
THIRD READING

Bill No: AB 1768
Author: Bryan (D), et al.
Amended: 4/30/26 in Assembly
Vote: 27 - Urgency

SENATE LOCAL GOVERNMENT COMMITTEE: 5-2, 5/18/26
AYES: Durazo, Arreguín, Ashby, Cervantes, Laird
NOES: Choi, Seyarto

ASSEMBLY FLOOR: 55-15, 5/14/26 - See last page for vote

SUBJECT: Transactions and use taxes: Counties of Contra Costa and Los Angeles

SOURCE: Author

DIGEST: This bill 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.

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 remit taxes collected from purchasers to the California Department of Tax and Fee Administration (CDTFA).
- 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 (BART) and the Contra Costa County Transportation Authority, 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, Humboldt 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.
- 9) Provides that BART's district tax does not count toward the 2% cap (AB 723, Quirk, Chapter 747, Statutes of 2019).

This bill:

- 1) 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.
- 2) Requires the Board of Supervisors to adopt an ordinance proposing the tax, submit the ordinance to the electorate for approval, and be approved by voters.
- 3) Requires the tax to conform to state district tax law.
- 4) Sunsets the authority for the counties of Contra Costa and Los Angeles to impose a tax in excess of the cap on January 1, 2032.

Background

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.

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.

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

SUPPORT: (Verified 5/18/26)

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

California State Pipe Trades Council

Camino Health Center

Chinatown Service Center

Clinica Monseñor Oscar A. Romero

Community Clinic Association of Los Angeles County

Community Health Association of Inland Southern Region

Comprehensive Community Health Centers

Contra Costa County

Cpca Advocates

Cpca Advocates, 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

Innecare
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
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: (Verified 5/18/26)

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

ASSEMBLY FLOOR: 55-15, 5/14/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Connolly, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Jackson, Kalra, Krell, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Rogers, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NOES: Castillo, Chen, Davies, DeMaio, Dixon, Gallagher, Hadwick, Hoover,
Johnson, Lackey, Macedo, Patterson, Sanchez, Ta, Tangipa

NO VOTE RECORDED: Arambula, Bains, Carrillo, Irwin, Lee, Patel, Celeste
Rodriguez, Michelle Rodriguez, Blanca Rubio, Schiavo

Prepared by: Jonathan Peterson / L. GOV. / (916) 651-4119
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**** END ****