REVENUE AND TAXATION POLICY COMMITTEE
Thursday, March 26, 2026
10:00 a.m. - 2:00 p.m.
Hilton Orange County/Costa Mesa

AGENDA

I. **Welcome and Introductions**
Chair Joe Vinatieri, Mayor, Whittier

II. **Public Comment**

III. **Initiative 25-0006** *(Attachment A)* *Action*
Susan Shelley, Vice President of Communications, Howard Jarvis Taxpayers Association (Proponent)
Lisa Soghor, Assistant City Manager, City of Culver City (Opponent)
Evan McLaughlin, Political Director, CA Professional Firefighters (Opponent)

IV. **Update on City Manager Sales Tax Working Group** *Informational*

V. **State Legislation and Budget Update and Roundtable** *Informational*
Revenue and Taxation Bills with Positions

VI. **Economic Development and Attracting New Businesses** *Informational*
Timothy Kelly, President, Imperial Valley Economic Development Corporation

VII. **Adjourn**

Next Meeting (Virtual): Thursday, June 4, 9:30 a.m. – 12:30 p.m.

Brown Act Reminder: The League of California Cities' Board of Directors has a policy of complying with the spirit of open meeting laws. Generally, off-agenda items may be taken up only if:
1) *Two-thirds of the policy committee members find a need for immediate action exists and the need to take action came to the attention of the policy committee after the agenda was prepared (Note: If fewer than two-thirds of policy committee members are present, taking up an off-agenda item requires a unanimous vote); or*
2) *A majority of the policy committee finds an emergency (for example: work stoppage or disaster) exists.*

A majority of a city council may not, consistent with the Brown Act, discuss specific substantive issues among themselves at League meetings. Any such discussion is subject to the Brown Act and must occur in a meeting that complies with its requirements.

ATTACHMENT A

REVENUE AND TAXATION POLICY COMMITTEE
Legislative Agenda

Staff: Ben Triffo, Legislative Advocate
Leila Romero, Policy and Legislative Affairs Analyst

1. Initiative 25-0006 – "Local Taxpayer Protection Act to Save Proposition 13"

Initiative Summary:
On July 30, 2025, the Howard Jarvis Taxpayers Association submitted an amended version of Initiative 25-0006 to the California Attorney General titled the "Local Taxpayer Protection Act to Save Proposition 13." The initiative proposes to amend the California Constitution to change how local governments may adopt certain taxes and to restrict the types of taxes local governments may impose related to real property.

The measure is intended to address what proponents describe as "court-created loopholes" that allow certain local taxes to be adopted with lower voter approval thresholds or outside of existing statutory tax frameworks.

The initiative would make three primary changes to local tax authority.

First, the measure would require that all local special taxes receive approval from two-thirds of voters, regardless of whether the tax is placed on the ballot by a local government or by voters through the initiative process.

Second, the measure would prohibit local governments from imposing most taxes related to real property sales, transfers, documents, or recordings, except for the Documentary Transfer Tax authorized under Revenue and Taxation Code Section 11911. The initiative would also limit those taxes to the statutory rate that existed on January 1, 2025.

Third, the initiative would invalidate certain existing taxes that do not comply with the new constitutional provisions. Taxes inconsistent with the new requirements would become null and void on December 31 two years after the initiative takes effect.

Because the measure amends the California Constitution, these changes could only be modified in the future through another statewide vote.

According to a Cal Cities fiscal analysis, the initiative could reduce local government revenues by approximately $2 billion to $3 billion annually statewide beginning two years after enactment, while the Legislative Analyst's Office estimates the measure would result in the annual loss of up to a couple of billion dollars in local government revenues, primarily due to the invalidation of charter city real property transfer taxes and certain parcel taxes approved with less than two-thirds voter approval.

Initiative Description:
Initiative 25-0006 would add Section 4.5 to Article XIII A of the California Constitution and establish several new restrictions on local taxation.

Two-Thirds Requirement for All Special Taxes
The measure would require that any local special tax receive approval from two-thirds of voters, regardless of whether the tax is placed on the ballot by a city council, county board of supervisors, or by voters through the initiative process.

This provision would effectively reverse the legal interpretation created by recent court decisions that allow voter-initiated special taxes to pass with a simple majority vote.

Restrictions on Real Property Transfer Taxes
The initiative would prohibit local governments from imposing taxes related to real property sales, transfers, documents, or recordings, unless the tax is authorized under the Documentary Transfer Tax Act in Revenue and Taxation Code Section 11911.

The measure also specifies that the tax may not exceed the statutory rate that existed on January 1, 2025.

As a result, cities that currently impose Real Property Transfer Taxes outside the state statutory framework would no longer be permitted to continue those taxes.

Limitations on Certain Property-Related Taxes
The initiative also restricts certain non-ad valorem taxes related to property ownership, except where authorized under existing constitutional provisions governing property-related fees and taxes.

These provisions reference existing requirements contained in Articles XIII C and XIII D of the California Constitution.

Invalidation of Existing Taxes
The initiative includes a retroactive provision affecting existing taxes.

Any tax that does not comply with the new constitutional requirements would become null and void on December 31, two years after the initiative's enactment.

This provision affects:
• Real Property Transfer Taxes
• Some parcel taxes or other property-related taxes
• Certain voter-initiated special taxes adopted with less than two-thirds voter approval

The two-year transition period appears intended to allow local governments time to adjust budgets or restructure tax systems before affected revenues are eliminated.

Background:

Proposition 13 and Local Tax Approval Requirements

California's modern local tax framework largely stems from Proposition 13, approved by voters in 1978. Proposition 13 limited property tax rates and established voter approval requirements for local taxes.

Under Article XIII C of the California Constitution, local governments may not impose, extend, or increase a special tax without approval by two-thirds of voters. A special tax is defined as any tax imposed for a specific purpose rather than for general governmental use.

General taxes used for general governmental purposes must receive majority voter approval and must generally be placed on the ballot by a local governing body.

Court Decisions Affecting Initiative Taxes

Recent court decisions have interpreted these constitutional provisions differently when taxes are proposed through the citizen initiative process rather than by a local government.

In California Cannabis Coalition v. City of Upland, the California Supreme Court held that certain constitutional restrictions on local tax elections apply only to measures placed on the ballot by local governments.

Subsequently, the California Court of Appeal in City and County of San Francisco v. All Persons Interested in Proposition C concluded that voter-initiated special taxes may be approved by a simple majority vote, rather than the two-thirds vote required when a tax is proposed by a local government.

The California Supreme Court declined to review the case, leaving that interpretation in place.

These rulings have allowed several local special taxes proposed through voter initiatives to pass with majority approval rather than the traditional two-thirds threshold.

Real Property Transfer Taxes

California law also authorizes cities and counties to impose a Documentary Transfer Tax (DTT) when property ownership is transferred. Under Revenue and Taxation Code Section 11911, counties may impose a tax of $0.55 per $500 of property value, and cities within those counties may impose up to half of that amount (27.5 cents per $500), with the city tax credited against the county tax.

However, many charter cities have adopted their own Real Property Transfer Taxes (RPTTs) through their municipal charters rather than through the state statutory framework. These taxes often apply higher or tiered rates based on property value and can generate significant municipal revenue.

Existing Cal Cities Policy:
From the Cal Cities Summary of Existing Policy and Guiding Principles

Local Authority and Accountability
Ensure the integrity of existing city revenue sources for all cities, including the city share and situs allocation, where applicable, of property tax, sales tax, vehicle license fees, etc.

Oppose any state or federal legislation that would pre-empt or threaten local taxation authority including, but not limited to, Utility User's Taxes

Allow every level of government to enjoy budgetary independence from programs and costs imposed by other levels of government.

Authorize a simple majority of the voters in a city or county to establish local priorities, including the right to increase taxes or issue general obligation bonds.

Fiscal Impact:
The fiscal analysis of Initiative 25-0006 estimates that the measure would result in between $2 billion and $3 billion in annual revenue losses for local governments statewide beginning two years after enactment.

The majority of these losses would result from the elimination of Real Property Transfer Taxes currently imposed by charter cities.

Real Property Transfer Tax Revenue Losses
The analysis estimates that eliminating RPTTs would reduce city revenues by approximately $940 million to $2.6 billion annually across the 26 affected cities, this includes replacing those taxes with the statutory Documentary Transfer Tax allowed under state law. The proportional impact on city general-purpose revenues varies significantly by jurisdiction but ranges from 1 percent to more than 25 percent of general-purpose city revenues.

Cities Currently Using Real Property Transfer Taxes (RPTTs)
27 charter cities currently impose Real Property Transfer Taxes that differ from the statutory Documentary Transfer Tax framework authorized under Revenue and Taxation Code Section 11911. These locally adopted taxes would likely be eliminated under the initiative and could only be replaced with the significantly lower statutory Documentary Transfer Tax authorized under state law.

Cities with locally adopted Real Property Transfer Taxes include:
- Alameda
- Albany
- Berkeley
- Emeryville
- Oakland
- Piedmont

- San Leandro
- Culver City
- El Cerrito
- Hayward
- Richmond
- Los Angeles
- Pomona
- Redondo Beach
- Santa Monica
- San Rafael
- Riverside
- Sacramento
- San Francisco
- San Mateo
- Mountain View
- Palo Alto
- San Jose
- Vallejo
- Petaluma
- Santa Rosa
- Santa Cruz

For many of these jurisdictions, real property transfer taxes represent a major source of locally controlled revenue that supports general municipal services. Additional cities are also exploring placing real property transfer tax measures on the 2026 ballot, suggesting that the initiative could restrict revenue options for an even larger number of communities in the coming years.

Examples include:

- Los Angeles: $805 million to $1.38 billion annual revenue loss
- San Francisco: $180 million to $508 million annual revenue loss
- Berkeley: $33 million to $63 million annual loss
- Santa Monica: $62 million to $69 million annual loss
- Oakland: $76 million to $135 million annual loss
- San Jose: $88 million to $164 million annual loss

Losses of this magnitude could significantly destabilize local budgets and require cities to reduce services, delay infrastructure projects, or identify alternative revenue sources. In several cities, the projected losses exceed 10 percent of general-purpose revenues, a level that may require significant service reductions or restructuring of municipal spending.

County Impacts

Counties would also experience revenue impacts due to changes in transfer tax allocations when cities adopt replacement Documentary Transfer Taxes. The analysis estimates total county losses of $42 million to $78 million annually.

Initiative Special Tax Losses
The initiative would also invalidate certain voter-approved special taxes adopted by citizen initiative with less than two-thirds voter approval. The analysis identifies nine parcel taxes and three real property transfer taxes that could be invalidated, producing total estimated revenue losses of $1.0 billion to $1.5 billion annually.

Examples include:

- Los Angeles Measure ULA – $655 million to $1.2 billion annually
- Santa Monica Measure GS – $54 million annually
- Los Angeles County Measure E – $152 million annually
- San Francisco Unified School District Proposition G – $61 million annually
- Oakland Measure AA – $30 million to $36 million annually
- Berkeley Measure FF – $15 million annually

Parcel Taxes Potentially Invalidated Under the Initiative
Initiative 25-0006 would also invalidate certain voter-approved parcel taxes adopted through citizen initiative with less than two-thirds voter approval. These taxes would become null and void two years after enactment if they do not meet the initiative's new constitutional requirements.

The fiscal analysis identifies nine parcel taxes statewide that could be affected, producing approximately $300 million in annual revenue losses across local governments, schools, and special districts.

Cities and jurisdictions with parcel taxes potentially impacted include:

- Berkeley – Measure FF
- Oakland – Measure Y
- Oakland – Measure AA
- San Rafael – Measure P
- Los Angeles County – Measure E
- Santa Cruz County – Measure Q
- San Francisco Unified School District – Proposition G
- Crockett Community Services District – Measure L
- Washington Township Healthcare District – Measure B

These parcel taxes fund services such as fire protection, infrastructure maintenance, libraries, childcare programs, schools, and environmental protection, and their elimination could require jurisdictions to reduce services or identify alternative funding sources.

Implications for Cities
For cities, the measure would significantly restrict fiscal flexibility by eliminating certain locally adopted taxes and requiring higher approval thresholds for future special taxes. Many of these revenues support general municipal services and community programs,

including housing initiatives, homelessness response efforts, infrastructure maintenance, public safety services, and parks and recreation programs.

The initiative would also require two-thirds voter approval for all special taxes, including those proposed through citizen initiatives. This change would alter the current legal interpretation established by recent court decisions and could affect how communities pursue locally supported revenue measures.

In addition, the measure would restrict local governments' ability to design tax structures related to property transfers by limiting those taxes to the statutory Documentary Transfer Tax rate established in state law.

Because many of the affected revenues support ongoing municipal services and capital programs, cities may need to adjust budgets, scale back programs, or pursue alternative funding sources if these revenues are eliminated.

Staff Comments:
Initiative 25-0006 would make substantial changes to the constitutional framework governing local taxation authority in California. From a city perspective, the measure raises several important considerations related to fiscal stability, local decision-making authority, and the long-term ability of cities to fund essential services.

One of the most significant impacts would be the elimination of Real Property Transfer Taxes currently used by many charter cities. These taxes represent a major source of local revenue, often supporting core municipal services such as infrastructure maintenance, public safety, homelessness response programs, housing initiatives, parks and recreation services, and other community programs approved by local voters.

Because Real Property Transfer Taxes are generally general-purpose revenues, cities have flexibility in how they use these funds to support ongoing municipal operations, respond to changing community needs, and maintain balanced budgets. Though some Real Property Transfer Taxes are special taxes.

Our fiscal analysis estimates that the initiative could result in $2 billion to $3 billion in annual revenue losses statewide, with the largest share of those losses concentrated in cities that currently impose Real Property Transfer Taxes.

For several jurisdictions, the projected revenue reductions represent more than 10 percent of a city's general-purpose revenues, and in some cases exceed 20 percent. Revenue losses at this scale can be particularly disruptive for local governments. Because city budgets are largely composed of ongoing service costs such as police and fire protection, street maintenance, parks operations, and community services; reductions of this magnitude may require cities to consider significant budget adjustments.

Revenue of this magnitude can be especially challenging for municipal budgets because they often cannot be absorbed through minor operational efficiencies alone. Cities facing revenue reductions at this level may need to consider a combination of actions such as:

- Reductions in service levels or program funding
- Deferral of infrastructure maintenance and capital projects
- Reductions in staffing or operational capacity
- Identification of alternative revenue sources where available

The initiative would also apply these restrictions to all local governments, including charter cities, which have historically exercised broader authority over municipal taxation under the California Constitution.

Because the measure proposes to amend the California Constitution, the changes would be difficult to modify in the future without another statewide vote.

For policy committee members, the initiative raises broader questions about the balance between statewide tax limitations and the ability of local governments to maintain fiscal stability and respond to locally identified priorities.

Cities may wish to consider how the proposed changes could affect long-term revenue flexibility, the ability to fund voter-approved programs, and the stability of local budgets that support essential public services.

Staff Recommendation:
None.

Committee Recommendation:

Board Action: