



Date: April 26, 2017

To: Members, Assembly Local Government Committee

From: Therese Twomey, CalTax Fiscal Policy Director

Subject: CalTax OPPOSITION to ACA 4 (Aguiar-Curry), as introduced on February 17, 2017

The above-listed organizations are in opposition to ACA 4, which allows local governments to increase local “infrastructure” bonds and taxes (including parcel taxes, Mello-Roos taxes, utility user taxes, sales taxes and hotel taxes) with a 55 percent vote of the electorate, instead of a two-thirds vote as is required under current law. The bill defines “public infrastructure” as affordable housing; water projects; sanitary systems; wastewater and storm water treatment projects; sea-level rise projects; parks, recreation and open space facilities; road improvements; flood control; broadband Internet; and local hospitals.

We oppose ACA 4 for the following reasons:

- Erodes Proposition 13.** Nearly 40 years ago after years of rising taxes, Proposition 13 was passed by the voters to limit local taxation. The two-thirds vote requirement does not stop local governments from increasing taxes – it merely means that communities need to see a rationale and benefit for the taxes they approve. ACA 4 would increase the local tax burden by eroding the taxpayer safeguards of Proposition 13. In addition to ACA 4’s provisions on

special taxes, it also would change the vote requirement for local bonds, which are repaid by higher property taxes. Proposition 13 limited the property tax rate to 1 percent, but many local governments already exceed the 1 percent limit to repay bonds.

- **Increases Housing Costs.** ACA 4 would make housing less affordable for many California families by making it easier for local governments to increase property taxes. An Orange County Register analysis of a study by WalletHub found that California has the 10th highest property tax burden in the United States, due to high home prices. One of the goals of this legislative session is to address California's housing affordability crisis, yet ACA 4 would increase the cost of owning a home.
- **Eliminates a Century of Taxpayer Protections.** Since 1879, infrastructure bonds (as well as most local bonds) have required a two-thirds vote. In 2016, of the 17 local bonds (excluding school bonds) on the ballot, 13 passed with a two-thirds vote, demonstrating that the threshold is not an obstacle for local bonds when a community believes a project is necessary.
- **Promotes a Flawed and Regressive Tax Structure.** Local taxes lack oversight and accountability measures, which has led to a regressive and nonuniform tax structure. ACA 4 would exacerbate this problem by allowing local governments to rely more heavily on local taxes – without considering any structural reforms. Problems associated with existing local taxes include:
 - **Parcel Tax Regressivity.** California is one of the only states in the United States that allows a local add-on parcel tax. No oversight has been provided to establish a comprehensive structure. Some parcel taxes contain provisions that tax nonprofit and church property – properties exempt from the property tax. Other parcel taxes impose taxes on the number of beds on a property, or the amount of street frontage contained on a property. Parcel taxes are both regressive and distortionary, often disregarding a taxpayer's ability to pay.
 - **Sales Tax Uniformity.** The Legislature established a uniform sales tax law nearly 60 years ago, but recent changes to the tax code have neglected the importance of uniformity, making it more difficult for retailers to comply with varying, and more complex local sales tax laws. California already has the highest state-imposed sales tax rate.

For the foregoing reasons, the organizations below respectfully oppose ACA 4.

Apartment Association, California Southern Cities
Apartment Association of Orange County
Association of California Life and Health Insurance Companies
Calaveras County Taxpayers Association
California Attractions and Parks Association
California Association of Realtors
California Bankers Association
California Hotel & Lodging Association
California Taxpayers Association
California Travel Association
Coalition of Sensible Taxpayers – Marin County
Contra Costa Taxpayers' Association

East Bay Rental Housing Association
Howard Jarvis Taxpayers Association
National Federation of Independent Business
North Valley Rental Property Association
Orange County Business Council
Solano County Taxpayers Association
San Diego County Apartment Association
Silicon Valley Taxpayers Association
Sutter County Taxpayers Association