

TAXPAYER PROTECTION

FREQUENTLY ASKED QUESTIONS

and Government Accountability Act

How are taxes raised now in California? What taxes can be raised by the Legislature?

Californians pay some of the highest taxes in the country. Tax revenue into state coffers has more than doubled (113%) since Fiscal Year 2010-11, growing from \$122.5 billion to \$261.5 billion in the FY 22-23 budget proposal. During that time, state tax revenue increased by 116% and state fees and other charges increased by 57%. In FY 22-23, taxpayers will pay \$231.4 billion in taxes to the state and an additional \$17.2 billion in fees. Despite this rapid increase in revenue, state expenditures have still grown faster, increasing 119% since 2010-11.

Under current law, the Legislature has authority to pass taxes on nearly everything that we need and use. Even those taxes for which there are current constitutional protections, including property taxes (via Prop. 13 in 1978) and food taxes for home use (via Prop. 163 in 1992), are still at risk from Legislative interference. While Prop. 13 secured the property tax rate, critically important components, including the definition of “new construction” and “transfer of property” were enacted via follow-up statutory language. These definitions can all be changed at the whim of the Legislature. With little to no support from the California courts, which have actively weakened existing taxpayer protections, there are few avenues to challenge efforts in the Legislature when they attempt to undermine even constitutionally protected taxes in California.

What new protections will taxpayers have under the Taxpayer Protection and Government Accountability Act?

The Taxpayer Protection and Government Accountability Act is a common-sense measure that gives California taxpayers the right to vote on *all* new and higher taxes and eliminates unelected bureaucrats’ ability to raise “hidden taxes” and fees without a vote of an elected body. Under the measure, taxpayers will have the final say on all proposed state tax measures after they have passed the Legislature with a 2/3 vote and the governor’s signature. At the local level, all taxes continue to require a vote of the electorate, consistent with current law. Importantly, at the local level, the Act restores critical components of Prop. 218 by requiring citizen-sponsored new or higher special tax ballot measures to pass with a 2/3 vote. In addition, the Act eliminates “hidden” taxes by prohibiting unelected bureaucrats at state or local agencies from passing new or increased fees or other costs. Under the Act, state regulations raising revenue through either fees or other charges must be approved by a majority of the Legislature and signed by the governor. Lastly, the Act provides additional accountability on taxes put on the ballot for voter-approval by requiring a *legally enforceable* use-of-funds, duration and rate each new or higher tax will be in effect to be included in the state tax statute or local tax ordinance.

What are “hidden taxes” and how does this measure impact them?

To avoid the political backlash of raising taxes or fees in the highest cost-of-living state in the country, California legislators pass vague, aspirational legislation that sets policy goals, but that also authorizes unelected bureaucrats like the California Air Resources Board to impose oppressive fees and taxes without a vote to achieve those goals. These bureaucratically imposed charges have raised billions of dollars in new revenue from hard working California

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Committee major funding from
California Business Roundtable

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families and small businesses. An example is the state's cap-and-trade program, which has raised billions of dollars from "hidden taxes" on gasoline and utilities, helping drive California gasoline and utility prices to the among the highest in the nation.

How have the California courts undermined current taxpayer protections?

Starting with Prop. 13 in 1978, and reaffirmed by Prop. 218 in 1996 and Prop. 26 in 2010, California voters have repeatedly and overwhelmingly voted to increase oversight and accountability on new and higher taxes. However, California courts have eroded these protections through cases such as *Cal Chamber v. California Air Resources Board*. In that case, the Court of Appeal created an entirely new, undefined category of revenue that could encompass almost anything and not be a "tax" that required a 2/3 vote of the Legislature or the electorate to implement. In a separate case, the California Court of Appeal struck down a major protection of Prop. 218 by ruling that a special tax increase placed on the ballot by an initiative petition required only a majority vote of the electorate to be adopted. This opens the door to collusion between local governments and special interest groups to effectively sidestep Prop. 218 with "citizen petition" that can be developed and publicized at public expense.

What about in an emergency? Will the state or local governments be able to raise revenue, if needed?

The Taxpayer Protection Act does not change how local governments raise revenue, other than requiring an additional transparency when drafting ballot language for voter approval. At the state level, under the Act, nothing prohibits the Legislature from calling a special election to place a revenue increase on the ballot, should funds to address an emergency be needed prior to the next general election.

Special interests have spent decades trying to undermine Prop. 13. How does the Taxpayer Protection Act affect those efforts, including future split-roll efforts?

Since its passage more than 40 years ago, special interests have spent millions attempting to undermine Prop. 13 in the Legislature, in the courts and at the ballot box. In 2020, special interests placed a \$15 billion split-roll property tax on the ballot. However, California voters, understanding its impact on the cost-of-living, voted down the measure. Undeterred, special interests continue to look for avenues to undermine Prop. 13. One of these tactics is to redirect property tax dollars, which is currently collected and distributed by local governments, and have the state reallocate the tax revenue for other purposes. The Taxpayer Protection Act prevents these efforts to undermine Prop. 13 by mandating that property tax revenue remain in the county in which it was collected.

Will the Taxpayer Protection Act cut current spending?

No. The Act does nothing to current spending or revenue collection. Under the Act, all existing taxes and "fees" will remain in effect. The Act only pertains to future new and increased tax revenue. The measure does require any tax measure placed before voters in 2022 to comply with its provisions in order to stop the state and local governments from attempting to raise revenue before the measure goes into effect.