

Date of Hearing: July 7, 2025

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

SB 333 (Laird) – As Introduced February 12, 2025

Majority vote.

SENATE VOTE: 28-10

SUBJECT: Transactions and use taxes: San Luis Obispo Council of Governments

SUMMARY: Authorizes the San Luis Obispo Council of Governments (SLOCOG) to impose a transactions and use tax (TUT) for either general or specific purposes at a rate of no more than 1% that would, in combination with other TUTs, exceed the combined rate limit of 2%, if certain conditions are met. Specifically, **this bill**:

- 1) Provides that, notwithstanding any other law, SLOCOG may impose a TUT for general or specific purposes at a rate of no more than 1% that would, in combination with all TUTs, exceed the 2% limit established in Revenue and Taxation Code (R&TC) Section 7251.1 if all the following requirements are met:
 - a) SLOCOG adopts an ordinance proposing the TUT by the applicable voting approval requirement;
 - b) The ordinance proposing the TUT is submitted to the electorate and is approved by the voters voting on the ordinance by the applicable voting approval requirement in accordance with the California Constitution on or after January 1, 2026; and,
 - c) The TUT conforms to the TUT Law, other than R&TC Section 7251.1.
- 2) Provides that, notwithstanding existing law, a TUT rate imposed pursuant to the above authority shall not be considered for purposes of the combined 2% rate limitation established by R&TC Section 7251.1.
- 3) Finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique fiscal pressures relating to TUTs imposed within the County of San Luis Obispo.

EXISTING LAW:

- 1) Authorizes various local governmental entities, subject to certain limitations and approval requirements, to levy a TUT for general or special purposes, in accordance with the procedures and requirements set forth in the TUT Law. (R&TC Section 7251 *et seq.*)
- 2) Provides that the combined rate of all taxes imposed in accordance with the TUT Law in any county may not exceed 2%. (R&TC Section 7251.1.)

FISCAL EFFECT: This bill would not impact state revenues.

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

The San Luis Obispo Council of Governments (SLOCOG) is responsible for addressing the growing demands on San Luis Obispo's transportation network and for funding any new improvements. However, a 2% combined local tax rate limit will prevent SLOCOG from implementing a tax to fund transportation improvements if any of the seven cities within San Luis Obispo County pass their own tax of at least half a percent. Senate Bill 333 allows SLOCOG to exceed this 2% limit by up to 1%, providing them with the authority to pursue a local sales tax measure and seek approval by the voters.

- 2) This bill is sponsored by SLOCOG, which notes the following:

SLOCOG is considering a ½ cent countywide transportation investment measure for the November 2026 ballot. However, with other non-transportation tax measures proposed by San Luis Obispo County jurisdictions, there may not be sufficient capacity under the countywide 2% local option sales tax cap. The enactment of this legislation would ensure that SLOCOG, the County of San Luis Obispo, and all seven cities would be able to engage in a public process to develop an expenditure plan for voters' consideration. This is an opportunity for San Luis Obispo residents to consider resources to improve its transportation infrastructure, including safety and mobility needs.

- 3) This bill is supported by the Tri-County Chamber Alliance, which notes the following:

SB 333 recognizes the unique fiscal challenges in San Luis Obispo County and allows local voters to decide whether to fund regional transportation and infrastructure needs. It preserves local control, supports economic growth, and ensures SLOCOG can pursue sustainable mobility and public investment goals. Due to the region's pressing infrastructure needs and the value of local voter control, TCCA supports SB 333.

- 4) This bill is opposed by the California Taxpayers Association, which notes:

Continuing to Authorize Waivers Makes California Less Affordable. The sales and use tax is a regressive tax that has the greatest impact on low-income residents because it makes it more expensive for these taxpayers to purchase everyday necessities. Inflation has increased the cost of most goods, which in turn increases the sales tax that is imposed as a percentage of the retail price. Adding to the cost of living with a sales tax increase would harm Californians and disproportionately impact the state's most vulnerable residents.

Within the past four years, the California Legislature has authorized 12 local governments to enact sales taxes that exceed the 2 percent transactions and use tax cap. Cumulatively, these exemptions from the cap have impacted more than 15 million California residents, making the state less affordable for low- and medium-income families.

Increases Costs of Operating a Business in California. Businesses engaged in

manufacturing, research-and-development, and agriculture face a significant sales and use tax burden in California. Under existing law, when a business purchases equipment that will be used in manufacturing, R&D, or agriculture, the purchase is subject to a one-time local sales tax of 1.25 percent plus any additional voter-approved transactions and use taxes. Taxing business inputs increases overall business operating costs and results in tax pyramiding, ultimately increasing prices for consumers.

San Luis Obispo County plays a critical role in California's agricultural economy, producing \$1.1 billion in crops in 2023 alone. The county is also home to a thriving wine industry, with more than 250 wineries in the district, employing thousands of local workers. Authorizing the county to exceed the 2 percent transactions and use tax cap would increase the cost of doing business for the region's agricultural producers, making the producers less competitive in the global market and potentially resulting in job losses for area residents. (Emphasis in original.)

5) Committee Staff Comments:

- a) *What would this bill do?* This bill would authorize SLOCOG to impose a TUT for general or specific purposes, at a rate of no more than 1% that, in combination with other TUTs, which would exceed the combined rate limit of 2%. SLOCOG would first have to adopt an ordinance proposing the tax and the ordinance would need to be approved by the voters, subject to applicable voter approval requirements, on or after January 1, 2026.
- b) *Need for this bill:* According to the author and sponsor, five cities within San Luis Obispo County, including Atascadero, Grover Beach, Morro Bay, Paso Robles, and the City of San Luis Obispo, have used 1.5% of their existing TUT capacity. If even just one of those cities passes an ordinance increasing their TUT by 0.5%, SLOCOG would be precluded from seeking a future sales tax increment increase. According to the author and sponsor, this would impede SLOCOG's ability to maintain an effective transportation system, including funding that is necessary to address the severe traffic along U.S. Highway 101, improve goods movement and safety along State Route 46 and auxiliary routes such as State Route 227, and fund several multimodal projects countywide.
- c) *General, special, or both?* Local TUTs can be adopted for either general or special purposes. As the name suggests, general tax revenues may be spent for general government purposes, while special tax revenues are earmarked for specific purposes like transportation. This bill would authorize SLOCOG to impose a TUT for either general or specific purposes. Councils of governments are joint-powers authorities (JPAs)
- d) *Sales and Use Taxes:* State law imposes the sales tax on every retailer "engaged in business in this state" that sells tangible personal property, and requires them to register with the California Department of Tax and Fee Administration (CDTFA), as well as collect the appropriate tax at purchase and remit the amount to CDTFA. Sales tax applies whenever a retail sale occurs, which is generally any sale other than one for resale in the regular course of business. The current rate is 7.25% as shown in the table on the following page:

| Rate | Jurisdiction | Purpose/Authority |
|--------------|--|---|
| 3.9375% | State (General Fund) | State general purposes |
| 1.0625% | Local Revenue Fund (2011 Realignment) | Local governments to fund local public safety services |
| 0.50% | State (1991 Realignment) | Local governments to fund health and welfare programs |
| 0.50% | State (Proposition 172 - 1993) | Local governments to fund public safety services |
| 1.25% | Local (City/County) 1.00% City and County 0.25% County | City and county general operations Dedicated to county transportation purposes |
| 7.25% | Total Statewide Rate | |

Unless the purchaser pays the sales tax to the retailer, they are liable for the use tax, which the law imposes on any person consuming tangible personal property in the state. The use tax is set at the same rate as the sales tax and, also like the sales tax, must be remitted on or before the last day of the month following the quarterly period in which the person made the purchase.

- e) *A well-established precedent:* It should be noted that the Legislature has, on numerous occasions, granted specific statutory authority to exceed the general 2% rate limitation. Specifically, such authority has been granted to the Counties of Alameda, Contra Costa, Humboldt, Los Angeles, Monterey, San Mateo, Santa Clara, Solano, Sonoma, and Ventura and the cities of Alameda, Berkeley, Campbell, Pinole, El Cerrito, and Santa Fe Springs.
- f) *A less than perfect tax:* The sales tax has been widely criticized as a regressive exaction that most heavily impacts those least able to pay. For example, a survey by the Nevada Legislative Counsel Bureau long ago concluded that in the case of a retail sales tax with food exempt, "the lowest income group would experience the highest ratio of tax to income" [Survey of Sales Taxes Applicable to Nevada 59 (Bull. No. 3, May, 1948).] Others, however, contend that a degree of progressivity is provided via the various exemptions built into most state sales tax laws (i.e., for certain necessities of life such as food, housing, and medical care). California already has a relatively high sales tax rate. High rates arguably promote non-compliance and encourage out-of-state purchases, placing California retailers at a competitive disadvantage. High rates also risk impacting consumer decision-making, which runs counter to widely accepted principles of sound tax policy.

- g) *Suggested amendment:* As currently drafted, this bill authorizes SLOCOG to pursue a TUT increase by adopting an ordinance that must be approved by voters on or after January 1, 2026, but there is no sunset date for this authorization. To remain consistent with prior TUT authorization measures, it is recommended that this bill be amended to include a 5-year sunset and specify that the ordinance be adopted prior to January 1, 2032.
- h) *Double referral:* This bill was double referred with the Assembly Committee on Local Government, which passed this bill on June 18, 2025, by a vote of 7 to 2. For additional discussion of this bill's provisions, please refer to the analysis prepared by the Assembly Committee on Local Government.
- i) *Prior legislation:*
 - i) AB 3259 (Wilson), Chapter 852, Statutes of 2024, allowed the cities of Campbell and Pinole, the Solano County Board of Supervisors and a city council in Solano County to impose a TUT, by ordinance or voter initiative, of up to 0.5% even if it exceeds the 2% cap.
 - ii) AB 2443 (Carrillo), Chapter 961, Statutes of 2024, authorized the cities of Lancaster, Palmdale, and Victorville to impose a TUT that exceeds the 2% statutory limitation.
 - iii) SB 862 (Laird), Chapter 296, Statutes of 2023, authorized the board of directors of the Santa Cruz Metropolitan Transit District to impose a retail TUT of up to .5% after January 1, 2024, that is excluded from the 2% combined rate limit, if certain conditions are met.
 - iv) SB 335 (Cortese), Chapter 391, Statutes of 2023, allows the Santa Clara County Board of Supervisors to propose a TUT of up to 0.625% in Santa Clara County that exceeds the 2% cap and shifted the authority to impose a TUT for countywide transportation purposes in Ventura County that exceeds the 2% cap from the Ventura County Transportation Commission to the County.
 - v) AB 1679 (Santiago), Chapter 731, Statutes of 2023, authorizes Los Angeles County to impose a TUT of up to 0.5% that exceeds the 2% statutory limitation, as specified.
 - vi) AB 1256 (Wood), Chapter 572, Statutes of 2023, authorized Humboldt County to impose a TUT of up to 1% that exceeds the 2% statutory limitation.
 - vii) AB 2453 (Bennett), Chapter 286, Statutes of 2022, authorized the Ventura County Transportation Commission to impose a TUT of no more than 0.5% that does not count against the cap in Ventura County.

REGISTERED SUPPORT / OPPOSITION:

Support

Arroyo Grande; City of
 Grover Beach; City of
 Morro Bay; City of

Paso Robles; City of
Pismo Beach; City of
San Luis Obispo; City of
San Luis Obispo Council of Governments
Tri County Chamber Alliance

Opposition

California Taxpayers Association
Howard Jarvis Taxpayers Association

Analysis Prepared by: Wesley Whitaker / REV. & TAX. / (916) 319-2098