

LIST OF LOCAL SALES TAX EXEMPTION BILLS

In 1987, the Legislature imposed a maximum combined rate of 1% on all transactions and use taxes (TUT) within any county. That rate was incrementally increased - first to 1.5% in 1990 and then to 2% in 2003. The TUT law authorizes the adoption of local add-on rates to the combined state and local sales tax rate. Under existing law, cities and counties may impose a TUT for general or special purposes, subject to voter approval, provided that the combined countywide rate of tax does not exceed 2%.

Therefore, when a city or district imposes a transactions and use tax, the increased tax rate counts toward the county's cap, which means that the county is restricted in its ability to raise revenues on a countywide basis.

Currently the Counties of Alameda, Contra Costa, Los Angeles, Monterey, and San Mateo have reached the 2% limit and have sought exemptions. The Counties of Marin, San Diego, and Sonoma are near the 2% limit.

These taxes may be imposed either directly by the city or county, or through a special purpose entity established by the city or county. Counties may also create a transportation authority to impose district taxes under the Public Utilities Code or designate a transportation planning agency to impose a district tax, subject to the applicable voter approval requirements.

According to the Board of Equalization, there are 202 local jurisdictions, including cities, counties, and special purpose entities, that impose a district tax for general or specific purposes. Of the 202 jurisdictions, 48 are county-imposed taxes and 154 are city-imposed taxes. Of the 48 county-imposed taxes, 44 are imposed for special purposes. Of the 154 city-imposed taxes, 124 are general-purpose taxes and 30 are special purpose taxes.

The Legislature has previously granted exemptions to the 2% statutory cap for transactions and use taxes to primarily support countywide transportation programs. Governor Brown has preferred to sign these bills into law rather than exemptions for general purposes.

Below is a list of bills that have been considered by the legislature:

- 1. AB 1665 (Bonilla), Chapter 45, Statutes of 2016**, removes the existing authority granted to Alameda County and Contra Costa County to impose an additional transaction and use tax (TUT), subject to voter approval, and instead grants Contra Costa County's existing authority to the Contra Costa Transportation Authority (CCTA).

The bill was chaptered in July allowing CCTA time to place Measure X on the November 2016 ballot. It failed by receiving only 62% of the vote.

2. **SB 705 (Hill), Chapter 579, Statutes of 2015**, authorizes Monterey and San Mateo Counties to impose a countywide sales tax for transportation purposes (1/8% and 1/2% respectively) that would, in combination with all other locally imposed sales tax, exceed the 2% tax rate cap if certain requirements are met.

Monterey used its exemption to place a ballot on the November 2016 ballot. San Mateo intends to do so in November of 2018.

3. **AB 464 (Mullin)** would have increased the maximum combined rate of all transactions and use taxes (district taxes) that may be levied by authorized entities within a county from 2% to 3%. This bill was vetoed by the Governor.

In his veto message, Governor Brown stated: **“Although I have approved raising the limit for individual counties, I am reluctant to approve this measure in view of all the taxes being discussed and proposed for the 2016 ballot.”**

4. **AB 1324 (Skinner), Chapter 795, Statutes of 2014**, allows the City of El Cerrito to adopt an ordinance to impose a transactions and use tax not to exceed 0.5% for general purposes that would, in combination with other taxes, exceed the statutory limit of 2%. According to the author, "The City of El Cerrito was hit particularly hard by the recession and the local economy is still struggling to recover. As a result, local property values have declined. The sluggish economy, diminished revenues from reduced property assessments, the loss of redevelopment, store relocations, and other factors are forcing the city to reduce services."

The Governor, sympathetic to the City's fiscal emergency, signed the bill. This bill has been the exception to the types of bills that have been signed.

The City subsequently placed Measure R on the November 2014 ballot to “protect/maintain City services, including fire prevention/ emergency services; emergency response times; neighborhood police patrols; firefighter/ police staffing; crime prevention/investigation resources; after-school programs; library hours/ programs; senior services; open space, parks, paths/ playfields; other general City services.”

5. **AB 210 (Weickowski), Chapter 194, Statutes of 2013**, extends the current authority for Alameda County to adopt an ordinance imposing a transaction and use tax from January 1, 2014, to December 31, 2020, and allows Contra Costa County to adopt an ordinance imposing a transactions and use tax in the same manner as Alameda County. The bill, which was sponsored by the Alameda County Transportation Commission and supported by the Contra Costa County Transportation Authority, was authored for purposes of placing a transportation sales tax measure on each county's respective ballot. Alameda placed Measure BB on the November 2014 ballot, which acquired was approved with over 70% of the vote.

6. **SB 33 (Wolk)** of 2013 would have allowed the County of Sonoma or any city within the County to impose a transactions and use tax for general purposes, and allow Sonoma County, any city within Sonoma County, or the Sonoma County Transportation Authority to impose a transactions and use tax for a specific purpose including, but not limited to the support of transportation and road maintenance programs and library services by up to 0.5% that would, in combination with all other transaction and use taxes, exceed the 2% statutory limit. The bill failed passage.
7. **AB 1086 (Weickowski), Chapter 327, Statutes of 2011**, allows Alameda County to adopt an ordinance, until January 1, 2014, to impose a transactions and use tax not to exceed 0.5% for the support of countywide transportation programs that would, in combination with other taxes, exceed the statutory limit of 2%.
8. **AB 2321 (Feuer), Chapter 302, Statutes of 2008**, amends the Los Angeles County Metropolitan Transportation Authority (Metro) existing authority to adopt a .5% transactions and use tax (sales tax) in Los Angeles County by eliminating outdated deadlines for specific projects and programs and extending the period in which the tax can be collected from six and one-half years to 30 years, subject to a two-thirds approval of local voters.

This bill allowed Metro to place Measure R on the November 2008 ballot. The measure passed with 67% of the vote.

9. **SB 314 (Murray), Chapter 785, Statutes of 2003**, enacts provisions originally authorizing the .5% sales tax, for no more than six and one-half years, for specific transportation projects and programs. That sales tax was never imposed. Metro now believes that the November 2008 ballot may be a viable time to place this sales tax proposal, amended to reflect the changes contemplated in this bill, before Los Angeles voters. This bill was superseded by AB 2321.

Bills currently under consideration (July 2017):

If enacted, **AB 1613 (Mullin)** would allow the San Mateo County Transit District to use the no more than 0.5% capacity created through SB 705 (above).

If enacted, **SB 797 (Hill)** would create new capacity not to exceed 0.125% for Caltrain to pursue a sales tax measure.