

Date of Hearing: June 8, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

SB 762 (Arreguín) – As Amended June 1, 2026

Majority vote.

SENATE VOTE: 29-10

SUBJECT: Transactions and use taxes: various jurisdictions

SUMMARY: Authorizes, generally until December 31, 2031, various local jurisdictions to levy taxes pursuant to the Transactions and Use Tax (TUT) Law at specified rates, as prescribed.

Specifically, **this bill:**

- 1) Authorizes various local jurisdictions, by ordinance, to impose a TUT for general or specific purposes at specified rates that would, in combination with all TUTs imposed, exceed the 2% rate cap if all the following conditions are met:
 - a) The local jurisdiction 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; and,
 - c) The TUT conforms to the TUT Law, except as specified.
- 2) Authorizes the following local jurisdictions to impose a TUT as follows:
 - a) The City of Hercules, at a rate of no more than 1%;
 - b) The County of Santa Barbara, at a rate of no more than 0.5%;
 - c) The City of Carpinteria, at a rate of no more than 0.25%;
 - d) The City of Santa Maria, at a rate of no more than 0.5%;
 - e) The City of Palo Alto, at a rate of no more than 0.5%;
 - f) The City of Los Altos, at a rate of no more than 1%;
 - g) The City of Santa Rosa, at a rate of no more than 0.5%;
 - h) The City of Rohnert Park, at a rate of no more than 0.75%;
 - i) The Town of Los Gatos, at a rate of no more than 0.5%;

- j) The City of Pacifica, at a rate of no more than 1%;
 - k) The City of San Gabriel, at a rate of no more than 1%;
 - l) The City of San Pablo, at a rate of no more than 0.5%; and,
 - m) The County of Santa Cruz, at a rate of no more than 0.5%.
- 3) Provides that, notwithstanding Revenue and Taxation Code (R&TC) Section 7251.1, a TUT imposed pursuant to this bill shall not be considered for purposes of the 2% combined rate limitation.
 - 4) Provides that if, as of December 31, 2031¹, an ordinance proposing a TUT has not been approved in the local jurisdiction, the local jurisdiction's statutory authorization shall be repealed.
 - 5) 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 fiscal circumstances of the jurisdictions authorized to impose a tax pursuant to this bill.

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:

Cities and counties across California are experiencing growing fiscal pressures driven by rising service demands, aging infrastructure and health and public safety obligations. SB 762 establishes a limited and legally sound process that enables eligible local governments to seek voter approval for transactions and use tax rates above the current statutory cap. By requiring local voter authorization, the bill preserves accountability and transparency while providing communities with greater flexibility to address their unique fiscal circumstances. The measure recognizes that local governments face varying financial challenges and that voters should have the opportunity to decide whether additional revenue tools are appropriate for their communities.

- 2) This bill is co-sponsored by the City of Hercules, which notes:

¹ For the County of Santa Cruz, this date is December 31, 2030.

SB 762 is a thoughtful and balanced measure that recognizes the growing fiscal pressures facing local governments throughout California while preserving the fundamental principle of local voter control. Importantly, the bill does not impose any tax increase. Rather, it simply authorizes local jurisdictions to place a locally determined measure before their own voters for consideration pursuant to existing constitutional voter approval requirements.

Like many California cities, Hercules is confronting mounting structural fiscal pressures driven by inflationary cost increases, aging infrastructure, deferred maintenance obligations, rising public safety costs, and growing community needs. The City is currently facing a significant structural fiscal imbalance despite implementing meaningful corrective actions, including holding vacant positions, reducing non-essential spending, and pursuing operational efficiencies across departments.

At the same time, the City continues to experience increasing pressure on essential municipal services and infrastructure systems. Budget constraints have impacted core public safety and administrative operations, while continued reliance on reserves to sustain ongoing services is not sustainable over the long term. Without additional local fiscal flexibility, cities like Hercules will face increasingly difficult decisions involving service reductions, delayed infrastructure investments, and diminished emergency response capacity.

3) This bill is supported by Teamsters California, which notes:

SB 762 represents a thoughtful, balanced, and locally accountable approach to addressing the growing fiscal and infrastructure challenges facing communities throughout California. Importantly, the bill does not impose any tax increase or mandate any local action. Rather, it preserves local democratic control by allowing local voters to determine whether additional locally controlled revenue is necessary to maintain essential public services, preserve infrastructure, and support long-term community stability. 762 provides a responsible local option that empowers communities to make their own decisions regarding future investment priorities. If approved by local voters, revenues generated through this authority could support critical community priorities including public safety services, roadway and infrastructure maintenance, park and recreation improvements, community facilities, economic development initiatives, homelessness response efforts, youth and senior services, emergency preparedness investments, and other locally identified needs.

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

Continuing to Authorize Waivers Makes California Less Affordable. The transactions and use tax is a regressive tax that has the most harmful 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 disproportionately impact the state's most vulnerable residents.

Increases Costs of Manufacturing and R&D. Businesses engaged in manufacturing and research-and-development activities face a significant sales and use tax burden in

California. Under existing law, when a business purchases manufacturing or R&D equipment, the purchase is subject to a one-time local sales tax of 1.25 percent plus any additional voter-approved transactions and use taxes. Taxing business inputs increases overall production costs for everyday goods produced in California. Authorizing various cities in the Bay Area to exceed the 2 percent transactions and use tax cap would increase the cost of doing business for critical industries and companies, including the biotech R&D company that is the city's largest employer.

Increases Government Costs. Unlike the federal government, which receives an exemption for all state and local sales taxes, purchases made by municipal and state agencies are subject to state and local sales taxes. Increasing the local sales tax would increase costs for purchases made by cities and counties, public school districts, and universities operating in the city.

5) Committee Staff Comments:

- a) *The TUT Law:* The TUT Law authorizes cities and counties 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 various local jurisdictions, by ordinance, to impose a TUT for general or specific purposes at specified rates that would, in combination with all TUTs imposed, exceed the 2% rate cap. Additionally, this bill would provide that, notwithstanding R&TC Section 7251.1, a TUT imposed pursuant to this bill shall not be considered for purposes of the 2% combined rate limitation. Finally, this bill provides that if, as of December 31, 2031², an ordinance proposing a TUT has not been approved in the local jurisdiction, the local jurisdiction's statutory authorization shall be repealed.
- 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, 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

² For the County of Santa Cruz, this date is December 31, 2030.

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) *Urgency*: The Assembly Committee on Rules has granted permission for amendments adding an urgency clause to be adopted in this Committee.
- f) *Double referral*: This bill was double referred with the Assembly Committee on Local Government, which will hear this bill should it pass this Committee.
- g) *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 is pending referral by the Senate Committee on Rules.
 - iii) SB 1078 (Laird) would authorize the County of Santa Cruz, 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. SB 1078 (Laird) is currently pending hearing in the Assembly Committee on Local Government.
 - iv) SB 1408 (Arreguín) 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 other TUTs, exceed the combined rate limit of 2%, if the ordinance proposing the tax is approved by the voters, subject to applicable voter approval requirements, as specified. SB 1408 (Arreguín) is currently at the Assembly Desk.

REGISTERED SUPPORT / OPPOSITION:

Support

City of Hercules (Co-sponsor)
 City of Los Altos (Co-sponsor)
 City of Pacifica (Co-sponsor)
 City of San Pablo (Co-sponsor)
 Town of Los Gatos (Co-sponsor)

City of Rohnert Park
City of Santa Rosa
County of Santa Cruz
Los Altos Peace Officers' Association
Pacifica Police Officers' Association
Teamsters California
Teamsters Local 856

Opposition

California Taxpayers Association
Howard Jarvis Taxpayers Association

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