



January 23, 2023

The Honorable Cecilia Aguiar-Curry
California State Assembly
1021 O Street, Suite 6350
Sacramento, CA 95814

Subject: CalTax OPPOSITION to ACA 1 (Aguiar-Curry, Berman, Haney), as introduced on December 5, 2022

Dear Assembly Member Aguiar-Curry:

The above-listed organizations are opposed to ACA 1, which would allow local governments to increase taxes (e.g., parcel taxes, sales/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 regrettably 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 rising 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.

- **Voters Support Retaining a Two-Thirds Vote Requirement.** Public opinion polling has consistently shown that voters support a two-thirds vote requirement for local taxes. A March 2018 survey by the Public Policy Institute of California showed that across all demographics, voters support a two-thirds vote – and few voters believe the supermajority vote requirement has had a negative impact on government. When asked if they “favor or oppose allowing local special taxes to pass with a 55 percent majority vote instead of a two-thirds vote,” not a single demographic was in favor of changing the vote threshold. According to the survey, adults in the Central Valley, Inland Empire, Los Angeles, Orange County, San Diego, and San Francisco Bay Area regions oppose changing the vote threshold. The idea of changing the vote threshold was found to be widely unpopular among Democrats, Republicans and decline-to-state voters alike.
- **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, we and the signatories to this letter must oppose this legislation.

Sincerely,



Peter Blocker
Vice President of Policy
California Taxpayers Association

On behalf of...

California Taxpayers Association
Alameda County Taxpayers Association
Building Owners and Managers Association
California Attractions and Parks Association
California Business Properties Association
California Cattlemen's Association
California Independent Petroleum Association
California Manufacturers and Technology Association
California Retailers Association
California Self Storage Association
Coalition of Sensible Taxpayers
Contra Costa Taxpayers Association
Family Business Association of California
Greater San Fernando Valley Chamber of Commerce
Kern County Taxpayers Association
NAIOP, the Commercial Real Estate Development Association
National Federation of Independent Businesses
Orange County Business Council
Orange County Taxpayers Association
San Gabriel Valley Economic Partnership
Silicon Valley Leadership Group
Solano County Taxpayers Association

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