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Tax or Fee? California Taxpayers Association Releases Proposition 26 Compliance Guide

SACRAMENTO – The California Taxpayers Association today released "[Understanding Proposition 26: A Sponsor's Guide to California's New Tax Structure](#)," a guide for taxpayers and government agencies to ensure that the Stop Hidden Taxes Initiative is implemented correctly.

In November, Californians passed Proposition 26 to put an end to the practice of falsely labeling taxes as "fees," "surcharges," etc., to get around important taxpayer protections in the state constitution – the two-thirds legislative vote requirement for state taxes, and the public vote requirement for local taxes.

"Voters approved Proposition 26 to put an end to gimmicks and close the loopholes that were costing taxpayers billions," CalTax President Teresa Casazza said. "Now, taxpayers must be watchful to make sure their elected representatives adhere to this important new law. As a sponsor of Proposition 26, CalTax is committed to making sure the will of the voters is not ignored."

One of the bills that fails the Proposition 26 Tax Test is SB 791, which would give regional transportation agencies the power to impose virtually unlimited new gasoline taxes, without the required two-thirds legislative vote. The bill would result in California drivers paying billions of dollars in new gas taxes, which would prove especially damaging to small businesses and low-income families.

The CalTax guide includes a [flowchart](#) to help taxpayers and government officials easily and accurately determine whether any given proposal includes a tax that requires a two-thirds legislative vote or a public vote at the local level.

The guide also includes details on Proposition 26's provisions relating to legitimate user fees, the government's burden of proof in tax-vs.-fee disputes, and how the initiative impacts pre-existing taxes and fees.

"It is in everyone's best interest for elected officials to determine whether a charge is a tax or legitimate fee before it is imposed," Casazza said. "By strictly following the law when seeking new revenue sources, elected officials will increase the public's trust in government, and will avoid costly lawsuits."

The [California Taxpayers Association](#) is a non-partisan, non-profit organization founded in 1926 to protect taxpayers from unnecessary taxes and to promote government efficiency.

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