



Date: August 18, 2023  
To: Members, Assembly Appropriations Committee  
From: Peter Blocker, Vice President of Policy  
Subject: **OPPOSITION to ACA 1 (Aguiar-Curry), as amended on July 13, 2023**

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The above-listed organizations are opposed to ACA 1, which would allow local governments to increase taxes (e.g., parcel taxes, transactions and use taxes, sales and use taxes, Mello-Roos taxes) with a 55 percent vote of the electorate – instead of the two-thirds vote currently required under the California Constitution – if the tax proceeds are earmarked for public infrastructure or affordable housing, as defined in the measure.

It is important to improve infrastructure and increase housing availability, but higher taxes on working Californians run counter to the goal of making the state more affordable for all. We, therefore, must regretfully oppose ACA 1 for the following reasons:

**Increases Housing Costs and the Cost of Living.** This measure proposes to make it easier for local governments to increase various taxes, including sales taxes and property taxes. Higher sales taxes increase the cost of home construction and everyday necessities used by homeowners and renters, while property taxes increase the burden of homeownership – all of which make housing less affordable for working families, including renters. A March 2022 Public Policy Institute of California poll found that 62 percent of Californians believe state and local taxes are too high. By paving the way for higher housing costs and consumer costs, this measure would harm those it seeks to help.

**Increases Costs for Key Sectors of the Economy.** Businesses engaged in manufacturing, research-and-development, teleproduction and post-production, and agriculture face a significant sales and use tax burden in California. The sales and use tax is supposed to be a tax on the final point of sale of a product, yet many businesses – including businesses conducting research-and-development, manufacturing, filming activities, and agriculture – are taxed for equipment purchases. Taxation of business inputs for these industries leads to a pyramiding effect throughout the production process, leading to higher costs for purchases made by consumers. To counter this pyramiding effect and incentivize business growth in the state, California offers a partial state-level sales tax exemption for purchases made by these industries. However, purchases made by these businesses are still subject to local transactions and use taxes. Equipment purchases represent a significant portion of capital investment for existing businesses and start-ups. Tax increases promoted by ACA 1 would defeat the purpose of the state-level exemption provided by the state and make it more cost-prohibitive to conduct these business activities in California.

**Authorizes Changes to the Bradley-Burns Sales Tax.** ACA 1 would allow local jurisdictions to approve Bradley-Burns sales tax increases with a 55 percent vote of the electorate, eliminating the uniformity and certainty provided by the Bradley-Burns sales tax. This would represent a monumental change to sales and use tax policy in the state. Unlike the transactions and use tax – which is capped at 2 percent per county and requires statutory authority to exceed the cap – the local 1.25 percent sales tax (referred to as the Bradley-Burns sales tax) is uniformly applied across the state and voters are not authorized to approve increases to the rate. California already has the highest state-imposed sales tax in the country, and the combined sales tax rates in some jurisdictions are among the highest in the United States. Allowing localities to modify their Bradley-

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Burns sales tax rates, without a cap on rate increases, paves the way for excessive combined sales tax rates in parts of the state – increasing costs for residents and businesses.

**Promotes a Flawed and Regressive Tax Structure.** California is the only state in the United States that allows a local add-on parcel tax, and ACA 1 would expand the number of parcel taxes throughout the state. No oversight has been provided to establish a comprehensive structure, and these taxes are both regressive and distortionary, often disregarding a taxpayer's ability to pay. Parcel taxes, which can reach thousands of dollars annually in some parts of California, are extremely costly for seniors on fixed incomes and households struggling to make ends meet.

**Erodes Taxpayer Safeguards.** More than four decades ago, prompted by years of rising taxes, Californians resoundingly approved Proposition 13 to provide a check on local governments' taxing authority, and to ensure a greater representative voice for those who would be taxed. Proposition 13 also limits taxes on property to 1 percent of the property's assessed value. Reducing the vote threshold would diminish the people's voice on tax increases and would erode property tax safeguards. A May 2022 Public Policy Institute of California poll found that 64 percent of registered voters believe Proposition 13 has benefitted taxpayers, and this support reaches across nearly every major demographic.

**Harms California Workers.** After comparing the costs of operating in California vs. other states, many employers 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. 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. Tax increases such as those promoted in ACA 1 would be a step in the wrong direction, and would encourage more companies to move workers and investments to other states. Californians are sensitive to this problem, as illustrated by the 2020 Berkeley Institute of Governmental Studies poll's finding that 78 percent of voters "agreed that taxes in California were already so high that they were driving many people and businesses out of the state."

For the foregoing reasons, CalTax and the signatories to this letter must oppose this legislation.

On behalf of...

California Taxpayers Association  
Affordable Housing Management Association – Pacific Southwest  
Alameda County Taxpayers Association  
Apartment Association of Greater Los Angeles  
Apartment Association of Orange County  
Apartment Owners Association of America, California  
Building Owners and Managers Association  
California Attractions and Parks Association  
California Business Properties Association  
California Cattlemen's Association  
California Chamber of Commerce  
California Independent Petroleum Association  
California Manufacturers and Technology Association  
California Railroads  
California Rental Housing Association  
California Retailers Association

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California Self Storage Association  
Catalysts for Local Control  
Coalition of Sensible Taxpayers  
California Taxpayer Protection Committee  
Central Coast Taxpayers Association  
Central Valley Taxpayers Association  
Coalition of Labor, Agriculture, and Business, Santa Barbara County  
Contra Costa Taxpayers Association  
East Bay Rental Housing Association  
Escrow Institute of California  
Family Business Association of California  
Glendora Chamber of Commerce  
Greater San Fernando Valley Chamber of Commerce  
Howard Jarvis Taxpayers Association  
Kern County Taxpayers Association  
Laguna Niguel Chamber of Commerce  
NAIOP, the Commercial Real Estate Development Association  
National Federation of Independent Businesses  
Orange County Business Council  
Orange County Taxpayers Association  
Placer County Taxpayers Association  
San Diego Tax Fighters  
San Gabriel Valley Economic Partnership  
Silicon Valley Leadership Group  
Silicon Valley Taxpayers Association  
Solano County Taxpayers Association  
Sutter County Taxpayers Association  
Ventura County Taxpayers Association  
Western Manufactured Housing Communities Association

cc: The Honorable Marc Berman, California State Assembly  
cc: The Honorable Matt Haney, California State Assembly

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