



# **TAX AND FEE REPORT**

Major Taxes and Fees Introduced in the California Legislature

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# METHODOLOGY



This report identifies higher taxes, fees, assessments, and charges lawmakers have acted on since January 6, 2020 (includes bills introduced this year and 2019 bills that have not failed legislative deadlines). During this period, the California Tax Foundation identified 36 bills and constitutional amendments that contain higher costs, although the costs cannot yet be quantified for 23 of the measures.

Under Proposition 26, the voter-approved Stop Hidden Taxes Act of 2010, a tax is defined as any change in state statute that results in any taxpayer paying a higher tax or exaction, including any unreasonable fee or charge. This report includes any measure that imposes or authorizes higher taxes or tax-like “fees,” as well as any legislation that increases a regulatory and/or license fee, user charge, or other charge for receiving a specific government service or benefit. Legislation imposing fines, penalties and other costs for violating state or local laws is not included. This report also excludes legislation estimated to generate less than \$1 million per year in net revenue.

Revenue estimates are taken from legislative committee and floor analyses, and analyses from the state tax agencies. When an estimate had not been prepared for a bill, the California Tax Foundation used recent data from prior legislative or agency analyses of similar legislation. When estimates provided a revenue range, the lowest figure in the range was used to calculate a revenue total. Bills imposing identical taxes or fees are included in this report but were counted only once for purposes of calculating a revenue total.

For “spot” bills that contain placeholder language intending to impose a tax or fee, without detailed language, the California Tax Foundation used revenue estimates from previous comparable proposals or available economic studies. Once the proposals are amended, the revenue estimates may change.





# \$60.4 BILLION

Since the Legislature returned on January 6 for the final year of the 2019-20 session, California lawmakers have introduced proposals that would cost taxpayers more than \$60.4 billion annually in higher taxes and fees.

## INTRODUCTION

California lawmakers are considering more than \$60.4 billion in new taxes and fees, including taxes on California Lottery winnings, jobs and transactions that already are subject to sales tax. The tax and fee introductions follow a year in which \$4.4 billion in new tax and fee authorizations were signed into law by Governor Gavin Newsom, and a record-high budget was enacted.

In January, Governor Newsom proposed a record budget – totaling \$222.2 billion in spending for fiscal year 2020-21, a \$7.41 billion increase over the enacted 2019-20 budget.



# THE MOST EXPENSIVE BILLS



## AB 2712

EUROPEAN-STYLE VALUE-ADDED TAX  
ON MOST GOODS AND SERVICES

A \$53.3 billion value-added tax increase to pay for a California universal basic income program.



## SB 37

BUSINESS TAX INCREASE  
BASED ON EMPLOYEE PAY

A \$3.5 billion tax on businesses based upon how they pay management.
















## SB 246

TAX ON IN-STATE  
ENERGY PRODUCTION

A \$1.6 billion tax on extracting oil or gas from California land.

# PROJECTED COST TO TAXPAYERS

PROPOSAL	ESTIMATED ANNUAL COST TO TAXPAYERS	STATUS
European-Style Value-Added Tax on Most Goods and Services – AB 2712 (Low)	\$53,342,000,000 <sup>1</sup>	
Business Tax Increase Based on Employee Pay – SB 37 (Skinner)	\$3,500,000,000	
Tax on In-State Energy Production – SB 246 (Wieckowski)	\$1,600,000,000	
Eliminates Change-in-Ownership Exclusion – SCA 3 (Hill)	\$1,000,000,000	
Limit on Mortgage Interest Deduction – AB 1905 (Chiu)	\$500,000,000	
Authorizes Air District to Impose Taxes – SB 732 (Allen)	\$490,400,000	
Lower Vote Requirement for Parcel Taxes – SCA 5 (Hill)	\$16,200,000	
Small Drinking Water District Fee – AB 402 (Quirk)	\$6,900,000	
College Consultant Fee – AB 1312 (Low)	\$1,900,000	
Court Reporter Fees – AB 1385 (Santiago)	\$1,900,000	
Tax Increase on Punitive Damages – SB 1139 (Hill)	\$1,200,000	
Lithium-ion Battery Recycling Fee – AB 1509 (Mullin)	\$1,120,000	
Fee on Reusable Tobacco Components – SB 424 (Jackson)	\$1,080,000	

## Key



The bill is actively moving through the Legislature.



The bill is dead.

1. The California Tax Foundation estimated the potential revenue impact for AB 2712 by calculating revenue generated by the sales and use tax (as indicated in the governor's enacted 2019-20 budget) and the revenue estimate for expanding the sales tax to business-to-business services from "An Analysis of Sales Taxes on Business Services in California," conducted by Encina Advisors, LLC.

# LEGISLATION WITH KNOWN COSTS



## AB 402

### SMALL DRINKING WATER DISTRICT FEE

**\$6.9 MILLION**

**Vote Required:** Majority

**Version Reviewed:** Amended – 6/18/2019

**Status:** Active

**AB 402** (Quirk) proposes authorizing the State Water Resources Control Board to establish and collect fees from small public water systems in specified counties that choose to have the board administer and enforce drinking water standards.

**Revenue Estimate:** Assembly Appropriations Committee analysis.



## AB 1312

### COLLEGE CONSULTANT FEE

**\$1.9 MILLION**

**Vote Required:** Majority

**Version Reviewed:** Amended – 5/17/2019

**Status:** Active

**AB 1312** (Low) proposes requiring every college consultant and college consulting firm to register with the state and pay specified fees.

**Revenue Estimate:** Senate Appropriations Committee analysis.



## AB 1385

### COURT REPORTER FEE INCREASE

**\$1.9 MILLION**

**Vote Required:** Majority

**Version Reviewed:** Amended – 6/21/2019

**Status:** Active

**AB 1385** (Santiago) proposes increasing court reporter fees beginning July 1, 2020.

**Revenue Estimate:** Assembly Appropriations Committee analysis.



## AB 1509

### LITHIUM-ION BATTERY RECYCLING FEE

**\$1.1 MILLION**

**Vote Required:** Majority

**Version Reviewed:** Amended – 5/1/2019

**Status:** Active

**AB 1509** (Mullin) proposes requiring entities covered by the state battery recycling program to pay the Department of Resources Recycling and Recovery an administrative fee to cover the costs of implementing the program.

**Revenue Estimate:** Assembly Appropriations Committee analysis.



## AB 1905

### LIMIT ON MORTGAGE INTEREST DEDUCTION

**\$500 MILLION**

**Vote Required:** Two-Thirds

**Version Reviewed:** Introduced – 1/8/2020

**Status:** Active

**AB 1905** (Chiu) disallows the personal income tax mortgage interest deduction for a residence that is not the taxpayer's principal residence, and lowers the aggregate amount treated as acquisition indebtedness for purposes of the deduction from \$1,000,000 (\$500,000 for a married individual filing a separate return) to \$750,000 (\$375,000 for a separate filer) for mortgages incurred on or after January 1, 2018, with revenue from this tax increase earmarked for the newly created Housing and Homeless Response Fund.

**Revenue Estimate:** Author estimate.



## AB 2712

### EUROPEAN-STYLE VALUE-ADDED TAX ON MOST GOODS AND SERVICES

**\$53.3 BILLION**

**Vote Required:** Majority

**Version Reviewed:** Introduced – 2/20/2020

**Status:** Active

**AB 2712** (Low) creates the California Universal Basic Income Program in which every California resident over 18 years of age would receive \$1,000 per month from the government. The bill states the intent to fund the program by imposing a 10 percent value-added tax on goods and services except medicine, medical supplies and equipment, educational materials, food, groceries and clothing.

**Revenue Estimate:** The California Tax Foundation estimated the potential revenue impact for AB 2712 by calculating revenue generated by the sales and use tax (as indicated in the governor's enacted 2019-20 budget) and the revenue estimate for expanding the sales tax to business-to-business services from "An Analysis of Sales Taxes on Business Services in California," conducted by Encina Advisors, LLC.



## SB 37

### BUSINESS TAX INCREASE BASED ON EMPLOYEE PAY

**\$3.5 BILLION**

**Vote Required:** Two-Thirds

**Version Reviewed:** Amended – 1/16/2020

**Status:** Dead

**SB 37** (Skinner) proposed increasing the corporate income tax rate for corporations that have a specified disparity between the pay of the chief executive officer and the median salary for employees. The current corporate tax rate of 8.84 percent (10.84 percent for financial institutions) would have increased up to 14.84 percent (16.84 percent for financial institutions). Additionally, the bill would have increased the tax rate to a maximum of 22.26 percent (24.26 percent for banks and financial corporations) for corporations with net income in excess of \$10 million that have a specified decrease in full-time employees in the United States while increasing the number of contracted and foreign full-time employees.

**Revenue Estimate:** Senate Governance and Finance Committee analysis.



## SB 246

### TAX ON IN-STATE ENERGY PRODUCTION

**\$1.6 BILLION**

**Vote Required:** Two-Thirds

**Version Reviewed:** Amended – 1/6/2020

**Status:** Dead

**SB 246** (Wieckowski) proposed an oil severance tax at the rate of 10 percent of the average price per barrel of California oil and a gas severance tax of 10 percent of the average price per unit of gas, with revenue going to the general fund.

**Revenue Estimate:** Senate Appropriations Committee analysis of SB 231 (2013).



## SB 424

### FEE ON REUSABLE TOBACCO COMPONENTS

**\$1 MILLION**

**Vote Required:** Majority

**Version Reviewed:** Amended – 5/17/2019

**Status:** Active

**SB 424** (Jackson) proposes authorizing the Department of Resources Recycling and Recovery to impose an unspecified fee on manufacturers of tobacco products with a reusable component.

**Revenue Estimate:** Senate Appropriations Committee analysis.





## SB 732 AUTHORIZES AIR DISTRICT TO IMPOSE TAXES

**\$490.4 MILLION**

**Vote Required:** Majority

**Version Reviewed:** Amended – 1/14/2020

**Status:** Dead

**SB 732** (Allen) proposed that the South Coast Air Quality Management District, which encompasses Los Angeles, Orange, Riverside and San Bernardino counties, be authorized to impose a transactions and use tax within its boundaries.

**Revenue Estimate:** Senate Governance and Finance Committee analysis. The California Department of Tax and Fee Administration estimated a 0.25 percent sales tax increase would generate \$490.4 million.



## SB 1139 TAX INCREASE ON PUNITIVE DAMAGES

**\$1.2 MILLION**

**Vote Required:** Two-Thirds

**Version Reviewed:** Introduced – 2/19/2020

**Status:** Active

**SB 1139** (Hill) eliminates a corporate tax deduction for expenses or expenditures by an electrical corporation or gas corporation that has been penalized by the Public Utilities Commission for a safety violation. The bill requires the corporation to provide with its tax return a certification that none of the expenses were used in determining taxable income. Any penalties would be required to be recovered from shareholders and not ratepayers.

**Revenue Estimate:** Senate Governance and Finance Committee analysis of SB 66 (2017).



## SCA 3 ELIMINATES CHANGE-IN-OWNERSHIP EXCLUSION

**\$1 BILLION**

**Vote Required:** Two-Thirds

**Version Reviewed:** Introduced – 12/4/2018

**Status:** Active

**SCA 3** (Hill) proposes eliminating the property tax change-in-ownership exclusion for residences inherited from a parent or grandparent if the recipient does not use the home as a principal residence within 12 months.

**Revenue Estimate:** Senator Jerry Hill testimony to Senate Elections and Constitutional Amendments Committee on May 7, 2019.



## SCA 5

### LOWER VOTE FOR SCHOOL PARCEL TAXES

**\$16.2 MILLION**

**Vote Required:** Two-Thirds

**Version Reviewed:** Amended – 4/22/2019

**Status:** Active

**SCA 5** (Hill) proposes lowering the vote threshold from two-thirds to 55 percent for approval of parcel taxes placed on the ballot by a school or community college district.

**Revenue Estimate:** California Tax Foundation analysis of 2018 election data.

# LEGISLATION WITH UNKNOWN COSTS

## AB 156 OPTOMETRIST ENDORSEMENT FEE

**AB 156** (Voepel) proposed an optometrist “endorsement fee” of \$50 and would have authorized the State Board of Optometry to increase the fee up to \$100.

**Version Reviewed:** Amended – 1/15/2020 | **Vote Required:** Majority | **Status:** Dead

## AB 613 REGULATORY FEE INCREASES

**AB 613** (Low) proposes that every board within the Department of Consumer Affairs increase any authorized fee every four years by an amount not to exceed the rate of inflation for the preceding four years.

**Version Reviewed:** Introduced – 2/14/2019 | **Vote Required:** Majority | **Status:** Active

## AB 896 OPTOMETRIC CLINICAL FACILITIES FEE

**AB 896** (Low) proposes a registration fee for optometric clinical facilities.

**Version Reviewed:** Amended – 2/25/2020 | **Vote Required:** Two-Thirds | **Status:** Active

## AB 1024 HOME INSPECTOR LICENSE FEE

**AB 1024** (Frazier) proposed a license and license renewal fee for home inspectors, beginning January 1, 2022.

**Version Reviewed:** Amended – 1/16/2020 | **Vote Required:** Majority | **Status:** Dead

## AB 1080/SB 54 UNSPECIFIED FEE FOR WASTE RECYCLING

**AB 1080** (Gonzalez) and **SB 54** (Allen) create the California Circular Economic and Pollution Reduction Act and impose a regulatory scheme on producers, retailers and wholesalers of single-use packaging and priority single-use products, and authorize the Department of Resources Recycling and Recovery to impose a regulatory fee on producers at an amount not to exceed the cost of administration of the regulatory scheme.

**Versions Reviewed:** Amended – 9/9/2019; 9/10/2019 | **Vote Required:** Majority | **Status:** Active



### **AB 1457 CREATES TAXING AUTHORITY IN SAN BERNARDINO**

**AB 1457** (Reyes) proposes creating a joint powers authority in San Bernardino County that would be authorized to impose fees and levy a transactions and use tax.

**Version Reviewed:** Amended – 5/24/2019 | **Vote Required:** Majority | **Status:** Active

### **AB 1665 ATHLETIC TRAINER FEES**

**AB 1665** (Bonta) enacts the Athletic Training Practice Act to establish licensing, regulatory and disciplinary functions relating to athletic trainers. The bill imposes a license application fee to cover the costs of the program, and requires trainers to renew their licenses and pay additional fees every two years.

**Version Reviewed:** Amended – 2/24/2020 | **Vote Required:** Majority | **Status:** Active

### **AB 2142 BOARD OF BEHAVIORAL SCIENCES FEE INCREASE**

**AB 2142** (Medina) establishes new minimum fee amounts and authorizes the Board of Behavioral Sciences to set fees higher, up to a prescribed maximum. The bill also sets a delinquency fee at 50 percent of the license renewal fee amount.

**Version Reviewed:** Introduced – 2/10/2020 | **Vote Required:** Majority | **Status:** Active

### **AB 2592 “REDUCTION OF HUMAN REMAINS” APPLICATION LICENSE FEE**

**AB 2592** (Cristina Garcia) requires facilities that reduce and dispose of human remains to pay a license fee with their application, with revenue deposited into the Cemetery and Funeral Fund.

**Version Reviewed:** Introduced – 2/20/2020 | **Vote Required:** Majority | **Status:** Active

### **AB 2663 UNSPECIFIED TAX ON DIMETHYL ETHER**

**AB 2663** (Eduardo Garcia) imposes an unspecified excise tax on dimethyl ether beginning January 1, 2021.

**Version Reviewed:** Introduced – 2/20/2020 | **Vote Required:** Majority | **Status:** Active

### **AB 2697 SEA URCHIN PERMIT FEE**

**AB 2697** (Muratsuchi) requires the Fish and Game Commission to adjust the fees for sea urchin permits to fully cover the costs relating to those permits.

**Version Reviewed:** Introduced – 2/20/2020 | **Vote Required:** Majority | **Status:** Active

**AB 2843 TAX ON JOBS**

**AB 2843** (Chu) requires a city or county to impose a new tax on any applicant for a local business license, in an amount based on the number of employees, and deposit revenue into the newly created Affordable Housing Assistance Fund. In addition to penalizing companies for hiring employees in this state, the bill requires businesses that employ more California workers to pay a higher per-employee rate.

**Version Reviewed:** Introduced – 2/20/2020 | **Vote Required:** Two-Thirds | **Status:** Active

**AB 3083 AMBULATORY SURGICAL CENTER FEE**

**AB 3083** (Arambula) certifies an ambulatory surgical center to provide elective cardiac catheterization laboratory services that meet certain requirements, and authorizes the State Department of Public Health to impose a fee to cover the regulatory costs.

**Version Reviewed:** Introduced – 2/21/2020 | **Vote Required:** Majority | **Status:** Active

**AB 3101 CALIFORNIA NEW MARKETS TAX CREDIT**

**AB 3101** (Rubio) allows a California New Markets Tax Credit under the personal and corporate income law, in modified conformity with the federal tax credit, for five years beginning January 1, 2021, for specified investments in low-income communities. The bill additionally requires the Governor's Office of Business and Economic Development to establish and impose fees upon entities that apply for the allocation of the credit.

**Version Reviewed:** Introduced – 2/21/2021 | **Vote Required:** Majority | **Status:** Active

**ACA 1 HIGHER LOCAL TAXES FOR BROAD DEFINITION OF INFRASTRUCTURE**

**ACA 1** (Aguiar-Curry) proposes lowering the vote threshold from two-thirds to 55 percent for local taxes that fund “infrastructure” and affordable housing.

**Version Reviewed:** Amended – 3/18/2019 | **Vote Required:** Two-Thirds | **Status:** Active

**ACA 23 TAXES LOTTERY WINNINGS**

**ACA 23** (Gray) deletes the voter-approved prohibition on imposing a state or local tax on any prize awarded by the California Lottery (Proposition 37, 1984) and imposes personal income taxes on all winnings of \$1,000 or more if approved by voters.

**Version Reviewed:** Introduced – 2/21/2020 | **Vote Required:** Two-Thirds | **Status:** Active

### **SB 254 CALIFORNIA EARTHQUAKE AUTHORITY FEE**

**SB 254** (Hertzberg) proposes authorizing the California Earthquake Authority to instruct all insurers to collect an assessment on insurance policies, including specified insurance policies that cover risk in high seismic risk zones.

**Version Reviewed:** Amended – 1/6/2020 | **Vote Required:** Majority | **Status:** Active

### **SB 292 INDEPENDENT INSURANCE ADJUSTERS FEE**

**SB 292** (Rubio) proposes creating the Prepared California Disaster Mitigation Fund and imposing a \$12 annual assessment on all residential property insurance policies, a \$6 assessment on all private and commercial automobile insurance policies and an annual assessment of 1 percent of the annual premium on all commercial insurance policies covering physical property damage or business interruption for disaster mitigation needs.

**Version Reviewed:** Amended – 6/17/2019 | **Vote Required:** Two-Thirds | **Status:** Active

### **SB 372 BEVERAGE RECYCLING STEWARDSHIP FEE**

**SB 372** (Weickowski) proposed requiring distributors of beverage containers in the state to form a beverage container stewardship organization, like that required by the Used Mattress Recovery and Recycling Act, and establish a “stewardship fee” that would be paid by distributors.

**Version Reviewed:** Amended – 1/23/2020 | **Vote Required:** Majority | **Status:** Dead

### **SB 741 GENDER-CHANGE FEE**

**SB 741** (Galgiani) proposes authorizing counties to establish a fee for processing a change of gender on a birth certificate or marriage license.

**Version Reviewed:** Amended – 4/30/2019 | **Vote Required:** Majority | **Status:** Active

### **SB 917 STATE TAKEOVER OF PRIVATE UTILITIES, WITH NEW TAXING AUTHORITY**

**SB 917** (Wiener) authorizes the renamed California Consumer Energy and Conservation Financing Authority to acquire, by eminent domain, the assets or ownership of an electrical corporation, gas corporation, or public utility if that corporation has been convicted of more than one felony criminal violation within 10 years of the eminent domain commencement. The bill additionally establishes the Northern California Energy Utility District with authority to levy taxes.

**Version Reviewed:** Introduced – 2/3/2020 | **Vote Required:** Majority | **Status:** Active



**SB 991 COURT REPORTER FEE INCREASE**

**SB 991** (Gonzalez) increases court reporter fees beginning July 1, 2021, to \$1.13 for every 100 words of transcription for original ribbon or printed copy and 20 cents per copy purchased other than the original.

**Version Reviewed:** Introduced – 2/12/2020 | **Vote Required:** Majority | **Status:** Active

**SB 1435 OPPORTUNITY ZONE FUNDS: REPORTING**

**SB 1435** (Durazo) requires the Governor’s Office of Business and Economic Development to track specified information regarding California opportunity zone investments and to post some of that information to the department’s website. The bill also requires the manager of an opportunity zone fund to submit specified information about the fund and any real estate investments to the Governor’s Office. The bill states intent to impose a registration fee on development projects within a California opportunity zone, to be paid by managers of the opportunity zone funds, calculated by the size and type of development project.

**Version Reviewed:** Introduced – 2/21/2020 | **Vote Required:** Majority | **Status:** Active

## **ABOUT THE CALIFORNIA TAX FOUNDATION**

The California Tax Foundation is dedicated to serving the public through education and research. Founded in 1980 by the California Taxpayers Association, the Foundation seeks to improve public policy through thoughtful and independent nonpartisan research. The Foundation has been recognized for its research excellence with several national awards. The CalTax Foundation is a separate 501(c)3 not-for-profit organization funded through grants and donations from taxpayers. It does not take or support positions on any ballot measures or on any local, state, or federal legislation, nor does it endorse, support, or oppose any political parties or candidates for public office.

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