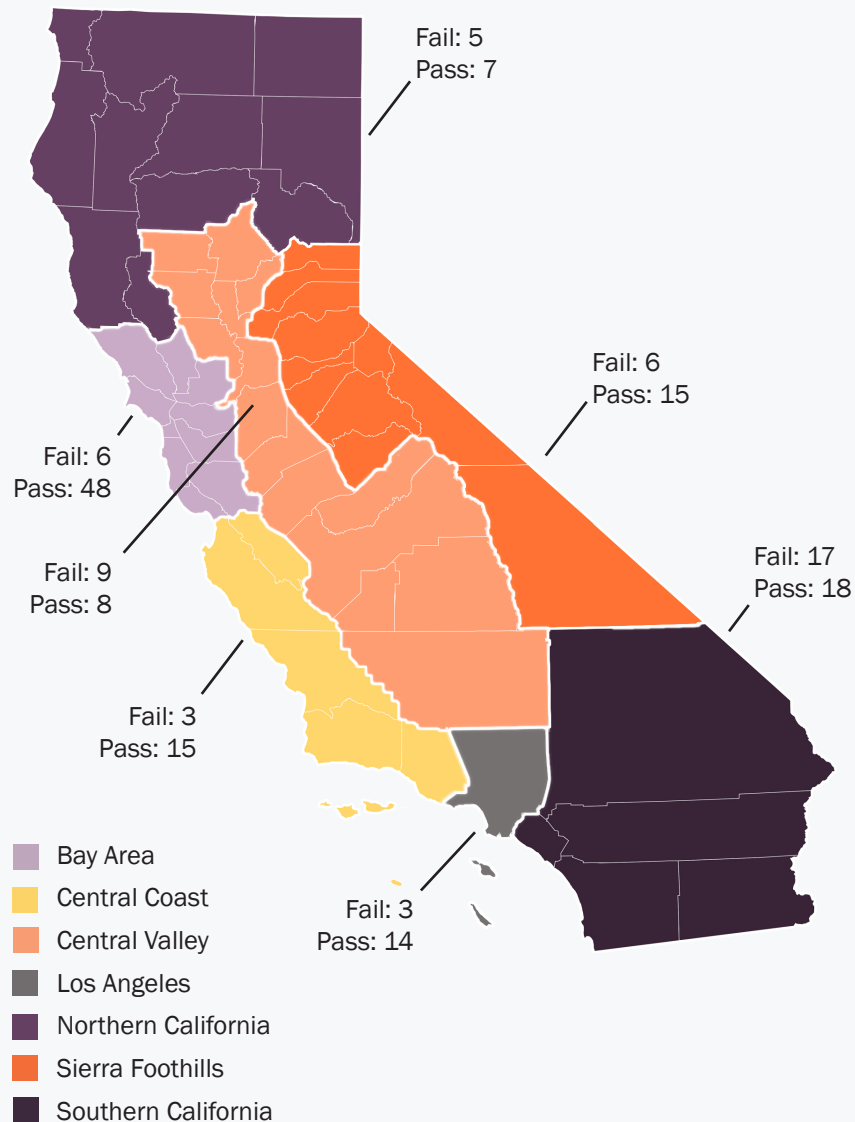


FIGURE 15 – APPROVAL OF HOTEL TAXES BY REGION



HOTEL TAX (TRANSIENT OCCUPANCY TAX)

Hotel taxes (officially known as “transient occupancy taxes”) are imposed on occupants of rooms or living spaces at hotels, inns, rental houses, homes, motels, campsites, or other spaces at campgrounds or recreational vehicle parks. Cities and counties may impose hotel taxes for stays lasting 31 days or less, with taxes based on the cost of the room. Owners of time-share units and members of co-owner campground sites are exempt from the tax.

When a taxpayer reserves lodging through an online platform, the owner/operator of the lodging usually pays the hotel taxes. A number of local governments have begun requiring online platforms to collect and remit hotel taxes from lodging guests. On December 12, 2016, the California Supreme Court ruled that only the owner-operator is liable for remittance of hotel taxes.

In the past decade, 175 hotel taxes appeared on the ballot, and more than 72 percent were approved by voters. Of the 126 measures approved, 77 received support from more than two-thirds of the voters. Had a super-majority vote requirement applied to hotel taxes during this time, 49 measures would have failed passage, resulting in \$32.6 million less in annual tax increases. The largest hotel taxes on the ballot that would have been affected include Measure B of 2016 in Santa Barbara, Measure R of 2018 in Milpitas, and Measure M in Mariposa County in 2018.

Authority to levy a hotel tax is specified in Revenue and Taxation Code Section 7280.

FIGURE 16 – HOTEL TAX PASSAGE RATES

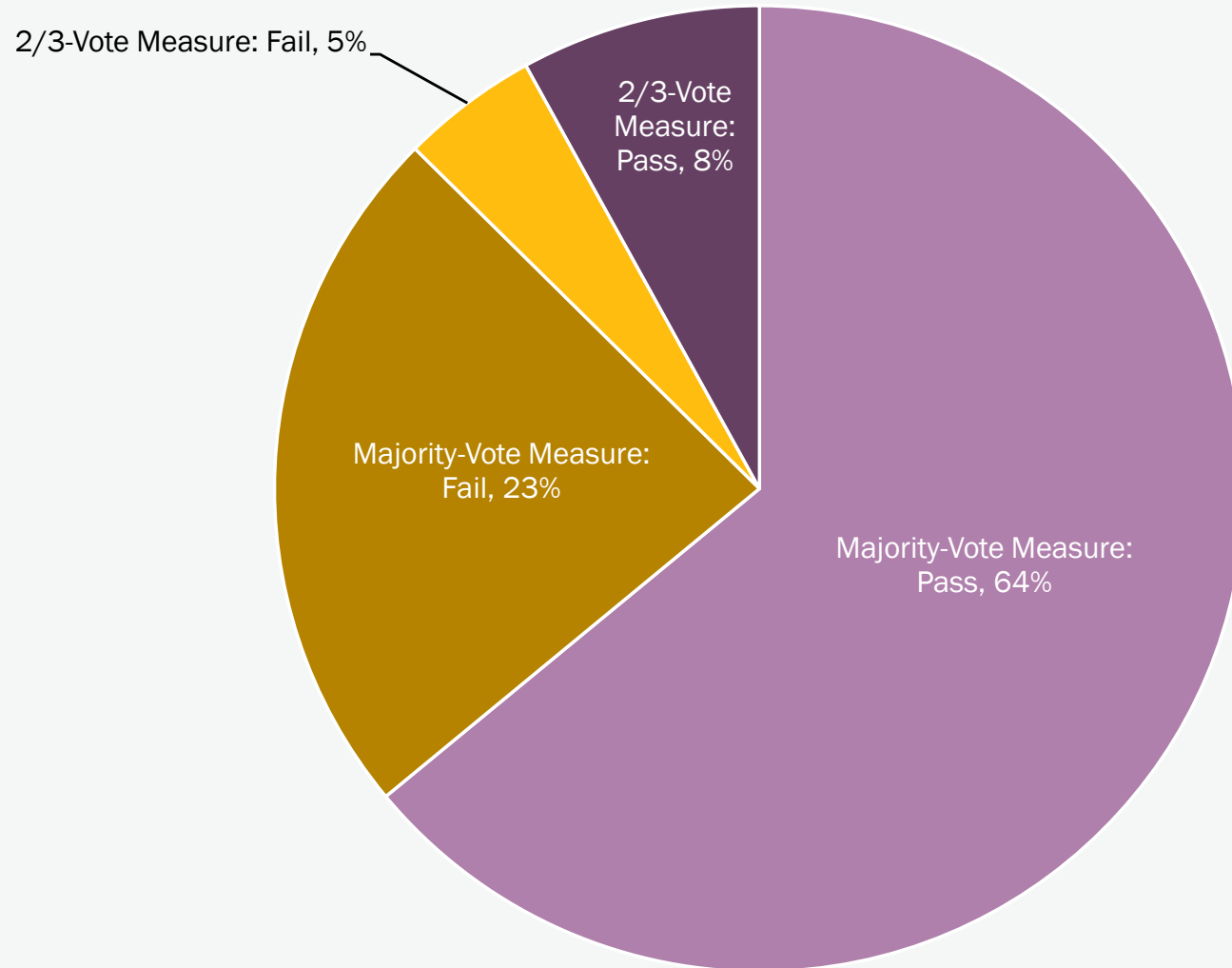
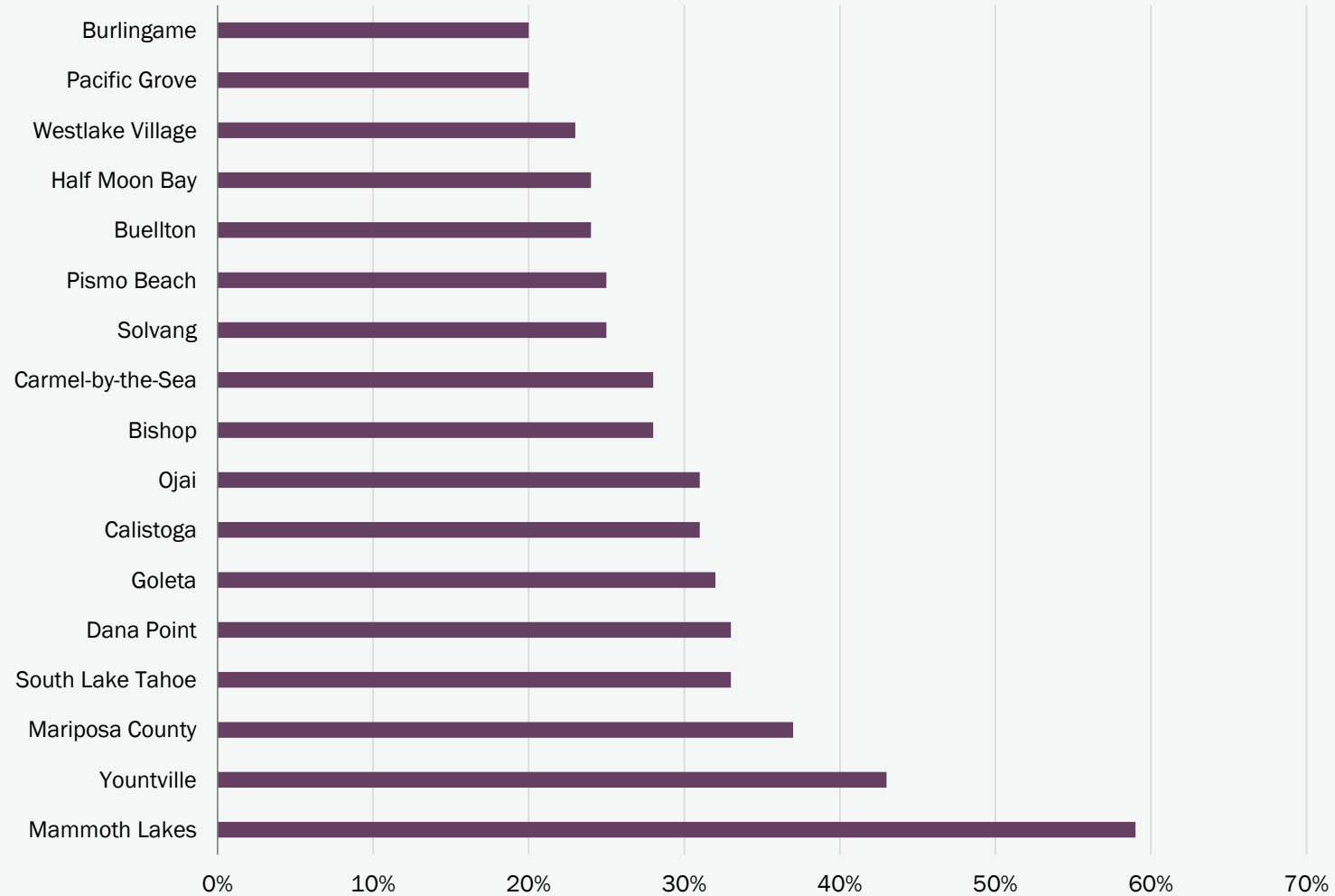


FIGURE 17 – HOTEL TAX AS SHARE OF TOTAL CITY REVENUE



Note: Total revenue includes proprietary and governmental funds, excluding intergovernmental fund transfers from the federal, state, or county government. Figures are from fiscal year 2018-19.

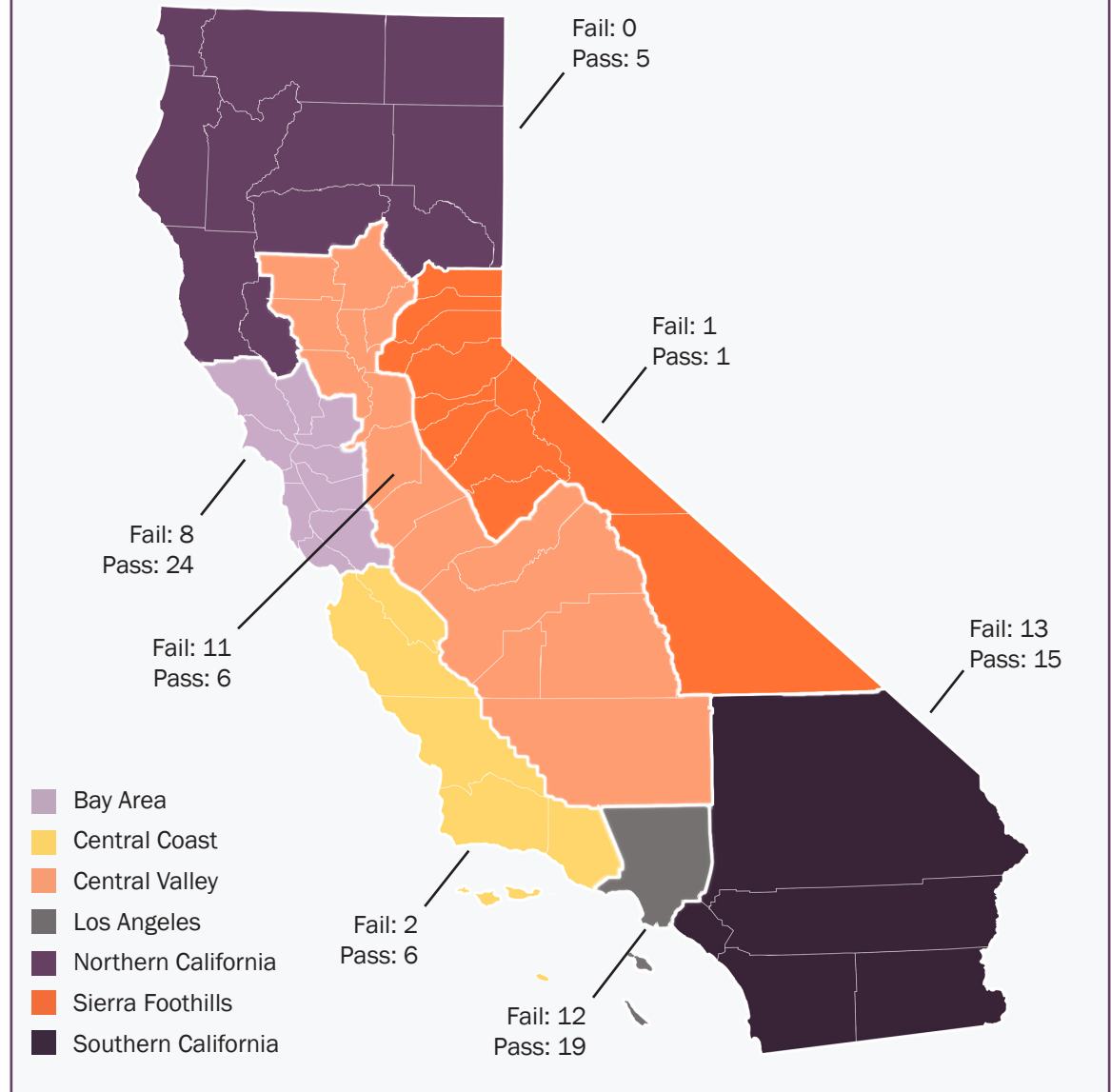
Source: Legislative Analyst's Office, "An Initial Look at Effects of the COVID-19 Pandemic on Local Government Fiscal Condition."

UTILITY USERS TAX

The utility users tax (UUT), first imposed in California in 1967, can be imposed on utility services including electricity, gas, water, sewer, telephone (including cell phones and long-distance calling), sanitation, and cable television.

In the past decade, voters approved 76 utility tax measures (65 majority-vote measures and 11 two-thirds vote measures). If a two-thirds vote had been required for all of these taxes, 26 of the 76 approved measures would not have passed. While many of the measures did not specify to voters how much revenue the tax would generate, the largest identifiable measure approved in the past decade was Measure P of 2020 in Pasadena, which costs taxpayers an estimated \$18 million annually. The average annual revenue generated by utility tax measures, where a fiscal estimate was available, was approximately \$4.1 million.

FIGURE 18 – REGIONAL APPROVAL OF UTILITY USERS TAXES



Most UUTs initially were adopted by a city council or county board of supervisors vote prior to the early 1980s. Some taxpayers argued that the tax was an illegal sales tax on utility services. State law specifically says that a sales and use tax cannot be applied to gas, electricity or water services (Revenue and Taxation Code Section 6353). In

1971, the state Supreme Court upheld the legality of the tax (*Rivera v. City of Fresno*, (1971) 6 Cal. 3d 132).

Recently, local governments have expanded their UUTs to tax Internet, streaming, and video-conferencing services, sometimes without voter approval.

FIGURE 19 – UTILITY USERS TAX PASSAGE RATES

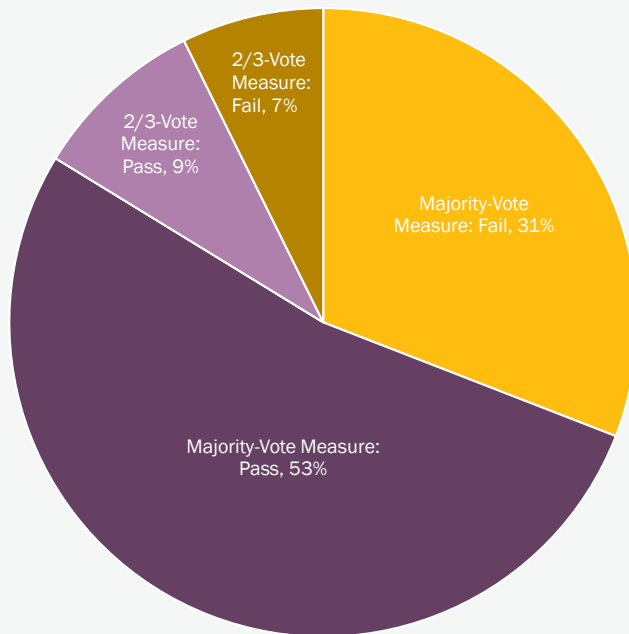
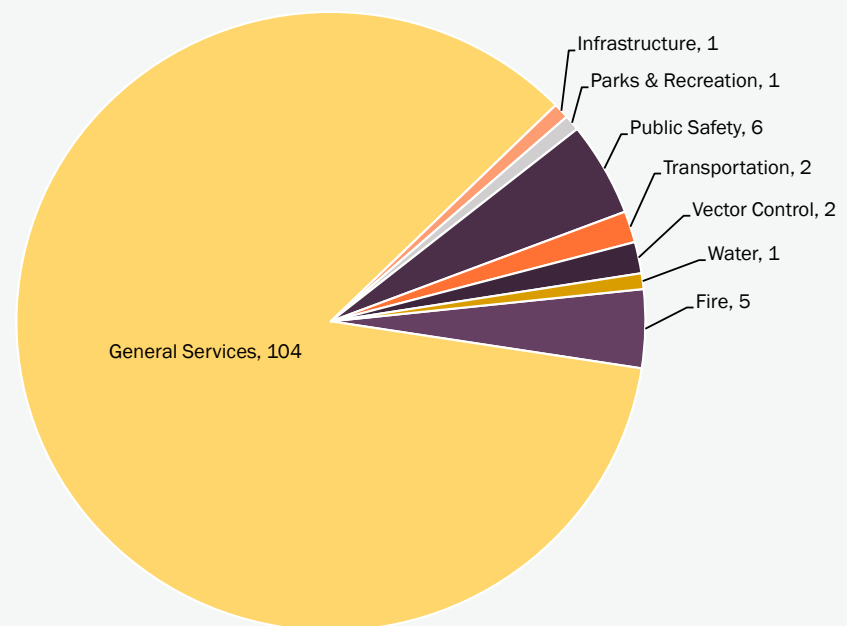


FIGURE 20 – EARMARKING OF UTILITY USERS TAX REVENUE

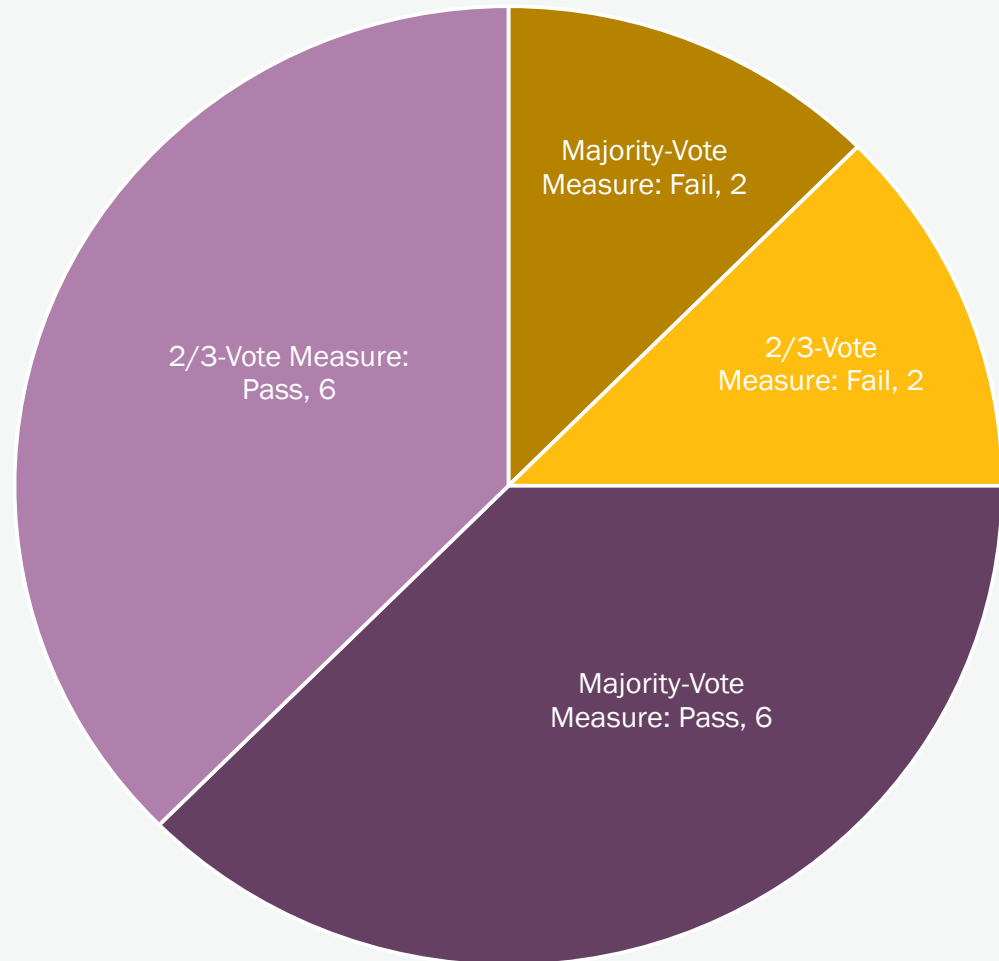


VEHICLE TAX

In the past decade, there were 16 vehicle taxes that appeared on the ballot – seven in 2010, six in 2012, and three in 2014. Voters approved 12 of the measures. None of the measures appeared before voters in Los Angeles County or Southern California. Three of the measures were proposed by county transportation authorities, and the remaining were county measures. Half of the proposed vehicle taxes were special taxes, earmarking funds to vehicle abatement and abandoned vehicle programs.

Authority to levy a vehicle tax is specified in Government Code Section 65089.20.

FIGURE 21 – VEHICLE TAX PASSAGE RATES

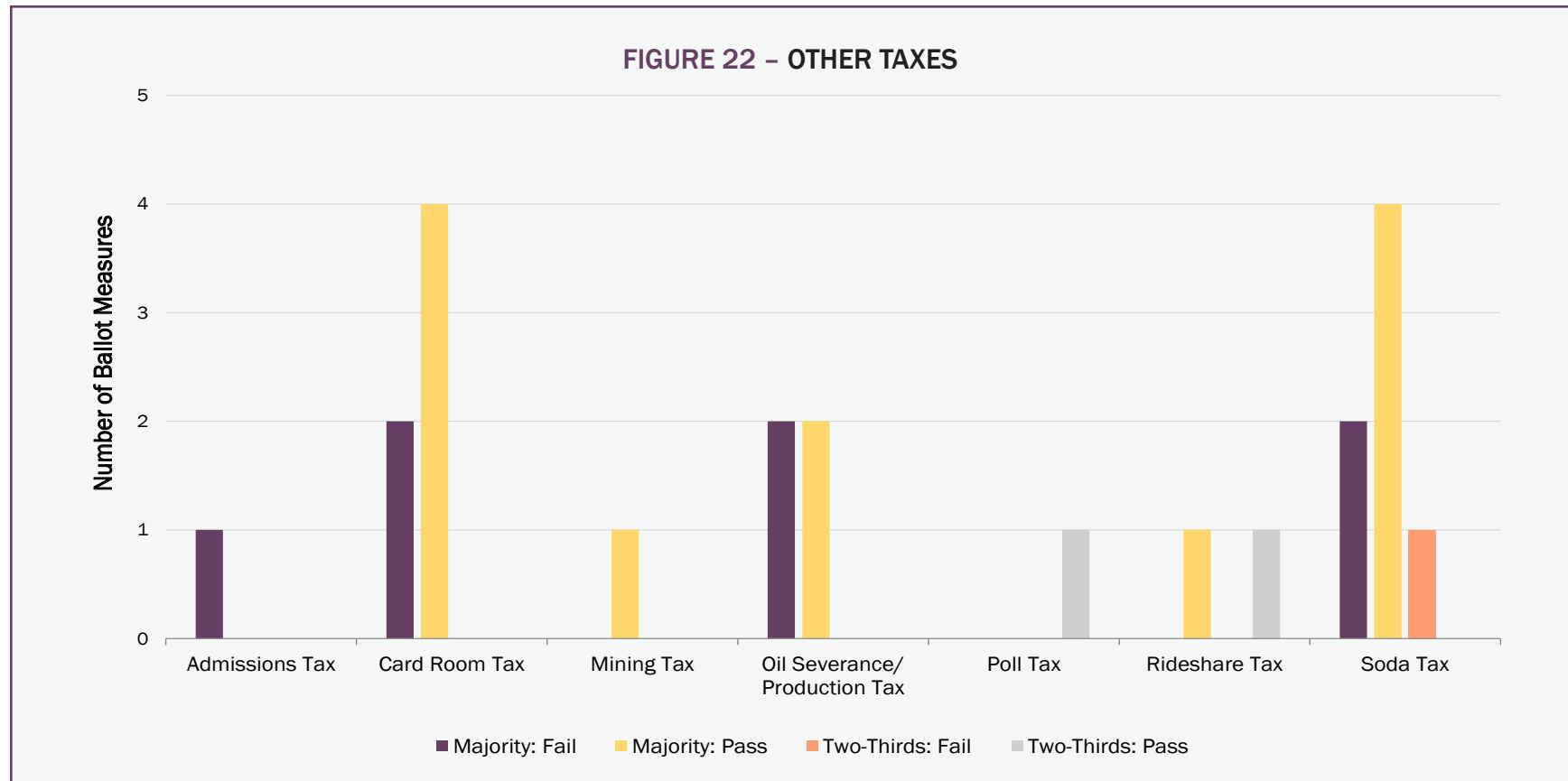


OTHER

Charter cities have broad authority over their municipal affairs, including taxation under Article XI, Section 5, of the California Constitution. The provision states that “City charters adopted pursuant to this Constitution shall supersede any existing charter, and with respect to municipal affairs shall supersede all laws inconsistent therewith.”

Under Government Code Section 37100.5, general law cities are granted power to enact any tax that a charter city can enact.

However, the imposition of local taxes and assessments is subject to provisions of the constitution added by Proposition 218 and Proposition 26, and by each city’s own charter limitations.





ADMISSIONS TAX

Monterey was the only city to propose an admissions tax in the past decade. The tax failed, with only 22.9 percent of voters supporting the tax. Measure P would have imposed a 5 percent tax on the admission price to entertainment and recreational activities, including the Monterey Bay Aquarium.



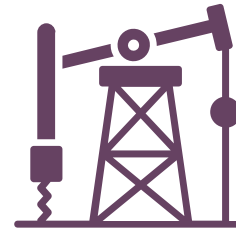
CARD ROOM TAX

Voters approved four card room tax measures in the past decade, and rejected two. All card room taxes were majority-vote measures. The rate of tax ranged from 2 percent to 16.5 percent of gambling revenue.



MINING TAX

Voters approved one mining tax measure in the past decade. The city of Banning was the only jurisdiction to propose such a measure. The tax is imposed on all excavated and processed rock material, at a rate of \$0.80 per ton.



OIL SEVERANCE/PRODUCTION TAX

Voters in Santa Fe Springs and La Habra Heights approved oil severance tax measures during the past decade, while voters in Los Angeles and Beverly Hills rejected similar measures. The La Habra Heights measure passed with 50.8 percent of the vote, just 10 votes above the needed threshold.



POLL TAX

The poll tax – a tax levied in a fixed amount on every liable individual, regardless of resources – is one of the oldest and most controversial forms of taxation. In the United States, poll taxes were used to limit voting rights until the 1960s, when passage of the 24th Amendment made the practice illegal. The only local government in California that imposes a poll tax is Avalon, which collects a tax on every person arriving at Catalina Island, and uses the revenue to fund healthcare (Measure H of 2020).



RIDESHARE TAX

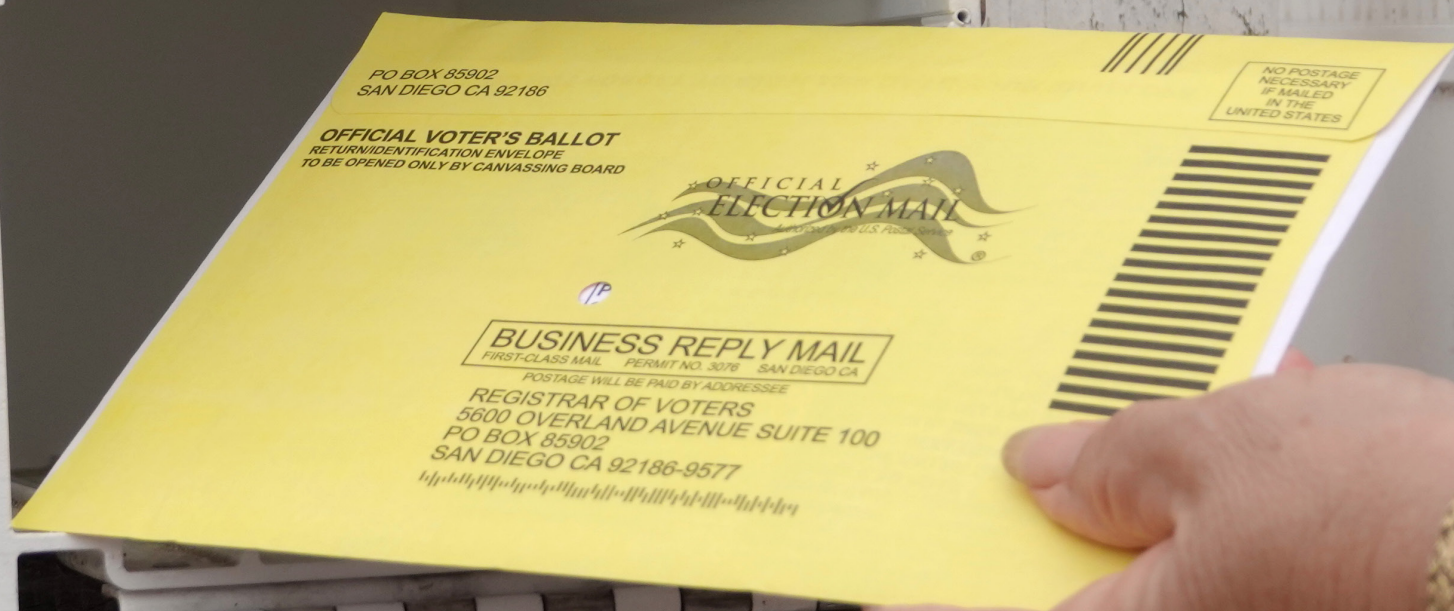
Voters in the city of Berkeley approved California's only rideshare tax in November 2020, with a 58.78 percent vote. The \$910,000 annual tax contained in Measure GG taxes rides originating in Berkeley at 50 cents per trip for private trips, and 25 cents per trip for pooled trips. The tax sunsets in 2040.



SODA TAX

Voters in the San Francisco Bay Area approved \$19.2 million in annual soda taxes during the past decade, with passage of measures in the cities of Albany, Berkeley, Oakland, and San Francisco. Each of the four measures taxes sugar-sweetened beverages at a rate of 1 cent per ounce of sugar. Voters were told that the funds likely would fund health and education programs, but because the taxes were “general” rather than “special,” there is no legal requirement for the cities to spend funds on a specific program. In 2018, the Legislature and governor approved AB 1838 (Chapter 61 of 2018) prohibiting local governments from levying soda taxes (and other taxes on groceries) until January 1, 2031. Taxes approved prior to January 1, 2018, were allowed to remain in place.

LOCAL TAX MEASURE CAMPAIGNS



ELECTION PROCEDURES

California Constitution Article XIII C Section 2(b) provides that an election for a general tax increase “shall be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency declared by a unanimous vote of the governing body.”

Tax measures can be placed on the ballot by local governmental bodies or by citizens. To qualify a local initiative for the ballot, proponents must collect signatures to meet thresholds outlined in the Elections Code for cities, counties, and special districts. The thresholds vary based on the size of the jurisdiction and the type of election, and some are based on the number of votes cast in the most recent gubernatorial election.

In general law cities, proponents must obtain signatures from 10 percent of registered voters to qualify a local initiative for the next regularly scheduled election, or 15 percent for a special election that would occur sooner. In cities with fewer than 1,000 registered voters, the proponents must collect signatures from 25 percent of the voters or 100 voters, whichever is less. Charter cities have a great deal of latitude in setting requirements, and there are wide discrepancies in the number of signatures charter cities require and the length of the signature-gathering period.

In keeping with California’s state-level push to encourage voting by mail, most local elections are conducted primarily via mail.

BALLOT WORDING

Local governments are permitted to write the ballot questions for measures they place before voters. Under Elections Code Section 13119(c), “The statement of the measure shall be a true and impartial synopsis of the purpose of the proposed measure, and shall be in language that is neither argumentative nor likely to create prejudice for or against the measure.”

Despite this requirement for an impartial ballot question, some local governments use language that seems to encourage a “yes” vote on the taxes they propose.

For example, the question that appeared on the March 17, 2017, election in Los Angeles County for a sales tax increase reads:

“Measure H – Los Angeles County Plan to Prevent and Combat Homelessness. To fund mental health, substance abuse treatment, health care, education, job training, rental subsidies, emergency and affordable housing, transportation, outreach, prevention, and supportive services for homeless children, families, foster youth, veterans, battered

women, seniors, disabled individuals, and other homeless adults; shall voters authorize Ordinance No. 2017-0001 to levy a ¼ cent sales tax for ten years, with independent annual audits and citizens’ oversight?”

In the same election, the ballot question for a parcel tax placed on the ballot by the Arcadia Unified School District described the measure as the “Arcadia Teacher and Academic Instruction Protection Measure.”

The question for Measure LL, a parcel tax in Monterey Park, did not state the amount of the tax, instead asking: “Shall the proposition renewing a special parcel tax for library services at the Monterey Park Bruggemeyer Library be adopted?”

COUNTY MEASURES		
A	Safe, Clean Neighborhood Parks, Open Space, Beaches, Rivers Protection, and Water Conservation Measure. To replace expiring local funding for safe, clean neighborhood/city/county parks; increase safe playgrounds, reduce gang activity; keep neighborhood recreation/senior centers, drinking water safe; protect beaches, rivers, water resources, remaining natural areas/open space; shall 1.5 cents be levied annually per square foot of improved property in Los Angeles County, with bond authority, requiring citizen oversight, independent audits, and funds used locally?	168 YES ➡ <input type="radio"/>
		169 NO ➡ <input type="radio"/>

ESTIMATED COST TO TAXPAYERS

Recent changes to state law require local governments to provide voters with estimates of how much taxes will increase if a given tax or bond measure is approved.

Elections Code Section 13119 provides that the ballot statement for any local measure that imposes a tax (or raises the rate of a tax) must include the amount of money to be raised annually and the rate and duration of the tax to be levied.

Elections Code Section 9401 additionally specifies that the voter information guide for any measure proposing a local bond that would be repaid with property taxes must include “the best estimate from official sources of the average annual tax rate that would be required to be levied to fund that bond issue over the entire duration of the bond debt service”

STATE LAW PROHIBITS USE OF PUBLIC FUNDS FOR CAMPAIGNS

The Fair Political Practices Commission is responsible for enforcing California’s campaign finance and disclosure laws – including state laws prohibiting the use of public funds on campaigns for or against local tax measures.

Local governments are allowed to spend tax dollars on communications that describe proposed taxes to voters in neutral terms. The style, tone, and tenor of the communications are to be considered when determining whether such communications improperly cross the line into advocacy.



Los Angeles County Department of Human Resources

February 28 · 🌐

Measure H on the March 7 ballot would provide about \$355 million annually through a 1/4 cent sales tax to help continue proven strategies of the County's ongoing Homeless initiative, including helping more families and preventing and reducing homelessness in LA County.

Learn more at homeless.lacounty.gov



In August of 2020, the commission unanimously approved a \$1.35 million penalty against Los Angeles County after investigating claims that the county used tax dollars to campaign in favor of a sales tax increase.

The county paid a political consulting firm approximately \$1 million for a “communications plan” that included radio, television and online ads for Measure H, the sales tax increase on the March 2017 ballot. The ads featured the slogan: “Real help. Lasting change.” The communication focused on programs that would receive the tax dollars, under the banner “Measure H Helps,” but did not include any information about the estimated cost to taxpayers (\$3.55 billion over 10 years).

The FPPC’s Enforcement Division opened two cases, alleging that the county’s activities were advocacy, which qualified the county as a political campaign committee and triggered the Political Reform Act’s filing and disclosure requirements. The county failed to include advertisement disclosures. A taxpayer advocacy group sued with similar allegations. All parties agreed to resolve the matters with a joint settlement that includes the FPPC penalty but does not include any admission of wrongdoing by the county.

Such penalties are paid using public funds, and even when there is an admission of wrongdoing, individuals are not held personally accountable for any improper activities. Additionally, no determination is made about

whether improper campaigning influenced the result of the election, so tax measures that are approved remain in place even if there is evidence they would not have passed absent the improper campaigning.

Examples of local governments using tax dollars for campaign-style ads, mailers, and websites can be found nearly every election cycle. The ads often include graphics and slogans designed to encourage a “yes” vote. The “educational outreach” efforts typically describe programs that would be funded by the tax revenue, but do not address any potential negative impacts of tax increases.

A member of the Carson City Council publicly acknowledged the role that government spending has on elections during the council’s approval of a “voter outreach” plan for Measure K, a sales tax on the November 2020 ballot. The *Torrance Daily Breeze* of August 20, 2020, quoted Council Member Lula Davis-Holmes saying: “My concern is if we don’t do anything, it’s going to fail ... We need to do something.” Mayor Al Robles later responded: “The FPPC is starting to look more and more closely at things like this. Comments like those just adds credence to the notion this is an advocacy campaign and it’s not an educational campaign and that’s the problem.” Measure K was approved with 53.9 percent of the vote.

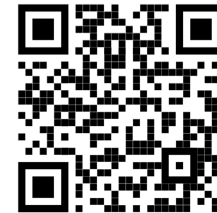
Taxpayers can report campaign violations to the FPPC online at [FPPC.ca.gov](https://fppc.ca.gov).

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