
SENATE COMMITTEE ON LOCAL GOVERNMENT

Senator María Elena Durazo, Chair

2025 - 2026 Regular

Bill No: AB 1768
Author: Bryan
Version: 4/30/26

Hearing Date: 5/18/26
Fiscal: No
Consultant: Peterson

TRANSACTIONS AND USE TAXES: COUNTIES OF CONTRA COSTA AND LOS ANGELES

Allows the counties of Contra Costa and Los Angeles to impose a district tax, by ordinance, of up to 0.625% and 0.5%, respectively, even if it exceeds the 2% cap.

Background

Sales and use tax. 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 and remit 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 below.

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)	City and county general operations
	1.00% City and County 0.25% County	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 the same rate as the sales tax, and 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. CDTFA collects sales taxes from retailers, deposits the state share in the General Fund, and then allocates the local share of the Bradley-Burns sales tax and any district tax to the appropriate jurisdiction.

District taxes. The California Constitution states that taxes levied by local governments are either general taxes, subject to majority approval of their 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 2/3 vote for local special taxes. Proposition 62 (1986) prohibited local agencies from imposing general taxes without the 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 enacting an ordinance or adopting 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 or transactions and use taxes. As of January 1, 2026, local agencies impose 484 district taxes for general or special purposes: 407 imposed citywide, 71 imposed countywide, and 6 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:

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

State law caps the total tax rate for any county district tax at 2%. The cap applies countywide, so if one agency imposes a district tax, it may limit the ability of another agency in the same jurisdiction to impose a district tax if there is no remaining room under 2% cap. For example, if city X imposes a 1% tax in county A, county A in which city X is located could not impose an additional district tax above 1%. The Legislature has enacted numerous exceptions to the countywide 2% cap as outlined in the table below.

Counties	Cities	Other
Alameda	Alameda	Peninsula Corridor Joint Powers Board San Luis Obispo Council of Governments
Contra Costa	Berkeley	
Humboldt	Campbell	
Los Angeles	El Cerrito	
Monterey	Lancaster	
San Mateo	Palmdale	
Santa Clara	Pinole	
Solano	Santa Fe Springs	
Sonoma	Solano County cities	
Ventura	Victorville	

County of Contra Costa. Contra Costa is a county of nearly 1.2 million residents in the Bay Area. There are three countywide district taxes that combined add a total of 1.5% to the statewide rate of 7.25%. State law excludes one of the 0.5% countywide taxes from the 2% cap. Many of the cities in the county impose taxes that add up to 1%, meaning the County of Contra Costa cannot add on an additional countywide tax. The cities of El Cerrito and Pinole received statutory authorization to impose an additional 0.5%, which voters approved. As a result, those

cities have the highest tax rate in Contra Costa County at 10.25%. SB 63 (Wiener, 2025) allows Bay Area transportation agencies to impose an additional 0.5%, but those agencies have not yet imposed the tax.

County of Los Angeles. Los Angeles is the state's most populous county with nearly 10 million residents. Los Angeles County currently has 75 district taxes levied within its borders. Los Angeles County imposes four 0.5% district taxes for transportation, two of which the Legislature has exempted from the 2% cap (AB 2321, Feuer, 2008, and SB 767, De Leon, 2015). Los Angeles County also imposes a 0.5% tax for housing and homelessness services. The total countywide rate is 9.75%. There are 70 citywide taxes in Los Angeles County, including two 0.75% district taxes in the cities of Lancaster and Palmdale, for a total rate of 11.25% in those cities, the highest tax rate in the County.

Citing the need to address the loss of federal funding for health programs and services, the counties of Contra Costa and Los Angeles want the authority to place an additional district tax measure above the 2% cap on the June 2026 ballot.

Proposed Law

Assembly Bill 1768 allows the counties of Contra Costa and Los Angeles to impose by ordinance a district tax, of up to 0.625% and 0.5%, respectively, even if the tax exceeds the 2% cap when combined with other district taxes imposed by local agencies.

The Board of Supervisors must adopt an ordinance proposing the tax, submit the ordinance to the electorate for approval, and be approved by voters. The tax must also conform to state district tax law.

The bill repeals the authority for the counties of Contra Costa and Los Angeles to impose a tax in excess of the cap on January 1, 2032.

Comments

1. Purpose of the bill. 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."

2. Too high? While the state sales and use tax rate decreased from 7.5% to 7.25% on January 1, 2017, California's sales and use tax rate is high compared to other states, especially when incorporating locally imposed district taxes. Tax experts generally agree that sales and use taxes are regressive, meaning the tax incidence falls more heavily on low-income individuals than on high-income individuals, because those of lesser means generally spend a greater percentage of their income on taxable sales, even if California exempts many necessities such as food and

prescription medication. AB 1768 could lead to a tax rate of 10.875% in certain Contra Costa cities, and 11.75% in certain Los Angeles cities if the respective boards of supervisors impose the maximum tax rates allowed under the bill. If Bay Area transit exercised their authority to add another 0.5% excluded from the cap, the highest rate in Contra Costa could reach 11.375%. While local voters must approve any tax, the Committee may wish to consider whether AB 1768 allows for rates that are too high.

3. Existing cap. SB 566 (Scott, 2003) imposed the uniform 2% cap for both cities and counties, in response to a multitude of jurisdiction-specific bills seeking to authorize district taxes. The cap set an upper limit on the local rate, since, as noted above, California's sales and use tax rate is very high. In 2015, AB 464 (Mullin) attempted to raise the cap to 3%. However, Governor Brown vetoed the bill, 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.”

4. Upland. On August 28, 2017, the California Supreme Court entered a decision in *California Cannabis Coalition v. City of Upland*, 3 Cal. 5th 924, which held that Article XIII C, Section Two, subdivision (b)'s requirement that general taxes be submitted to the electorate at a regularly scheduled general election where members of the local governing board are subject to election did not apply to taxes proposed by voter initiative. As discussed in the Senate Governance and Finance Committee's March 7, 2018, joint oversight hearing, “*Uproar over Upland? Assessing the California Supreme Court's Decision*,” groups seeking to impose special taxes by majority vote by initiative argued if the Court held the general election requirement in subdivision (b) did not apply to initiatives, then neither did the 2/3 vote requirement for special taxes in subdivision (d). At least seven such taxes imposed by voters in various local agencies across the state have been approved, and no court thus far has invalidated them. But, because AB 1768's authority to exceed the 2% cap is granted solely to the boards of supervisors in Contra Costa and Los Angeles counties, the bill would not allow an initiative seeking to impose a special tax by majority vote.

5. Related legislation. The Legislature is considering similar measures for other jurisdictions, including:

- SB 762 (Arreguín), which this Committee approved on a 5-2 vote at its January 14, 2026, hearing, allows the City of Hercules to impose a district tax, by ordinance, of up to 1% even if it exceeds the 2% cap when combined with other district taxes imposed by local agencies. The measure is currently pending in the Assembly Committee on Local Government.
- SB 1078 (Laird), which this Committee approved on a 5-2 vote at its March 18, 2026, hearing, allows the County of Santa Cruz to impose a district tax, by ordinance, of up to 0.5% even if it exceeds the 2% cap. The measure is currently pending in the Assembly Committee on Local Government.
- AB 1919 (Pellerin) allows voters of the Santa Cruz Metropolitan Transit District to submit district taxes via initiative. The measure is currently pending on the Assembly Floor.

- AB 2484 (Alvarez) allows voters of the San Diego Metropolitan Transit System to submit district taxes via initiative. The measure is currently pending in the Assembly Committee on Appropriations.

6. Urgency. As an urgency statute, AB 1768 must be approved by a 2/3 vote of each house of the Legislature. Regular legislation takes effect on the January 1 following its passage, but urgency bills take effect as soon as they are passed, signed, and chaptered.

7. Special legislation. The California Constitution prohibits special legislation when a general law can apply (Section 16 of Article IV). AB 1768 contains findings and declarations explaining the need for legislation that applies only to transaction and use taxes imposed within the counties of Contra Costa and Los Angeles.

Assembly Actions

Assembly Committee on Revenue and Taxation:	5-2
Assembly Committee on Local Government:	6-2
Assembly Floor:	55-15

Support and Opposition (5/15/2026)

Support: Aliados Health
 All Inclusive Community Health Center
 Altamed Health Services
 Arroyo Vista Family Health Center
 California Community Foundation
 California Federation of Labor Unions, Afl-cio
 California Professional Firefighters
 California State Association of Electrical Workers
 California State Council of Service Employees International Union (seiu California)
 California State Pipe Trades Council
 Camino Health Center
 Chinatown Service Center
 Clinica Monseñor Oscar A. Romero
 Community Clinic Association of Los Angeles County (CCALAC)
 Community Health Association of Inland Southern Region
 Comprehensive Community Health Centers
 Contra Costa County
 Cpcadvocates
 Cpcadvocates, Subsidiary of the California Primary Care Association
 East LA Community Corporation
 Eisner Health
 El Proyecto Del Barrio, INC.
 Garfield Health Center
 Hill Country Community Clinic
 Innercare
 L.A. Care Health Plan
 Los Angeles County
 Los Angeles Lgbt Center
 Mchc Health Centers

Neighborhood Healthcare
Northeast Valley Health Corporation
Open Door Community Health Centers
Opsam Health
Planned Parenthood Affiliates of California
Ravenswood Family Health Network
Saban Community Clinic
San Benito Health Foundation
San Fernando Community Health Center
Service Employees International Union, Local 721 (seiu Local 721)
South Central Family Health Center
St John's Community Health
Truecare
Umma Health
Unite Here Local 11
Valley Community Healthcare
Venice Family Clinic
Via Care Community Health Center
Vision Y Compromiso (UNREG)
Western States Council Sheet Metal, Air, Rail and Transportation
Westside Family Health Center

Opposition: Alameda County Taxpayers' Association, INC.

Apartment Association of Greater Los Angeles
California Business Properties Association
California Rental Housing Association
California Taxpayers Association
City of Arcadia
City of Artesia
City of Azusa
City of Bellflower
City of Beverly Hills
City of Bradbury
City of Burbank
City of Calabasas
City of Glendale
City of Glendora
City of Inglewood City Hall
City of La Verne
City of Lakewood
City of Lakewood CA
City of Lancaster
City of Lomita
City of Norwalk
City of Paramount
City of Pico Rivera
City of Rancho Palos Verdes
City of Rolling Hills Estates
City of Torrance
City of Westlake Village

Howard Jarvis Taxpayers Association
Independent Cities Association
Las Virgenes-Malibu Council of Governments
Long Beach Area Chamber of Commerce
Los Angeles County Division, League of California Cities
Solano County Taxpayers Association
South Bay Cities Council of Governments
Ventura County Taxpayers Association

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