

Date of Hearing: June 29, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Mike Gipson, Chair

SB 1408 (Arreguín) – As Amended April 14, 2026

Majority vote.

SENATE VOTE: 30-9

SUBJECT: Contra Costa Transportation Authority: transactions and use tax

SUMMARY: Authorizes, until January 1, 2045, the Contra Costa Transportation Authority to impose a transactions and use tax (TUT) for the support of countywide transportation programs at a rate of no more than 1% that would, in combination with all taxes imposed pursuant to the TUT Law, exceed the 2% rate limit established in Revenue and Taxation Code (R&TC) Section 7251.1. Specifically, **this bill:**

- 1) Provides that all the following requirements must be met to impose a tax pursuant to this bill's authority:
 - a) The Contra Costa Transportation Authority must adopt an ordinance proposing the TUT by any applicable voting approval requirement;
 - b) The ordinance proposing the TUT must be submitted to the electorate and be approved by the voters voting on the ordinance in accordance with the California Constitution; and,
 - c) The TUT must conform to the TUT Law, other than the combined rate limit prescribed by R&TC Section 7251.1.
- 2) Provides that, notwithstanding R&TC Section 7251.1, a TUT rate imposed pursuant to this bill shall not be considered for purposes of the combined rate limit established by existing law.
- 3) Provides that, if an ordinance proposing the TUT authorized by this bill is not approved on or before January 1, 2045, this statutory authorization shall be repealed as of the same date.
- 4) Finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique circumstances in the County of Contra Costa.

EXISTING LAW:

- 1) Authorizes cities and counties, subject to certain limitations and approval requirements, to levy a TUT for general or specific purposes in accordance with the procedures and requirements set forth in the TUT Law. (R&TC Section 7251 *et seq.*)

- 2) Provides that the combined rate of all taxes imposed in accordance with the TUT Law in any county may not exceed 2%. (R&TC Section 7251.1)

FISCAL EFFECT: This bill would not impact state revenues.

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

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) This bill is supported by the County of Contra Costa, which notes:

Since 1988, the CCTA has served as an effective steward of voter-approved funds, managing transportation sales tax programs and countywide transportation planning. Through the previously approved Measures C and J, the CCTA has demonstrated a proven track record of delivering major projects that reduce commute times, boost the local economy, and implement sustainable transportation solutions. Despite these successes, we continue to face persistent transportation challenges. Many residents endure long commutes and heavy congestion on major corridors. It remains difficult for many, especially seniors, students, and low-income individuals, to move freely and safely throughout the county and region.

SB 1408 is a critical mechanism for ensuring that we can continue to plan, fund, and implement the transportation projects and programs our residents need throughout the entire county. This legislation is essential for creating a safer, connected, and more accessible system for everyone.

- 3) This bill is opposed by the California Taxpayers Association, which notes:

Makes Regressive Transportation Taxes More Prevalent. By lowering the threshold for passage of a tax increase in the countywide Contra Costa Transportation Authority, SB 1408 would make it easier to enact a transactions and use tax in an area that already has a very high tax burden. This tax is among the most regressive forms of taxation, and has an especially heavy impact on low-income Californians because it increases the cost of necessities. As inflation, tariffs, shipping costs and other factors drive up the prices of goods, the sales tax burden grows in tandem, further straining household budgets and exacerbating economic inequality. Contra Costa County already is a very expensive place to live, and a tax increase on everyday items would only make things worse.

Harms California Workers. After comparing the costs of operating in California with the costs in other states, many employers have left our state in recent years. A Hoover Institution report found that from 2018 to 2022, at least 352 companies relocated their headquarters out of California – with many businesses citing the state's tax burden as the deciding factor in their relocation.

4) Committee Staff Comments:

- a) *The TUT Law*: The TUT Law authorizes cities and counties (and special purpose entities) to impose TUTs under specified conditions. Counties may impose a TUT for general or specific purposes at a rate of 0.125%, or multiples thereof, if the required percentage of county voters approves the ordinance imposing the tax. Cities may also impose a TUT for general or specific purposes at a rate of 0.125%, or multiples thereof, if the required percentage of city voters approves the ordinance imposing the tax.

Generally, the combined TUT rate imposed within any local jurisdiction cannot exceed 2%. To evaluate whether a county has reached the combined TUT rate limitation, all countywide taxes and the highest combined tax rate imposed by a city within the county are counted towards the county's combined TUT rate cap.

- b) *What would this bill do?* This bill would authorize the Contra Costa Transportation Authority to impose a TUT for the support of countywide transportation programs at a rate of no more than 1% that would, in combination with all taxes imposed pursuant to the TUT Law, exceed the 2% rate limit. According to the Contra Costa Transportation Authority's website:

CCTA is Contra Costa's designated Congestion Management Agency (CMA), responsible for putting programs in place to keep traffic levels manageable. Currently, the county's transportation needs significantly exceed available revenue and over the next 30 years, our population will continue to grow which means the travel needs will continue to change.

The Local Transportation Authority and Improvement Act currently authorizes a local transportation authority to impose a TUT up to 1%. Committee staff is informed that, in 1988, the Contra Costa Transportation Authority used this authority to impose a 0.5% tax, known as Measure C, to support a wide range of transportation projects. The measure was subsequently renewed as Measure J in 2004, which is scheduled to expire on March 31, 2034.

- c) *A well-established precedent*: It should be noted that the Legislature has, on numerous occasions, granted specific statutory authority to exceed the general 2% rate limitation. For example, such authority has been granted to the Counties of Alameda, Contra Costa, Humboldt, Los Angeles, Monterey, San Luis Obispo, San Mateo, Santa Clara, Solano, Sonoma, and Ventura; the cities of Alameda, Berkeley, Campbell, El Cerrito, Lancaster, Palmdale, Pinole, Santa Fe Springs, Victorville; and any cities in the Counties of Solano or Sonoma.
- d) *A less than perfect tax*: The sales tax has been widely criticized as a regressive exaction that most heavily impacts those least able to pay. For example, a survey by the Nevada Legislative Counsel Bureau long ago concluded that in the case of a retail sales tax with food exempt, "the lowest income group would experience the highest ratio of tax to income" [Survey of Sales Taxes Applicable to Nevada 59 (Bull. No. 3, May 1948).] Others, however, contend that a degree of progressivity is provided via the various exemptions built into most state sales tax laws (i.e., for certain necessities of life such as food, housing, and medical care). California already has a relatively high sales tax rate.

High rates arguably promote non-compliance and encourage out-of-state purchases, placing California retailers at a competitive disadvantage. High rates also risk impacting consumer decision-making, which runs counter to widely accepted principles of sound tax policy.

- e) *Double referral*: This bill was double referred with the Assembly Committee on Local Government, and passed out of that committee on June 17, 2026, by a vote of 8 to 1. For additional discussion of this bill's provisions, please refer to the analysis prepared by the Assembly Committee on Local Government.
- f) *Related legislation*:
 - i) AB 1768 (Bryan), Chapter 11, Statutes of 2026, authorizes the County of Los Angeles, by ordinance, to levy a TUT at a rate not to exceed 0.5% for general or special purposes, subject to voter approval, as specified. AB 1768 (Bryan) also authorizes the County of Contra Costa, by ordinance, to levy a TUT at a rate not to exceed 0.625% for general or specific purposes, subject to voter approval, as specified.
 - ii) AB 2484 (Alvarez) would authorize a San Diego Metropolitan Transit System TUT to be imposed by a qualified voter initiative. AB 2484 (Alvarez) is pending hearing by Senate Committee on Transportation.
 - iii) SB 762 (Arreguín) would authorize, generally until December 31, 2031, various local jurisdictions to levy taxes pursuant to the TUT Law at specified rates, as prescribed. SB 762 (Arreguín) is currently pending on the Assembly Floor.

REGISTERED SUPPORT / OPPOSITION:

Support

California Special Districts Association
 Central Contra Costa Transit Authority
 City of Concord
 City of El Cerrito
 City of Oakley
 County of Contra Costa
 East Bay Leadership Council
 Lamorinda Legislative Coalition
 San Francisco Bay Area Rapid Transit District (BART)
 San Francisco Bay Ferry
 Tri Delta Transit
 Western Contra Costa Transit Authority

Opposition

Alameda County Taxpayers' Association, Inc.
 California Taxpayers Association
 Contra Costa Taxpayers Association
 Howard Jarvis Taxpayers Association

Analysis Prepared by: M. David Ruff / REV. & TAX. / (916) 319-2098