

OPPOSITION TO SB 789



GREATER



SOUTHERN CALIFORNIA LEADERSHIP COUNCIL



Date: May 14, 2025

To: Senator Anna Caballero, Chair Senate Committee on Appropriations

From: Robert Gutierrez, President & CEO, California Taxpayers Association
Matthew Hargrove, President & CEO, California Business Properties Association

Subject: OPPOSITION to SB 789 (Menjivar), as amended on March 27, 2025

The California Taxpayers Association, California Business Properties Association, and the organizations listed below respectfully oppose SB 789. While we appreciate the removal of the original punitive \$5-per-square-foot vacancy tax, the amended version imposes burdensome reporting mandates on every commercial property owner in the state and establishes civil penalties intended to fund an expensive and unnecessary program.

Significant Fiscal Impact on the State. As currently drafted, SB 789 will impose substantial administrative costs on the California Department of Tax and Fee Administration (CDTFA). The bill requires CDTFA to develop and manage a statewide registration and annual reporting system for all commercial real property, collect detailed data from thousands of property owners, and publish vacancy statistics aggregated by ZIP Code. CDTFA will be required to:

- Build and maintain a new registration and reporting system.
- Process and analyze vast amounts of data from property owners annually.
- Conduct outreach, compliance, and enforcement activities.
- Hire and train staff for a program entirely outside of its core expertise.

These responsibilities will require a significant and ongoing allocation of General Fund dollars. While the bill allows CDTFA to recoup some costs through penalties on property owners who fail to comply, that mechanism is highly uncertain and unreliable, especially in the program's early years. Simply put, the reporting mandate in SB 789 will trigger millions of dollars in new state costs with no guarantee of adequate offsetting revenue.

Additionally, CDTFA does not have property tax expertise or existing infrastructure for managing a reporting program of this scale related to real estate. This proposal diverts resources from the agency's core mission and sets a concerning precedent for expanding administrative mandates without proper alignment of expertise.

Alternative Approaches. If the Legislature is interested in exploring commercial property vacancies, it should commission a targeted, academic study such as those conducted by UCLA on Los Angeles's transfer tax. These reports are cost-effective, can be completed more quickly, and do not require building a new bureaucracy. A similar study on San Francisco's vacancy tax has already shown that such taxes produce limited revenue and carry serious economic consequences.

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.

Concerns About Vacancy Tax Intent and Ineffectiveness. Though the explicit tax provision has been removed, SB 789 appears designed to lay the groundwork for a future statewide vacancy tax. This is troubling given the underperformance of existing local vacancy taxes in places like San Francisco and Oakland, where such taxes have failed to meaningfully reduce vacancies and in some cases have been deemed unconstitutional. A statewide vacancy tax would exacerbate already high commercial vacancy rates—driven by remote work, economic shifts, and regulatory hurdles—and would likely reduce property values, depress investment, and permanently lower local property tax revenues, which are essential to funding public services.

****Costly New Program Assigned to CDTFA.** SB 789 requires the California Department of Tax and Fee Administration (CDTFA) to develop and manage a new, large-scale reporting system for commercial property vacancy data. While CDTFA has experience with tax collection, this program is outside the scope of its traditional operations and will require entirely new infrastructure, staffing, and oversight capacity. Assigning this complex mandate to CDTFA without providing the necessary long-term resources will increase costs and create operational inefficiencies.

For these reasons, the signatories to this letter respectfully urge a “NO” vote on SB 789.

On behalf of...

California Taxpayers Association
California Business Properties Association
Apartment Association of Greater Los Angeles
BOMA San Diego
California Alliance of Taxpayer Advocates
California Apartment Association
California Association of Realtors
California Builders Alliance
California Building Industry Association
California Business Roundtable
California Hotel and Lodging Association
California Mortgage Bankers Association
California Rental Housing Association
California Retailers Association
Contra Costa Taxpayers Association
Council on State Taxation
East Bay Leadership Council
El Dorado County Chamber of Commerce
El Dorado Hills Chamber of Commerce
Elk Grove Chamber of Commerce
Extra Space Storage
Family Business Association of California
Federal Realty Investment Trust
Folsom Chamber of Commerce
Greater Concord Chamber of Commerce

Howard Jarvis Taxpayers Association
Inland Empire Economic Partnership
Kern County Taxpayers Association
Lincoln Area Chamber of Commerce
Los Angeles Area Chamber of Commerce
NAIOP San Diego
National Federation of Independent Businesses
Orange County Taxpayers Association
Rancho Cordova Chamber of Commerce
Reynolds & Brown
Rocklin Chamber of Commerce
Roseville Area Chamber of Commerce
Sacramento Regional Builders Exchange
San Diego Regional Chamber of Commerce
San Gabriel Valley Economic Partnership
Silicon Valley Leadership Group
Single Springs/Cameron Park Chamber of Commerce
Solano County Taxpayers Association
Southern California Leadership Council
Supply Chain Federation
United Chamber Advocacy Network
Walnut Creek Chamber of Commerce & Visitors Bureau
Yuba-Sutter Chamber of Commerce

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