
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair
2025 - 2026 Regular

Bill No:	SB 1408	Hearing Date:	4/22/26
Author:	Arreguín	Tax Levy:	No
Version:	4/14/26 Amended	Fiscal:	No
Consultant:	Grinnell		

CONTRA COSTA TRANSPORTATION AUTHORITY: TRANSACTIONS AND USE TAX

Allows the Contra Costa County Transportation Authority to impose or extend a district tax by ordinance of up to 1%, 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, requiring them to register with the California Department of Fee & Tax Administration (CDTFA) and remit the taxes collected from purchasers to CDTFA. Sales tax applies whenever there is a retail sale. The current sales and use tax rate is 7.25%, as noted in the table below. Additionally, cities, counties, and specified special districts may increase the sales and use tax rate that applies in its jurisdiction, also known as district, or transactions and use, taxes.

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) 1.00% City and County 0.25% County	City and county general operations. Dedicated to county transportation purposes
7.25%	Total Statewide Rate	

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. 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 assessed at the same rate as the sales tax and must be remitted on or before the last day of the month following the quarterly period in which the purchase was made.

District Taxes. The California Constitution states that taxes levied by local governments are either general taxes or special taxes. General taxes are levied to fund general governmental purposes, without being imposed for any specific purpose, and are subject to majority approval by voters. Special taxes are subject to a 2/3 vote approval by voters. 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 or 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 including county transportation authorities 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 jurisdictions impose a combined 484 district taxes for general or special purposes. Of the 484 district taxes, 71 are imposed countywide, six are imposed in county unincorporated areas, and 407 are imposed citywide. Generally, local agencies impose these taxes across an entire jurisdiction, such as a single county, an unincorporated area within a county, or an incorporated city. However, transportation operators in the San Francisco Bay Area have regional district taxes, among them the Bay Area Rapid Transit (BART) District, which covers Alameda and Contra Costa counties, as well as the City and County of San Francisco.

State law caps the total rate for district or transactions and use taxes in any county to 2%. The cap applies countywide, so if one agency imposes a district tax, it may limit the ability of another agency in the same county to impose an additional district tax. For example, if city *x* (located in county *a*) imposes a 1% district tax, county *a* could not impose an additional county-wide district tax of 1.5% because city *x* would now be subject to district taxes of 2.5%, which is above the 2% cap. Therefore, county *a* could only enact an additional district tax of up to 1%. Anything greater would exceed the 2% cap.

The Legislature generally enacts exceptions to the 2% cap annually. In 2024, the Legislature enacted exemptions for Solano County, any of its cities, and the Cities of Pinole and Campbell (AB 3259, Wilson); as well as for the Cities of Lancaster, Palmdale, and Victorville (AB 2443, J. Carrillo). Last year, the Legislature enacted similar exemptions for the San Luis Obispo Council of Governments (SB 333, Laird) and the Monterey-Salinas Transit District (AB 761, Addis). According to CDTFA, the Legislature has approved 25 bills granting local governments specific authority to impose district taxes that exceed the 2% cap.

Contra Costa County. There are three countywide 0.5% taxes imposed in the County of Contra Costa (BART, Contra Costa County Transportation Authority, and Contra Costa County), resulting in an 8.75% countywide rate; however, BART's rate does not count towards the cap (AB 723, Quirk, 2020). Additionally, several Contra Costa County cities have imposed 1% taxes, for a current rate of 9.75%, while the Cities of El Cerrito and Pinole impose an additional 0.5% that the Legislature has exempted from the cap (AB 1324, Skinner, 2014, and AB 3259, Wilson, 2024, respectively), for a current rate of 10.25%.

Central Contra Costa Transit Authority (CCTA) is a public agency formed by Contra Costa County voters in 1988 to manage the county's transportation sales tax program and oversee countywide transportation planning efforts. CCTA manages a multibillion-dollar suite of projects and programs and is responsible for planning, funding, and delivering transportation

infrastructure projects. Some major projects, primarily on state highways, are being developed directly by CCTA. Others are administered by cities, the county, or transit districts with funds provided by CCTA.

Under the Local Transportation Authority and Improvement Act, CCTA can impose a tax up to 1% to fund local transportation improvements. In 1988, the CCTA used this authority to impose a 0.5% district tax, known as Measure C, which voters renewed as Measure J in 2004. However, Measure J is scheduled to expire on March 31, 2034. While CCTA can extend the tax at the current rate within the cap, any increase in the rate requires a statutory exemption.

Proposed Law

Senate Bill 1408 allows the Contra Costa County Transportation Authority to impose or extend 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. CCTA must adopt an ordinance proposing the tax, submit it to the electorate for approval, and have it approved by voters according to the appropriate Constitutional voter approval threshold. Other than the 2% cap, the tax must otherwise conform to district tax law. The bill repeals the authority for the County of Contra Costa to impose a tax in excess of the cap on January 1, 2045.

State Revenue Impact

No estimate.

Comments

1. Purpose of the bill. According to the author, “SB 1408 would allow the Contra Costa Transportation Authority to place a sales tax measure on the ballot that would be subject to voter approval by residents of Contra Costa County. The revenue would continue the County’s investment in transportation solutions, including public transit, biking and pedestrian infrastructure, highway and local street improvements, and programs that expand mobility options.”
2. Too high? 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. This is 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. SB 1408 could lead to a 9.75% countywide rate and up to an 11.25% rate in some cities if CCTA imposes the maximum rate allowed under the bill. Additionally, the Legislature included Contra Costa County within the Public Transportation Revenue Measure District, which proposes a 0.5% rate in Contra Costa County to fund Bay Area transit, set for the November General Election (SB 63, Wiener, 2025). If both are enacted, the above rates could climb up to 10.25% and 11.75%. While local voters must approve any tax, the Committee may wish to consider whether SB 1408 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. Special legislation. The California Constitution prohibits special legislation when a general law can apply (Section 16 of Article IV). SB 1408 contains findings and declarations explaining the need for legislation that applies only to transaction and use taxes imposed within the County of Contra Costa.

5. Hello friend. The Senate Rules Committee ordered a double referral of SB 1408. The Committee on Transportation approved SB 1408 by a vote of 9 to 2 on April 7th. The Committee on Revenue & Taxation is hearing the measure as the Committee of second reference.

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

- AB 1768 (Bryan) allows the County of Los Angeles to impose a district tax, by ordinance, of up to 0.5% 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.
- AB 1919 (Pellerin) allows voters of the Santa Cruz Metropolitan Transit District to submit district taxes via initiative. The measure is currently pending in the Assembly Committee on Rules.
- 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 Rules.
- The Committee and the Senate approved SB 762 (Arreguín) in January, which 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 at the Assembly Desk.
- The Committee approved SB 1078 (Laird) on March 26th, which allows the County of Santa Cruz to impose a district tax of up to 0.5%, even if it exceeds the 2% cap. The Senate approved the measure, which is currently pending at the Assembly Desk.

Support and Opposition (4/16/26)

Support: Contra Costa Transportation Authority (Sponsor)
 California Special Districts Association
 Central Contra Costa Transit Authority
 Choice in Aging
 City of Concord
 County of Contra Costa
 East Bay Leadership Council

San Francisco Bay Ferry
Town of Danville
Western Contra Costa Transit Authority

Opposition: California Taxpayers Association
Contra Costa Taxpayers Association
Howard Jarvis Taxpayers Association

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