

SENATE THIRD READING
SB 1408 (Arreguín)
As Amended April 14, 2026
Majority vote

SUMMARY

Allows the Contra Costa Transportation Authority (CCTA) to impose a transaction and use tax (TUT) that exceeds the 2% statutory limitation.

Major Provisions

- 1) Allows CCTA 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 TUTs imposed, exceed the 2% cap in existing law, if all the following requirements are met:
 - a) CCTA 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.
- 2) Provides that a TUT rate imposed to 1), above, shall not be considered for purposes of the combined rate limit established in existing law.
- 3) Specifies that if an ordinance proposing the TUT authorized by this bill is not approved on or before January 1, 2045, this bill shall be repealed on January 1, 2045.

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-Marin Rail Transit District, which includes Sonoma and Marin counties.
- 3) *Contra Costa Transportation 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

CCTA is also responsible for developing and updating the transportation plan for the county which contributes to the development of the Metropolitan Transportation Commission's

regional transportation plan and sustainable communities' strategy. Additionally, CCTA serves as the county's designated congestion management agency, and is responsible for developing, adopting, and updating the county's congestion management program.

The Local Transportation Authority and Improvement Act authorizes CCTA to impose a TUT of up to 1% to fund projects relating to highways, local streets and roads, and public transit systems. In 1988, the CCTA used this authority to impose a .5% district tax, known as Measure C, to support a wide range of transportation projects. The measure was later renewed as Measure J in 2004, which is scheduled to expire on March 31, 2034.

- 4) *Contra Costa County*. 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

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."

Arguments in Support

According to CCTA, the sponsor of this bill, "This measure will give county voters the opportunity to shape the next phase of transportation funding and deliver solutions that meet the evolving needs of our communities.

"CCTA's existing funding measure, Measure J, is set to expire in 2034. Over its lifespan, Measure J has supported critical freeway and interchange improvements, including key corridors such as Interstate 80, Interstate 680, and State Route 4, and played a significant role in funding the fourth bore of the Caldecott Tunnel. It has also enabled investments in expanded bus and rail service and the extension of Bay Area Rapid Transit (BART) to Antioch, as well as enhancements for active transportation like pedestrian and bicycle bridges. Measure J supports essential programs such as paratransit services for seniors and people with disabilities, transportation demand management initiatives, and youth transportation programs. The measure also provides direct funding to local jurisdictions for street maintenance and repair.

"SB 1408 authorizes the CCTA, until January 1, 2045, to propose a transactions and use tax at a rate not to exceed one percent, subject to voter approval, to support continued investment in countywide transportation programs and infrastructure."

Arguments in Opposition

According to the California Taxpayers Association, The Contra Costa Taxpayers Association, and the Howard Jarvis Taxpayers Association, "...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.

"...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. Many other large employers have left since that report was released. The relocation of these companies and their employees to lower-cost states has a major impact on state and local tax revenue, causes unemployment for workers who cannot move to the new location, and is a sign that California must find ways to be more competitive. SB 1408 takes a large step in the wrong direction, paving the way for additional taxes that will encourage more employers to move workers and investments to other states.

"...Unlike the federal government, state and local agencies must pay sales tax on their purchases. As more sales taxes are enacted, the cost of government operations – including schools, universities, and municipal services – will rise, diverting resources away from core public functions."

FISCAL COMMENTS

None.

VOTES

SENATE FLOOR: 30-9-1

YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener

NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Ochoa Bogh, Seyarto, Strickland, Valladares

ABS, ABST OR NV: Niello

ASM LOCAL GOVERNMENT: 8-1-1

YES: Carrillo, Pacheco, Fong, Ransom, Blanca Rubio, Stefani, Ward, Wilson

NO: Ta

ABS, ABST OR NV: Alanis

ASM REVENUE AND TAXATION: 4-2-1

YES: Gipson, Carrillo, McKinnor, Quirk-Silva

NO: Sanchez, DeMaio

ABS, ABST OR NV: Michelle Rodriguez

UPDATED

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