SENATE RULES COMMITTEE SB 762
Office of Senate Floor Analyses
(916) 651-4171

UNFINISHED BUSINESS

Bill No: SB 762
Author: Arreguín (D), et al.
Amended: 6/10/26
Vote: 27 - Urgency

SENATE LOCAL GOVERNMENT COMMITTEE: 5-2, 1/14/26
AYES: Durazo, Arreguín, Cabaldon, Laird, Wiener
NOES: Choi, Seyarto

SENATE REVENUE AND TAXATION COMMITTEE: 4-1, 1/14/26
AYES: McNerney, Ashby, Grayson, Umberg
NOES: Valladares

SENATE FLOOR: 29-10, 1/27/26
AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, 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: Cervantes

ASSEMBLY FLOOR: 54-13, 7/2/26 - See last page for vote

SUBJECT: Transactions and use taxes: various jurisdictions

SOURCE: City of Hercules

DIGEST: This bill allows several jurisdictions to impose a district tax, by ordinance or voter initiative, of up to 1% even if it exceeds the 2% cap.

Assembly Amendments of 6/10/26 (1) Add several other local jurisdictions to its provisions, thereby allowing them to impose district taxes in excess of the 2% cap, (2) in its provisions affecting the City of Hercules, remove references to citizens' initiatives imposing the additional tax, (3) in its provisions affecting the City of

Hercules, sunset the authority to exceed the 2% cap on December 31, 2031, and (4) add an urgency clause.

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 remit taxes collected from purchasers to the California Department of Tax and Fee Administration (CDTFA).

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 the 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 (BART) and the Contra Costa County Transportation Authority, 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.

9) Provides that BART's district tax does not count toward the 2% cap (AB 723, Quirk, Chapter 747, Statutes of 2019).

This bill:

1) Allows several local jurisdictions to impose a district tax up to specified rates above the 2% cap when combined with other district taxes imposed in the respective county, specifically:

   a) City of Carpinteria, 0.25%.

   b) City of Hercules, 1%.

   c) City of Los Altos, 1%.

   d) City of Pacifica, 1%.

   e) City of Palo Alto, 0.5%.

   f) City of Rohnert Park, 0.75%.

   g) City of San Gabriel, 1%.

   h) City of San Pablo, 0.5%.

   i) City of Santa Maria, 0.5%.

   j) City of Santa Rosa, 0.5%.

   k) County Santa Barbara, 0.5%.

   l) County of Santa Cruz, 0.5%.

   m) Town of Los Gatos, 0.5%.

2) Requires each local agency to adopt an ordinance proposing the tax.

3) States that the ordinance must be submitted to the electorate for approval and be approved by voters according to the appropriate Constitutional voter approval threshold.

4) Requires the tax to otherwise conform to state district tax law, except for the 2% cap.

5) Sunsets the authority for each of the above local jurisdictions to impose a district tax in excess of the 2% cap on December 31, 2031, except for the County of Santa Cruz, whose authority sunsets on December 31, 2030.

6) Contains an urgency clause.

Comments

Too high? 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. While below the highest rate in the state (the cities of Lancaster and Palmdale in Los Angeles County currently impose 11.25% rates), this bill could result in rates nearly as high in other jurisdictions.

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

SUPPORT: (Verified 7/27/26)

City of Hercules (source)
Association of Intermediate Employees
California Professional Firefighters
Central California Alliance for Health
City of Los Altos
City of Pacifica
City of Palo Alto
City of Rohnert Park
City of San Pablo
City of Santa Rosa
Community Action Board of Santa Cruz County, Inc.
County of Santa Barbara
County of Santa Cruz
Housing Authority of the County of Santa Cruz
Los Altos Police Officer Association
Operating Engineers Local 3
Pacifica Police Officers Association
Palo Alto Community Initiative 2026
Planned Parenthood Mar Monte
San Pablo Police Employees Association

SEIU California
Teamsters Local Union No. 856
Town of Los Gatos

OPPOSITION: (Verified 7/27/26)

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

ARGUMENTS IN SUPPORT: According to the author, "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."

ARGUMENTS IN OPPOSITION: According to the California Taxpayers Association and the Howard Jarvis Taxpayers Association, "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. 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% plus any additional voter-approved transactions and use taxes. Taxing business inputs increases overall production costs for everyday goods produced in California."

ASSEMBLY FLOOR: 54-13, 7/2/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bauer-Kahan, Bennett, Berman, Bonta, Caloza, Carrillo, Connolly, Elhawary,

Flora, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

NOES: Castillo, Davies, DeMaio, Dixon, Jeff Gonzalez, Hadwick, Hoover, Johnson, Macedo, Patterson, Ta, Tangipa, Wallis

NO VOTE RECORDED: Bains, Boerner, Bryan, Calderon, Chen, Ellis, Lackey, Lee, Patel, Ransom, Sanchez, Schiavo

Prepared by: Colin Grinnell / REV. & TAX. / (916) 651-4117
7/30/26 15:10:11

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