

ASSEMBLY THIRD READING
AB 1768 (Bryan)
As Amended April 30, 2026
2/3 vote. Urgency

SUMMARY

Allows Los Angeles and Contra Costa Counties to impose a transactions and use tax (TUT) that exceeds the 2% statutory limitation.

Major Provisions

- 1) Authorizes Los Angeles County to impose a TUT for general or specific purposes to support countywide programs at a rate of no more than .5% that would, in combination with all taxes imposed, exceed the 2% combined rate limit, if all of the following requirements are met:
 - a) The county adopts an ordinance proposing the TUT by any 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.
 - c) The TUT conforms to TUT Law, as specified.
- 2) Authorizes Contra Costa County to impose, by ordinance, a TUT for general or specific purposes to support countywide programs at a rate of no more than .625% that would, in combination with all taxes imposed, exceed the 2% combined rate limit, if all of the following requirements are met:
 - a) The board of supervisors of Contra Costa County adopts an ordinance proposing the TUT by any 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 in accordance with the California Constitution.
 - c) The TUT conforms to TUT Law, as specified.
- 3) Contains an urgency clause.

COMMENTS

- 1) *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%.

Unless the purchaser pays the sales tax to the retailer, he or she is liable for the use tax, which the law imposes on any person consuming tangible personal property in the state. The

use tax is 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.

- 2) *Transactions and Use Taxes.* The California Constitution 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 (Article XIII C). Proposition 13 (1978) required a 2/3 vote of each house of the Legislature for state tax increases, and a 2/3 vote for local special taxes. Proposition 62 (1986) prohibited local agencies from imposing general taxes without majority approval of local voters, and a 2/3 vote for special taxes. Proposition 218 (1996) extended those vote thresholds to charter cities, and limited local agencies' powers to levy new assessments, fees, and taxes. Local agencies generally propose to increase taxes by adopting an ordinance or a resolution at a public hearing.

State law allows cities, counties, and specified special districts to increase the sales and use tax applicable in their jurisdiction, also known as district taxes or TUTs. Generally, the combined TUT tax rate imposed within a local jurisdiction cannot exceed 2%. To determine whether a county has reached this rate limitation, all countywide taxes and the highest combined rate imposed by a city within the county are counted towards the county's rate limit. For example, if a county imposes three 0.5% countywide taxes and two cities within the county each impose a 0.5% tax, the combined rate in those two cities would be 2%. In such a circumstance, the two cities could not impose another TUT, and the county could not impose another countywide TUT, absent special authority to exceed the rate limitation.

Prior to 2003, cities lacked the ability to place TUTs before their voters without first obtaining approval by the Legislature to bring an ordinance before the city council, and, if approved at the council level, to the voters. This was remedied by SB 566 (Scott), Chapter 709, Statutes of 2003, which imposed the uniform 2% countywide cap.

AB 464 (Mullin) of 2015 would have increased the maximum combined rate of all TUTs that may be levied by authorized entities within a county from 2% to 3%. This bill was vetoed by Governor Brown stating, "This bill would raise, on a blanket basis, the limit on local transactions and use tax for all counties and cities from two percent to three percent. 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."

As of April 1, 2026, local agencies impose 486 district taxes for general or special purposes: 408 imposed citywide, 72 imposed countywide, and six imposed in unincorporated county areas. Generally, local agencies impose these taxes throughout the entire area of a single county, the entire unincorporated area within a single county, or a single incorporated city. However, three transportation operators in the Bay Area have regional district taxes:

- a) The Bay Area Rapid Transit (BART) District, which covers Alameda, Contra Costa, and San Francisco counties.
- b) The Peninsula Corridor Joint Powers Board (CalTrain), which covers San Francisco, San Mateo, and Santa Clara counties.
- c) The Sonoma-Marín Rail Transit District, which includes Sonoma and Marin counties.

3) *Los Angeles and Contra Costa County TUTs.* Los Angeles County has 75 TUTs levied within its borders—five countywide taxes (four for transportation purposes and one for special purposes), and 70 city-wide taxes. Currently, two of the five countywide district taxes remain subject to the 2% combined TUT rate limitation, while three, imposed by the Los Angeles County Metro Transportation Authority (LAMT), Los Angeles County Traffic Improvement Plan (LAMA), and Los Angeles County Affordable Housing, Homelessness Solutions, and Prevention Now Transactions and Use Tax (LAHT) are exempt from the 2% combined TUT rate limitation.

Contra Costa County has 24 TUTs levied within its borders—three countywide taxes (two for transportation purposes and one for general or specific purposes), and 23 city-wide taxes. Currently, two of the three countywide TUTs remain subject to the 2% combined TUT rate limitation, while one, imposed by BART, is exempt. An additional countywide TUT rate of up to .5%, that is not subject to the 2% combined district tax rate limitation is authorized; however, this tax is not yet imposed under that authority.

According to the Author

"AB 1768 is an urgent response to the harm directed at California communities from the corrupt Trump administration. Federal policies have stripped billions of dollars from the health systems that keep vulnerable Californians alive and healthy. Communities in Los Angeles and Contra Costa are now forced to assume significantly higher-cost and less-effective emergency-room treatment modalities, implement hiring freezes and service reductions, or book deficits that threaten the short-, medium-, and long-term fiscal health of critical care services. In response, these counties have placed measures on their June ballots to address these cuts. This bill gives these two counties state authorization to allow voters to decide. This bill does not raise taxes. AB 1768 simply reinforces local control. Voters can decide whether they want to protect their own health infrastructure against the cuts demanded by the incompetent Trump Administration."

Arguments in Support

According to the sponsors of this bill, and a coalition of supporters, "The cuts imposed by H.R. 1 are projected to slash Los Angeles County's Department of Health budget by \$700 million annually, placing four public hospitals and more than 550 health clinics at serious risk of closure or drastic service reductions. Chronic disease prevention and tracking efforts will be severely curtailed. One in three County residents who rely on Medi-Cal could lose access to essential care, and more than 5,000 dedicated healthcare workers face potential job loss. These impacts will not be limited to uninsured individuals; the strain on emergency rooms, hospitals, community clinics, school-based health centers, and public health infrastructure will affect all Angelenos.

"In response, healthcare clinics, faith leaders, nonprofit organizations, labor unions, elected officials, and thousands of patients and healthcare workers have united behind the Essential Services Restoration Act. This Los Angeles County ballot measure would enact a temporary 0.5 percent general sales tax for five years, generating approximately \$1 billion annually to help offset severe federal funding reductions. The measure includes strict oversight and independent audits to ensure transparency and accountability, and guarantees that every dollar remains in Los Angeles County to protect local services.

"On February 10, 2026, the Los Angeles County Board of Supervisors adopted a spending plan dedicating these funds to restore and protect essential healthcare services, including:

- 1) Up to 45% to the Department of Health Services to fund a limited network of nonprofit providers furnishing no-cost or reduced-cost care to uninsured low-income residents, including outpatient medical, specialty, dental, behavioral health, diagnostics, pharmaceuticals, nutrition, and medical supplies.
- 2) 22% to safeguard the County's public hospital and clinic system.
- 3) 10% to the Department of Public Health to support core public health functions and health equity grants.
- 4) 5% to nonprofit safety-net hospitals meeting specific criteria.
- 5) 5% allocated proportionately to nonprofit health agencies primarily providing family planning and reproductive health services to low-income and underserved communities.
- 6) 4% for school-based health programs, as determined by the governing board of L.A. Care Health Plan.
- 7) 3% to the Department of Public Social Services for Medicaid outreach, enrollment, and work/volunteer programs.
- 8) 2.5% to support Correctional Health Services.
- 9) 2.5% for In-Home Supportive Services (IHSS) for seniors and people with disabilities, prioritizing enhanced wages and benefits for IHSS providers.
- 10) 1% to support core public health services provided by the Pasadena Public Health Department and the Long Beach Department of Health and Human Services, proportionate to their historic spending.

"The official ballot language makes clear that this measure is a direct response to severe federal cuts enacted by the President and Congress and is intended to reduce the loss of essential services, including healthcare for County residents, and to reduce the risk of closing the County's four public hospitals and numerous clinics.

"At a time when federal actions threaten to dismantle the foundation of our local healthcare infrastructure, Los Angeles County must have the tools necessary to protect its residents. The Essential Services Restoration Act represents a responsible, locally controlled, time-limited solution with robust oversight to ensure funds are used exactly as promised."

Arguments in Opposition

According to the League of California Cities, Los Angeles Division, "Congress' passage of H.R. 1 has created a national health care crisis that Los Angeles County cannot solve on its own. The LA County Division and many local cities are open to working with the County and the State to consider options to restore health care funding cut by H.R. 1, but not with a regressive tax that would disproportionately burden those in our communities who are already struggling to keep up with the rising cost of basic necessities like food, gas, utilities, and housing.

"This tax proposal comes less than two years after County voters agreed to Measure A (2024), another 0.5% sales tax increase exempted from the state sales tax cap, but this new proposal for the June ballot is different. Facing few political options, the County Board of Supervisors has

approved a general tax with none of the financial safeguards included in Measure A. We believe this is a fatal flaw and our Division cannot support a \$1 billion blank check to a County facing severe fiscal pressures including declining revenues, record legal payouts, and high debts.

"With sales taxes in LA County already as high as 11.25% in some areas and as low as 7.25% in nearby counties, we also fear that prices are reaching a tipping point and are in real danger of pushing businesses and shoppers out of LA County. If Sacramento legislators are serious about prioritizing affordability for Californians, then you should reject this proposal to exempt yet another 0.5% sales tax hike from the 2% sales tax cap.

"We agree that the cuts to health care in H. R. 1 passed by the Congress and signed by President Trump are nothing short of catastrophic. However, the County is proposing a flawed solution that would further raise the cost of everyday goods on County residents without safeguards in place to ensure that the funds go to the cause the Board of Supervisors are championing. Instead of encouraging a patchwork of measures for a few Californians, we urge legislators to find a statewide solution to this crisis."

FISCAL COMMENTS

None.

VOTES

ASM REVENUE AND TAXATION: 5-2-0

YES: Gipson, Carrillo, McKinnor, Quirk-Silva, Michelle Rodriguez

NO: Sanchez, DeMaio

ASM LOCAL GOVERNMENT: 6-2-2

YES: Carrillo, Ramos, Ransom, Caloza, Ward, Wilson

NO: Ta, Johnson

ABS, ABST OR NV: Pacheco, Blanca Rubio

UPDATED

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CONSULTANT: Jimmy MacDonald / L. GOV. / (916) 319-3958

FN: 0002474