



Yes on 26

Questions & Answers

Co-Chairs

California Chamber of Commerce
California Taxpayers' Association

Supporters

Americans for Tax Reform
California Black Chamber of Commerce
California Business Alliance
California Business Properties Assn.
California Forestry Association
California Grocers Association
California Hispanic Chambers of Commerce
California Hotel & Lodging Assn.
California Restaurant Association
California Manufacturers & Technology Association
Coalition of Labor, Agriculture & Business of Santa Barbara County
California Retailers Association
California Taxpayer Protection Cmte
Citizens for California Reform
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Howard Jarvis Taxpayers Association
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National Federation of Independent Business – California
Nisei Farmers League
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Orange County Taxpayers Assn.
Neighborhood Market Association
San Diego Tax Fighters
Wine Institute
Small Business Action Committee
Valley Industry & Commerce Assn.
Western Agricultural Processors Assn.

*Partial List

What are Hidden Taxes?

In the past decade, state legislators and local officials have been using a loophole to propose more than \$10 billion in “hidden taxes”—fees disguised as taxes – on goods and services that Californians use every day, like groceries, gas, cell phones, or even emergency services.

State and local politicians routinely circumvent the state Constitution’s requirements by disguising taxes as fees because fees are easier to pass than tax increases. At the state level, the Legislature calls many taxes “fees” so they can pass or increase the tax with a bare majority vote – not the two-thirds vote required for taxes. At the local level, politicians call taxes “fees” so they can avoid voters and our Constitutional right to vote on most tax increases.

What will Proposition 26 do to Stop Hidden Taxes?

Proposition 26 stops politicians from passing hidden taxes by closing the loophole. Under Proposition 26, politicians must meet the same Constitutional vote requirements to pass hidden taxes as they must to pass or increase other taxes:

- At the state level, Legislators must meet the two-thirds vote requirement for new or increased hidden taxes – just like all other taxes.
- At the local level, local politicians and governments must submit hidden taxes to the voters – just like other taxes.

Why should you vote for Proposition 26?

Prop. 26 will give voters more control to stop the politicians from using gimmicks to impose hidden taxes on California families just by calling them fees. No longer will the politicians be able to hide new or higher taxes under the name of a “fee” to try to get more taxpayer money with a bare majority vote of the Legislature – or without any public vote at all at the local level.

How does Proposition 26 help California?

Californians already pay some of the highest taxes in the country. Additionally, the state has one of the highest unemployment rates in the country at 12.4 percent and has lost more than a million jobs since 2007. To get our economy back on track, we have to stop politicians from raising taxes just by calling them fees.

Hidden taxes work against job creation, driving businesses out of our state and forcing many small businesses to close. Raising taxes and fees on people and businesses in our state will continue to drive people away, kill jobs, reduce state revenue and make our budget crisis even worse. The best way out of this recession is to grow our economy and create jobs, not pass more hidden taxes. This measure will stop politicians from using gimmicks to take more money from California taxpayers and make politicians abide by the Constitution.

What about legitimate fees? How are those impacted by this measure?

This measure does NOT impact legitimate fees. Under the initiative, legitimate fees, those that cover the cost of a service, for example, can still be passed with a majority vote of the Legislature or approved by local officials. Fees for things like driver’s licenses, fishing licenses, or penalties for violating the law are all still considered fees under Proposition 26.



What about fees to help protect the environment or support consumer regulations?

California has some of the strongest environmental and consumer protection laws in the country. Proposition 26 preserves those laws and protects legitimate fees such as those to clean up environmental or ocean damage and those to fund consumer regulations.

Are “hidden taxes” enacted at the local level or is this strictly a state practice?

Proposition 26 applies to the state Legislature AND local governments – because the politicians at both levels have been passing hidden taxes. At the local level, a public vote is required for most tax increases, but fees can be enacted without a public vote. Just like the state Legislature, local politicians have been calling taxes “fees” to bypass voters and raise taxes without permission. This measure will allow local governments to charge legitimate fees that cover the reasonable costs of services, licensing and permitting programs, special privileges, or use of public property, for example, but fees that are unrelated to such programs or services would be treated as a tax and would need to be approved by voters.

What are some examples of “hidden taxes?”

Hidden taxes have been introduced on a number of consumer and household products including food, gas, toys, water, grocery bags and cell phones. Left unchecked, hidden taxes could affect a wide range of industries like agriculture, utilities, entertainment, insurance, beverages, food and more.

What are fees?

When a person pays a fee there is an assumption that he/she will get something in return. For example, if an individual taxpayer is someone who enjoys fishing, he may decide to purchase a fishing license from the state, so he pays a user fee, and then is able to legally fish in the state. Unlike with a tax, people aren't forced to pay a fee for something they don't use, in this example a fishing license.

Similarly, business owners often pay fees in exchange for a permit to do business in the state or to cover the cost of regulating their specific industry, which helps promote and protect safety and fairness in the marketplace. Again, these businesses pay a fee and get something in exchange for the fee paid, in this example regulatory oversight.

What are levies and charges?

Levies and charges are another way of saying fees and taxes.

Why should I be concerned about fees?

In one way or another, fees impact every Californian. Politicians have proposed more than \$10 billion in hidden taxes. Unless stopped, you can bet politicians will continue to try to impose hidden taxes on everything from vehicle licenses, food, grocery bags and cell phones as well as on services like accounting, veterinary care, car repairs and even hair and nail services.

The Legislature already increased taxes by \$18 BILLION and now they've unveiled a plan that will raise taxes by another \$5 billion this year, giving them even more money to waste. Voters need to send a message to Sacramento that it's time to clean up wasteful spending and force the state to live within its means like regular families. The recession has forced families to cut back. It's time we force the Legislature to cut spending and live within its means. We shouldn't be paying more to fund big government.

What is the legislative requirement to pass or increase taxes?

The Legislature must have a two-thirds vote to pass taxes. If it's a fee, a majority vote is required for passage. However, the problem lies when politicians abuse their power and try to pass taxes off as “fees” simply by labeling them so in order to get a bare majority vote. That's not fair.



Who supports Proposition 26?

Stop Hidden Taxes is a growing coalition sponsored by the California Chamber of Commerce and California Taxpayers' Association. Supporters include the Small Business Action Committee, California Manufacturers and Technology Association, California Black Chamber of Commerce, California Business Properties Association, California Hispanic Chambers of Commerce, Howard Jarvis Taxpayers Association and the National Federation of Independent Business – California, among many others.

How can I get involved?

You can help Stop Hidden Taxes by joining our coalition online and telling your friends, family and coworkers to do the same. Please check out our website at www.No25Yes26.com or call 1-866-218-4450 for more information.