SENATE THIRD READING
SB 333 (Laird)
As Amended July 15, 2025
Majority vote

## SUMMARY

Authorizes the San Luis Obispo Council of Governments (SLOCOG) to impose a transactions and use tax (TUT) that exceeds the 2% statutory limitation.

**Major Provisions**

1) Allows SLOCOG to impose a TUT for general or specific purposes at a rate of no more than 1% that would, in combination with all taxes imposed, exceed the 2% cap established by law, if all of the following requirements are met:

   a) SLOCOG adopts an ordinance proposing the TUT by the 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 by the applicable voting approval requirement in accordance with the California Constitution.

   c) The ordinance proposing the TUT is approved by the voters on or after January 1, 2026, and before January 1, 2032.

   d) The TUT conforms to TUT Law, as specified.

2) Specifies that a TUT imposed pursuant to 1) above, shall not be considered for purposes of the combined rate limitation established by law.

## COMMENTS

*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 CDFTA. 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.

*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 2% to 3%. 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."

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 TUTs. As of April 1, 2025, local agencies impose 478 district taxes for general or special purposes: 401 imposed citywide, 71 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:

1) The Bay Area Rapid Transit (BART) District, which covers Alameda, Contra Costa, and San Francisco counties.

2) The Peninsula Corridor Joint Powers Board (CalTrain), which covers San Francisco, San Mateo, and Santa Clara counties.

3) The Sonoma-Marin Rail Transit District, which includes Sonoma and Marin counties.

*San Luis Obispo County TUTs.* San Luis Obispo County does not impose any countywide TUTs. However, seven cities within the county each impose TUTs. The cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, and San Luis Obispo each impose a district tax rate of 1.50%, the highest city tax rate in the County of San Luis Obispo. Since the highest city tax subject to the rate limitation in the county is 1.50%, the County of San Luis Obispo has not yet reached the 2.00% combined rate limitation. This means an additional 0.50% is available for either the county, or any city within the county, to impose a general or specific purpose

district tax before exceeding the 2.00% combined rate limitation on a first come, first served basis.

*San Luis Obispo Council of Governments.* In 1968, San Luis Obispo County and its seven member cities formed the San Luis Obispo County and Cities Area Planning and Coordinating Council to serve as the region's planning and transportation agency. These local governments formed the Council under the Joint Exercise of Powers Act, which allows it to exercise any powers the county and cities share, like the power to impose taxes. In 1985, the Council renamed itself SLOCOG. In 2016, SLOCOG placed Measure J on the November ballot. The measure would have imposed a 0.5% TUT for nine years to fund transportation improvements based on the San Luis Obispo County Self-Help Local Transportation Investment Plan. Since the measure funded only transportation projects, it was a special tax requiring 2/3 voter approval. 66.31% of voters supported the measure, falling just shy of the 66.67% approval needed to pass the tax. Since 2016, multiple cities have passed their own district tax measures, meaning that a countywide tax measure only has 0.5% room under the 2% cap.

**According to the Author**
According to the author, "The San Luis Obispo Council of Governments (SLOCOG) is responsible for addressing the growing demands on San Luis Obispo's transportation network and for funding any new improvements. However, a 2% combined local tax rate limit will prevent SLOCOG from implementing a tax to fund transportation improvements if any of the seven cities within San Luis Obispo County pass their own tax of at least half a percent. Senate Bill 333 allows SLOCOG to exceed this 2% limit by up to 1%, providing them with the authority to pursue a local sales tax measure and seek approval by the voters."

**Arguments in Support**
According to SLOCOG, the sponsor of this bill, "SLOCOG is considering a ½ cent countywide transportation investment measure for the November 2026 ballot. However, with other non-transportation tax measures proposed by San Luis Obispo County jurisdictions, there may not be sufficient capacity under the countywide 2% local option sales tax cap. The enactment of this legislation would ensure that SLOCOG, the County of San Luis Obispo, and all seven cities would be able to engage in a public process to develop an expenditure plan for voters' consideration. This is an opportunity for San Luis Obispo residents to consider resources to improve its transportation infrastructure, including safety and mobility needs."

**Arguments in Opposition**
According to the California Taxpayers Association and the Howard Jarvis Taxpayers Association, "The sales and use tax is a regressive tax that has the greatest impact on low-income residents because it makes it more expensive for these taxpayers to purchase everyday necessities. Inflation has increased the cost of most goods, which in turn increases the sales tax that is imposed as a percentage of the retail price. Adding to the cost of living with a sales tax increase would harm Californians and will disproportionately impact the state's most vulnerable residents. Within the past four years, the California Legislature has authorized 12 local governments to enact sales taxes that exceed the 2% transactions and use tax cap. Cumulatively, these exemptions to the cap have impacted more than 15 million California residents, making the state less affordable for low- and medium-income families.

"...Businesses engaged in manufacturing, research-and-development, and agriculture face a significant sales and use tax burden in California. Under existing law, when a business purchases

equipment that will be used in manufacturing, R&D, or agriculture, the purchase is subject to a one-time local sales tax of 1.25% plus any additional voter-approved transactions and use taxes. Taxing business inputs increases overall business operating costs and results in tax pyramiding, ultimately increasing prices for consumers.

"San Luis Obispo County plays a critical role in California's agricultural economy, with the county producing $1.1 billion in crops in 2023 alone. The county is also home to a thriving wine industry, with over 250 wineries located in the district, employing thousands of local residents. Authorizing the county to exceed the 2% transactions and use tax cap would increase the cost of doing business for the region's agricultural producers, making the producers less competitive in the global market and potentially resulting in job losses for California workers.

"...Unlike the federal government, which receives an exemption for all state and local sales taxes, municipal and state agencies must pay state and local sales taxes on their purchases. Increasing the local sales tax would increase costs for cities and counties, local schools, and California Polytechnic State University, without providing any additional benefits or services to the public.

"...The 2% cap on local taxes has served the state well and should not be circumvented. In 1953, the Senate Committee on State and Local Taxation recommended that California adopt a uniform state and local sales tax with a rate cap. The committee reported that with a cap, the local sales tax would have a 'minimum adverse' impact on taxpayers. The committee noted that local sales and use taxes 'may and frequently do place unduly heavy compliance costs upon retailers,' and 'Local business taxes levied under various ordinances and at different rates may produce artificial and unfair discrimination between retailers in the jurisdictions.' The cap mitigates these problems."

## FISCAL COMMENTS

None.

## VOTES

**SENATE FLOOR: 28-10-2**
**YES:** Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, McGuire, McNerney, Menjivar, Padilla, Pérez, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
**NO:** Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares
**ABS, ABST OR NV:** Limón, Reyes

**ASM LOCAL GOVERNMENT: 7-2-1**
**YES:** Carrillo, Pacheco, Ramos, Blanca Rubio, Stefani, Haney, Wilson
**NO:** Ta, Hoover
**ABS, ABST OR NV:** Ransom

**ASM REVENUE AND TAXATION: 5-2-0**
**YES:** Gipson, Bains, Carrillo, McKinnor, Quirk-Silva
**NO:** Ta, DeMaio

**UPDATED**

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