



October 4, 2023

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

Subject: Veto Request for AB 1256 (Wood), AB 1385 (Garcia), AB 1679 (Santiago), and SB 335 (Cortese)

Dear Governor Newsom:

The California Taxpayers Association and the organizations listed below respectfully requests that you veto the following bills that allow a higher local transactions and use tax rate to be levied:

- AB 1679 (Santiago) – Los Angeles County
- SB 335 (Cortese) – Santa Clara and Ventura Counties
- AB 1385 (Garcia) – Riverside County Transportation District
- AB 1256 (Wood) – Humboldt County

The California Taxpayers Association is a nonpartisan, nonprofit association formed to support good tax policy, oppose unnecessary taxes and promote government efficiency. Established in 1926, CalTax is the oldest and largest group representing California taxpayers.

The Legislature approved five bills that would further make California unaffordable for families already struggling with the rising costs of everyday purchases and detrimentally impact the state's business climate. We ask that you consider these bills not only individually, but view them in their totality, and veto them for the following reasons:

Hinders the State's Ability to Navigate Fiscal Crises. Past administrations have turned to temporary, one-time statewide sales tax increases during times of emergency, including natural disasters and fiscal collapse. These taxes were truly temporary and are no longer levied. Allowing so many local governments to go beyond existing rate limits and add to the tax burden will make voters less likely to approve emergency measures in the future.

Imposes a Regressive Tax on Working Families. California has the highest state-level sales and use tax rate in the country, and many cities in California have even higher rates. The sales and use tax is a regressive tax levied regardless of someone's ability to pay the tax. The tax has the greatest impact on low-income residents because it makes it more expensive for these taxpayers to purchase everyday necessities, including school supplies, clothing, gas, etc. Inflation has increased the cost of everyday goods, which in turn increases the sales tax that is imposed as a percentage of the retail price. Adding even more to the cost of living with a sales tax increase would harm Californians, and will disproportionately impact the state's most vulnerable residents.

Increases Costs of Farming, Manufacturing, and R&D. California provides limited tax relief for business inputs on state-level taxes, but local rates continue to add costs for key industries that engage in vital sectors of the California economy. Taxation of business inputs leads to a pyramiding effect throughout the production process, leading to higher costs for purchases made by consumers.

To counter tax-layering and pyramiding, California provides only state-level exemptions for activities such as manufacturing and research and development, teleproduction and post-production, and farm equipment. If the state continues to authorize localities to exceed the 2 percent transactions and use tax cap, these partially exempt activities could be taxed at a higher rate, defeating the purpose of the state-level exemptions and making it more cost-prohibitive to conduct such activities in California.

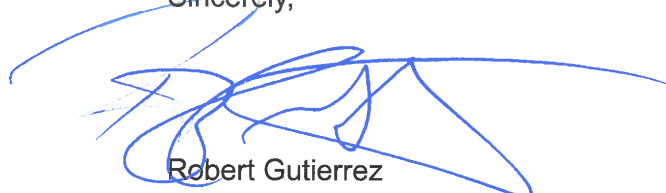
Increases State Government Costs. Unlike the federal government, which receives an exemption for all state and local sales taxes, purchases made by state agencies are subject to state and local sales taxes. Increasing the local sales tax would increase costs for purchases made by state agencies operating in these jurisdictions.

Together, these proposals would authorize tax increases to be imposed on over 40 percent of the state's population, regardless of their ability to pay, and on many of the most important parts of California's economic engine.

For these reasons, CalTax and the organizations listed below strongly encourage you to protect economic growth and family budgets by rejecting these proposals.

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Sincerely,



Robert Gutierrez
President and Chief Executive Officer

On behalf of...

California Taxpayers Association
Apartment Association of Greater Los Angeles
California Attractions and Parks Association
California Building Industry Association
California Business Roundtable
California Retailers Association
California Taxpayer Protection Committee
Catalysts for Local Control
Central Coast Taxpayers Association
Coalition of Labor, Agriculture, and Business – Santa Barbara County
Coalition of Sensible Taxpayers
Family Business Association of California
Fountain Valley Chamber of Commerce
Greater San Fernando Valley Chamber of Commerce
Howard Jarvis Taxpayers Association
Orange County Taxpayers Association
Placer County Taxpayers Association
San Diego Tax Fighters
San Gabriel Valley Economic Partnership
Silicon Valley Leadership Group
Solano County Taxpayers Association
Ventura County Taxpayers Association
West Coast Lumber and Building Materials Association

Cc: Sam Miller, Office of Governor Gavin Newsom

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