
THIRD READING

Bill No: AB 1256
Author: Wood (D)
Amended: 3/23/23 in Assembly
Vote: 21

SENATE GOVERNANCE & FIN. COMMITTEE: 6-1, 6/7/23
AYES: Caballero, Blakespear, Durazo, Glazer, Skinner, Wiener
NOES: Dahle
NO VOTE RECORDED: Seyarto

ASSEMBLY FLOOR: 55-14, 5/15/23 - See last page for vote

SUBJECT: Transactions and use taxes: County of Humboldt

SOURCE: Humboldt County Board of Supervisors

DIGEST: This bill authorizes the Humboldt County Board of Supervisors to impose a district tax for countywide transportation programs at a rate of no more than 1% that would, in combination with other TUTs, exceed the combined rate limit of 2%.

ANALYSIS:

Existing law:

- 1) Imposes the sales tax on every retailer engaged in business in this state that sells tangible personal property, and requires them to collect the appropriate tax from the purchase and remit the amount to the California Department of Tax and Fee Administration.
- 2) Applies whenever a retail sale is made, which is basically any sale other than one for resale in the regular course of business.
- 3) Provides that unless the person pays the sales tax to the retailer, he or she is liable for the use tax, which is imposed on any person consuming tangible personal property in the state. The use tax rate is the same rate as the sales tax

rate, and must be remitted on or before the last day of the month following the quarterly period in which the person made the purchase.

- 4) Levies the sales and use tax at a current rate of 7.25%.
- 5) States that taxes levied by local governments are either general taxes, subject to majority approval of its voters, or special taxes, subject to 2/3 vote (California Constitution, Article XIII C).
- 6) Allows cities, counties, and specified special districts, including the San Francisco Bay Area Rapid Transit District and the Santa Cruz County Metropolitan Transit District, to increase the sales and use tax applied within their jurisdictions, also known as district or transactions and use taxes, for either specific or general purposes pursuant to the California Constitution's voter approval requirements.
- 7) Allows counties to impose a district tax solely in the unincorporated area of a county (AB 2119, Stone, Chapter 148, Statutes of 2014).
- 8) Caps the maximum district tax rate at 2% within a county; however, allows exceptions from the cap for the Cities of El Cerrito and Santa Fe Springs, Contra Costa County, San Mateo County, Sonoma County (and any city in Sonoma County), the Transportation Agency for Monterey County, and the Los Angeles Metropolitan Transportation Authority, among others.

This bill:

- 1) Authorizes the Humboldt County Board of Supervisors to impose a district tax of up to 1% that exceeds the 2% cap if:
 - a) The Board adopts an ordinance imposing the tax, and submits it to the electorate,
 - b) The voters approve the tax in accordance with Article XIII C of the California Constitution; and,
 - c) The tax otherwise conforms to the Transactions and Use Tax Law, other than the 2% cap.
- 2) Repeals its provisions on January 1, 2027 if the tax is not approved.

Background

Humboldt County. Humboldt County currently imposes a 0.5% district tax, which became effective on January 1, 2015. However, voters in the City of Eureka approved Measure H at the November, 2020, general election, which imposed a 1.25% district tax on January 1, 2021, replacing a previous 0.5% tax that expired on the same date. Measure H's tax applies in addition to a previously-imposed 0.25% tax, bringing the combined rate in the City of Eureka to 9.25%. As a result, the 2% countywide cap in state law precludes the County from imposing an additional district tax.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT: (Verified 6/8/23)

Humboldt County Board of Supervisors (source)

OPPOSITION: (Verified 6/8/23)

California Taxpayers Association
Howard Jarvis Taxpayers Association

ARGUMENTS IN SUPPORT: According to the author, "AB 1256 would authorize the Humboldt County Board of Supervisors to impose a transactions and use tax for the support of countywide transportation programs at a rate of no more than 1% that would, in combination with other transactions and use taxes, exceed the combined rate limit of 2%, if the voters approve the ordinance proposing the tax. As Humboldt County recovers from recent natural disasters, this bill is needed to provide the opportunity to propose a roads tax for the purpose of building and maintaining safe roads."

ARGUMENTS IN OPPOSITION: According to the California Taxpayers Association, "California has the highest state-level sales and use tax rate in the country, and several cities in California, including Eureka, have even higher rates. 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 everyday goods, which in turn increases the sales tax that is imposed as a percentage of the retail price. Adding even more to the cost of living with a sales tax increase would harm Californians, and will disproportionately impact the state's most vulnerable residents. In 1953, the Senate Committee on State and Local Taxation recommended that California adopt a uniform state and local sales tax with a rate cap. The cap has served the state well, and should not be circumvented."

ASSEMBLY FLOOR: 55-14, 5/15/23

AYES: Addis, Aguiar-Curry, Alvarez, Arambula, Bains, Bennett, Berman, Bonta, Bryan, Calderon, Juan Carrillo, Wendy Carrillo, Cervantes, Connolly, Mike Fong, Gabriel, Garcia, Gipson, Grayson, Haney, Hart, Holden, Irwin, Jackson, Jones-Sawyer, Kalra, Lee, Low, Lowenthal, Maienschein, McCarty, McKinnor, Stephanie Nguyen, Ortega, Pacheco, Papan, Pellerin, Petrie-Norris, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Santiago, Ting, Valencia, Villapudua, Ward, Weber, Wicks, Wilson, Wood, Zbur, Rendon

NOES: Megan Dahle, Davies, Dixon, Essayli, Vince Fong, Gallagher, Hoover, Lackey, Mathis, Jim Patterson, Joe Patterson, Sanchez, Ta, Wallis

NO VOTE RECORDED: Alanis, Bauer-Kahan, Boerner, Chen, Flora, Friedman, Muratsuchi, Quirk-Silva, Schiavo, Soria, Waldron

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