

[Senate Bill 96](#) (Budget Committee and Fiscal Review)

Michele Pielsticker (Chief) 916.322.2376

Program: Transactions and Use

Debra Waltz (Analyst) 916.324.1890

Sponsor: Author

Revenue and Taxation Code (RTC) Section 7286.4

Effective: Upon enactment, but operative October 1, 2017

***This analysis only addresses the provisions that impact the Board of Equalization (BOE)***

**Summary:** Among its provisions, requires the BOE to administer and collect the tax approved by Los Angeles County voters as Measure H on March 7, 2017, in those cities that have not already reached the 2% limit on district taxes. (Currently, Compton, La Mirada, Long Beach, Lynwood, Pico Rivera, Santa Monica, and South Gate will not be subject to the Measure H tax).

**Purpose:** To provide BOE with statutory authority to implement Los Angeles County's Measure H and affirm that Measure H is allowed under the Transactions and Use Tax Law.

**Fiscal Impact Summary:** Reaffirms authority to collect approximately \$355 million annually.

**Existing Law:** The **Transactions and Use Tax Law**<sup>1</sup> and the **Additional Local Taxes Law**<sup>2</sup> authorize cities and counties (and special purpose authorities) to impose district taxes under specified conditions. Counties may impose a district tax for general purposes and special purposes at a rate of 0.125%, or multiples of 0.125%, if the ordinance imposing the tax is approved by the required percentage of voters in the county. The tax authorization<sup>3</sup> authorizes the imposition of the tax throughout the entire county or within the unincorporated area of the county.

Cities also may impose a district tax for general purposes and special purposes at a rate of 0.125%, or multiples of 0.125%, if the ordinance imposing the tax is approved by the required percentage of voters in the city.

The combined district tax rate imposed within any local jurisdiction cannot exceed 2%<sup>4</sup> (with the exception of the cities of Alameda and El Cerrito and the counties of Alameda, Contra Costa, Los Angeles, Monterey, and San Mateo<sup>5</sup>).

By law, cities and counties (and special purpose authorities) contract with the BOE to administer the ordinances imposing the district taxes.

**Public Utilities Code.** In addition, various statutes under the Public Utilities Code (PUC) provide for the establishment of a local transportation authority and authorize that authority to impose a district tax, subject to the applicable voter approval requirement. District taxes imposed under the PUC must conform to the administrative provisions contained in the Transactions and Use Tax Law. The law also requires local transportation authorities to contract with the BOE to perform all functions related to the administration of the ordinance.

---

<sup>1</sup> Part 1.6 of Division 2 of the Revenue and Taxation Code (RTC), commencing with Section 7251.

<sup>2</sup> Part 1.7 of Division 2 of the RTC, commencing with Section 7280.

<sup>3</sup> RTC Sections 7285 and 7285.5

<sup>4</sup> RTC Section 7251.1.

<sup>5</sup> Exceptions authorized through AB 366 (Ch. 502, Stats. 2016, Bonta), AB 1324 (Ch. 795, Stats. 2014, Skinner), (Ch. AB 210 (Ch. 194, Stats. 2013, Wieckowski) for Alameda County and Contra Costa County, SB 314 (Ch. 785, Stats. 2003, Murray) and SB 767 (Ch. 580, Stats. 2015, De Leon) for the Los Angeles Metropolitan Transportation Authority, and SB 705 (Ch. 579, Stats. 2015, Hill) for San Mateo County and the Transportation Agency for Monterey County.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

PUC Section 130350 authorizes the Los Angeles County Metropolitan Transportation Authority (MTA)<sup>6</sup> to impose a district tax for public transit purposes within the incorporated and unincorporated territory of Los Angeles County, provided that two-thirds of the electors voting on the measure vote to authorize its enactment. The district tax must conform to Part 1.6 of the Transactions and Use Tax Law, including the requirement that the combined tax does not exceed the 2% rate limitation. Currently, MTA imposes two separate 0.5% district taxes under Section 130350. As previously stated, these district taxes are NOT exempt from the 2% combined rate limitation in current law.

However, two additional MTA taxes imposed under PUC Sections 130350.5<sup>7</sup> and 130350.7<sup>8</sup> are exempt from the 2% rate limitation. These 0.5% district taxes are for the funding of specified transportation-related capital projects and programs. Los Angeles County voters approved these additional 0.5% taxes in November 2008 (Measure R, which became effective July 1, 2009), and in November 2016 (Measure M, which becomes effective July 1, 2017).

**Proposed Law:** This bill finds and declares that the district tax approved by Los Angeles County voters on the March 7, 2017 ballot as Measure H is valid and authorized under RTC Section 7285.5,<sup>9</sup> and conforms to Part 1.6 of the Transactions and Use Tax Law. This provision is declarative of, and clarifies, existing law. The bill requires the BOE to contract with Los Angeles County to administer its tax ordinance, and to collect the tax in all areas of the county where the aggregate tax is 0.25% or more below the 2% rate limitation in existing law.

As a budget trailer bill that makes an appropriation, this bill becomes effective immediately, but the district tax shall become operative on October 1, 2017.

**Background:** In February 2016, the Los Angeles County Board of Supervisors (Board) approved the Los Angeles County Homeless Initiative, which included strategies to combat homelessness, and directed the county's Chief Executive Officer to explore potential sources of ongoing revenue to implement the initiative. On December 6, 2016, the Board adopted an ordinance placing Measure H (Los Angeles County Plan to Prevent and Combat Homelessness) on the March 7, 2017 countywide ballot. As passed by 69.34% of the voters, Measure H authorizes Los Angeles County to impose a 0.25% special countywide transactions and use tax for a period of ten years. Measure H requires BOE to enter into a contract that ensures that the 0.25% tax will be administered in such a way that the aggregate tax will not exceed the rate limitation in existing law.

While Measure H complies with state law, BOE legal staff requested specific statutory authority to administer and collect the tax in such a manner that excludes those cities that have already met the 2% threshold in current law (Compton, La Mirada, Long Beach, Lynwood, Pico Rivera, Santa Monica, and South Gate).

**Legislative History:** In 1987<sup>10</sup>, the Legislature established a maximum combined rate of 1% on all district taxes imposed within a county. The maximum combined rate was increased again in 1990<sup>11</sup> to 1.5%, and then to 2% in 2003<sup>12</sup>.

Over the years, the Legislature has approved seven bills granting specific authority to local governments to impose a district tax that is exempt from the 2% rate limitation:

---

<sup>6</sup> The Los Angeles County Metropolitan Transportation Authority was created in February 1993 (AB 152 (Ch. 60, Stats. 1992) added PUC Section 130050.2 to create the MTA) as a result of the merger between the Los Angeles County Transportation Commission and the Southern California Rapid Transit. The MTA became the regional transportation planning agency for the Los Angeles County.

<sup>7</sup> SB 314 (Ch. 785, Stats. 2003, Murray).

<sup>8</sup> SB 787 (Ch. 580, Stats. 2015, De Leon)

<sup>9</sup> Authorizes counties to levy, increase, or extend a district tax throughout the entire county or within the unincorporated area of the county for specific purposes.

<sup>10</sup> SB 142, Ch. 786, Deddeh, in effect January 1, 1988.

<sup>11</sup> AB 1930, Ch. 1024, Farr, in effect January 1, 1991.

<sup>12</sup> SB 566, Ch. 709, Scott, in effect January 1, 2004.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

Year	Legislation	Description
2003	SB 314 Ch. 685	Authorizes the Los Angeles MTA to impose a district tax at a rate of 0.5% for the funding of specified transportation-related capital projects and programs.
2011	AB 1086 Ch. 327	Authorized the County of Alameda to impose a district tax for the support of countywide transportation programs at a rate of no more than 0.5%. It required that the ordinance proposing the tax be submitted to the electorate on the November 6, 2012, General Election ballot. Alameda County voters declined to approve the proposed district tax (Measure B1) on the November 6, 2012, ballot.
2013	AB 210 Ch. 194	Extends the authority of Alameda County, and authorizes Contra Costa County, to impose a countywide transportation program district tax at a rate of no more than 0.5%.
2014	AB 1324 Ch. 795	Authorizes the City of El Cerrito to impose a general-purpose district tax at a rate of no more than 0.5%.
2015	SB 767 Ch. 580	Authorizes the Los Angeles MTA to impose an additional 0.5% district tax for funding transportation-related projects and programs.
2015	SB 705 Ch. 579	Authorizes both the San Mateo County and the Transportation Agency for Monterey County to impose a countywide transportation program district tax.
2016	AB 366 Ch. 502	Authorizes the City of Alameda to impose a general-purpose district tax at a rate of no more than 0.5%.

To date, legislation enacted to help cities and counties has been limited to granting an exemption from the statutory limit.

### Commentary:

**1. Current district taxes levied within Los Angeles County.** Cities and counties may impose district taxes as long as the combined rate does not exceed 2% within the county. Two of the four Los Angeles County 0.5% taxes remain subject to the 2% rate limitation, while, the two Los Angeles County Metro (MTA) taxes are exempt. Thus, the total county-wide rate is 1%. City district taxes cannot exceed the 2% limit. Because the cities of Compton, La Mirada, Long Beach, Lynwood, Pico Rivera, Santa Monica, and South Gate each impose a tax of 1%, Los Angeles County has reached the 2% limit.

Los Angeles County's Measure H provides an exemption that prevents the 0.25% tax from being collected in certain cities in the county when collection of the tax in those cities causes the combined rate of district taxes to exceed the limit. Los Angeles County imposes nineteen district taxes within its borders—four county-wide taxes (all transportation taxes) and fifteen city-wide taxes, as shown in the following chart. The Los Angeles County MTA is (bolded) specifically authorized to impose two 0.5% taxes that are NOT subject to the 2% statutory rate limitation:

District Name and Tax Area	Rate	Effective Date	Expiration Date
Los Angeles County Transportation Commission (county-wide)	0.50%	04-01-91	None
Los Angeles County Transportation Commission (county-wide)	0.50%	07-01-82	None
<b>Los Angeles County Metro Transportation Authority (county-wide)</b>	<b>0.50%</b>	<b>07-01-09</b>	<b>06-30-39</b>
<b>Los Angeles County Metro Transportation Authority (county-wide)</b>	<b>0.50%</b>	<b>07-01-17</b>	<b>None</b>
City of Avalon Municipal Hospital and Clinic Tax (city-wide)	0.50%	10-01-00	None

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

District Name and Tax Area	Rate	Effective Date	Expiration Date
City of Commerce Transactions and Use Tax (city-wide)	0.50%	04-01-13	None
City of Compton Transactions and Use Tax (city-wide)	1.00%	10-01-16	None
City of Culver City Essential City Services Transactions and Use Tax (city-wide)	0.50%	04-01-13	03-31-23
City of Downey Transactions and Use Tax (city-wide)	0.50%	04-01-17	03-31-37
City of El Monte Transactions and Use Tax (city-wide)	0.50%	04-01-09	03-31-19
City of Inglewood Vital City Services Transactions and Use Tax (city-wide)	0.50%	04-01-07	None
City of La Mirada Transactions and Use Tax (city-wide)	1.00%	04-01-13	03-31-18
City of Long Beach Transactions and Use Tax (city-wide)	1.00%	01-01-17	09-30-21
City of Lynwood Transactions and Use Tax (city-wide)	1.00%	04-01-17	03-31-37
City of Pico Rivera Transactions and Use Tax (city-wide)	1.00%	04-01-09	None
City of San Fernando Temporary Transactions and Use Tax (city-wide)	0.50%	10-01-13	09-30-20
City of Santa Monica Transactions and Use Tax (city-wide)	1.00%	04-01-17	None
City of South El Monte Vital City Services Protection Transactions and Use Tax (city-wide)	0.50%	04-01-11	None
City of South Gate Transactions and Use Tax (city-wide)	1.00%	10-01-08	None

2. **Measure H 0.25% tax effect on Los Angeles County cities future ballot measures.** Unlike the two 0.50% Los Angeles County MTA taxes, the Measure H tax is NOT exempt from the 2% rate limitation. This means that a city must include the 0.25% tax imposed by Measure H in determining the rate remaining under the cap. The combined rate in Los Angeles County (including Measure H) is 1.25%. Measure H provides an exemption from the 0.25% tax in those seven cities that have reached the limit. Currently eight Los Angeles County cities impose a 0.50% tax, which leaves these cities with the authority to impose an additional 0.25% tax before reaching the cap. Cities currently without a district tax may therefore propose raising their rates to 0.75%.
3. **Other California counties at or near the 2% limit.** Contra Costa, San Mateo, and Santa Clara have reached the 2% limit. Sonoma is only 0.125% short of the 2% limit, and Marin and Santa Cruz are 0.25% short of the limit.
4. **Related Legislation.** [AB 112](#) (Committee on Budget) is identical to this bill. Other district tax measures include: [AB 805](#) (Gonzalez Fletcher), which authorizes the San Diego Metropolitan Transit System and the North County Transit District to impose transportation district taxes within their respective jurisdictions comprising a portion of San Diego County, each at a maximum combined rate of 0.5%; [AB 1189](#) (E. Garcia) which authorizes the Riverside County Transportation Commission to impose transportation district taxes at a maximum combined rate of 1%, instead of the existing 0.5% rate; [AB 1613](#) (Mullin), which authorizes the San Mateo County Transit District to impose a countywide transportation program district tax that exceeds the 2% rate limitation, unless a district tax has already been adopted under current authority (RTC Section 7295); and [SB 703](#) (Skinner), which authorizes Alameda County to impose a general-purpose or specific-purpose district tax that may exceed the existing 2% rate limitation by no more than 0.5%.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

**Costs:** Existing law requires cities and counties (and special purpose authorities) to contract with the BOE for its ongoing costs to administer their ordinances.

Currently, Los Angeles County imposes three<sup>13</sup> 0.5% district taxes. The BOE's fiscal year 2015-16 administrative costs for these taxes are estimated to be \$25,370,500: \$8,458,500 for the first Los Angeles County Transportation Commission tax, \$8,456,000 for the second Los Angeles County Transportation Commission tax, and \$8,456,000 for the Los Angeles County Metro Transportation Authority.

**Revenue Impact:** According to [Los Angeles County's website](#), Measure H will generate approximately \$355 million annually for services and programs to prevent and combat homelessness.<sup>14</sup> Using BOE Taxable Sales quarterly data and BOE's annual report, staff verified that Los Angeles County's estimate is reasonable.

This revenue estimate does not account for any changes in economic activity that may or may not result from enactment of the proposed law.

---

<sup>13</sup> The one 0.5% Los Angeles County MTA tax becomes operative on July 1, 2017. Accordingly, BOE does not have the estimated administrative costs for that tax.

<sup>14</sup> *Measure H: Moving Forward, The Los Angeles County Homeless Initiative; [Putting Measure H to Work | Homeless Initiative](#).*

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.