
UNFINISHED BUSINESS

Bill No: SB 333
Author: Laird (D), et al.
Amended: 7/15/25
Vote: 21

SENATE LOCAL GOVERNMENT COMMITTEE: 5-2, 3/19/25
AYES: Durazo, Arreguín, Cabaldon, Laird, Wiener
NOES: Choi, Seyarto

SENATE REVENUE AND TAXATION COMMITTEE: 4-1, 4/9/25
AYES: McNerney, Ashby, Grayson, Umberg
NOES: Valladares

SENATE FLOOR: 28-10, 5/29/25
AYES: 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
NOES: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares
NO VOTE RECORDED: Limón, Reyes

ASSEMBLY FLOOR: 44-12, 9/9/25 – Roll call vote not available

SUBJECT: Transactions and use taxes: San Luis Obispo Council of Governments

SOURCE: San Luis Obispo Council of Governments

DIGEST: This bill allows the San Luis Obispo Council of Governments to impose a district tax by ordinance of up to 1% even if it exceeds the 2% cap.

Assembly Amendments prohibit the adoption of a new tax above the cap on or after January 1, 2032.

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 collect the appropriate tax from the purchase and remit the amount to the California Department of Tax and Fee Administration.
- 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 and the Santa Cruz County Metropolitan Transit District, 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.

This bill authorizes the San Luis Obispo Council of Governments to impose a district tax, by ordinance or voter initiative, of up to 1%, that exceeds the 2% cap if:

- a) The city council of the city adopts an ordinance imposing the tax, and submits it to the electorate;
- b) The voters approve the tax in accordance with Article XIII C of the California Constitution before January 1, 2032; and
- c) The tax otherwise conforms to the Transactions and Use Tax Law, other than the 2% cap.

Background

San Luis Obispo County. San Luis Obispo County does not impose a countywide district tax; however, five cities have 1.5% rates (Atascadero, Grover Beach, Morro Bay, Paso Robles, and San Luis Obispo), a sixth, Arroyo Grande, increased its rate to 1.5% on April 1, 2025. As a result, there is currently .5% under the cap. However, if any of the above cities imposes an additional 0.5% tax, the county could not impose a tax at all.

In 1968, the County of San Luis Obispo and its seven member cities formed the San Luis Obispo Counties 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 district taxes. In 1985, the Council renamed itself the San Luis Obispo Council of Governments (SLOCOG).

In 2016, SLOCOG placed Measure J on the November ballot. The measure would have imposed a 0.5% district tax 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 that required a 2/3 voter approval. Only 66.31% of voters supported the measures, falling just shy of the 66.67% approval needed to pass the tax.

Comments

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. SB 333 could lead to a 10.25% tax rate in six San Luis Obispo County cities if both SLOCOG and the cities impose the maximum tax rate allowed under the bill. While local voters must approve any tax, the Committee may wish to consider whether SB 333 allows for rates that are too high.

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

SUPPORT: (Verified 9/9/25)

San Luis Obispo Council of Governments (Source)
County Supervisor Dawn Ortiz-Legg, County of San Luis Obispo
County Supervisor Jimmy Paulding, County of San Luis Obispo
City of Arroyo Grande
City of Grover Beach
City of Morro Bay
City of Paso Robles
City of Pismo Beach
City of San Luis Obispo
Tri County Chamber Alliance

OPPOSITION: (Verified 9/9/25)

California Taxpayers Association
Howard Jarvis Taxpayers Association

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9/9/25 12:35:09

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