

Alert | State & Local Tax (SALT)



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California Legislative Session Ends Without Any Major Tax Changes—But the 2024 Ballot Season Will be One to Watch

On Sept. 14, 2023, the California State Legislature adjourned for the year without any major changes on the tax front. However, on the last day of the session, the legislature passed two significant legislative referrals (ACA 1 and ACA 13) which will shape the 2024 ballot initiative landscape. Additionally, two senate bills are noteworthy because they require certain disclosures and may move the state toward a single payor healthcare system, which could have tax ramifications in the future.

2024 Ballot Initiatives

California voters will have plenty on their plate in November 2024 when it comes to voting thresholds for state and local taxes and fees. As of the last day of the session, voters will now be required to vote on three separate initiatives that address this issue, and which may impact the voter approval requirements provided by Proposition 13 (Prop 13).¹ At the local level, Prop 13 requires tax increases to be approved by voters. While a simple majority is needed to approve taxes for a general purpose, a two-thirds, “super majority” vote is generally needed to approve taxes earmarked for a specific purpose. If passed, [ACA 1](#),

¹ See Cal. Const., art. XIII A, § 4.

however, would lower the two-thirds vote requirement for certain bonds and special taxes for affordable housing infrastructure. The threshold for these types of taxes would now be 55%.

ACA 13, if passed by voters, would require any initiative that seeks to increase voter approval threshold requirements to receive the proportion of votes equal to the voter-approval requirements being proposed. To illustrate, if an initiative were seeking to establish a two-thirds vote to change the law, that initiative itself would be required to pass by a two-thirds vote—rather than a simple majority. If approved by voters, the requirements of ACA 13 would apply to any other initiative on the same ballot.

Although ACA 13 is similar to a ballot initiative seen in Ohio earlier this year, the true aim of the referral is the **Taxpayer Protection and Government Accountability Act** (Taxpayer Protection Act), which is also set to appear on the November 2024 ballot. The Taxpayer Protection Act, if passed, would require that all state and local levies, charges, and fees be defined as taxes, and it specifies vote thresholds for both state and local taxes. For statewide taxes, any new or increased taxes would need to be passed by two-thirds vote in each chamber of the California Legislature **and** approved by a simple majority of voters. Current law requires either a two-thirds vote in each chamber **or** a simple majority in a statewide election. For local taxes, the Taxpayer Protection Act would also increase the voter threshold requirement for local taxes proposed by local governments or citizens to a two-thirds vote, which would address the issue created by the *Upland* decision.

Other Noteworthy Senate Bills

A few other bills of interest include a bill that will require certain disclosures by large companies doing business in California (S.B. 253) as well as a bill that could lay the groundwork for a single-payer healthcare system in the state (S.B. 770).

Specifically, **S.B. 253** would require businesses (including corporations, partnerships, limited liability companies, and other business entities) that do business within California with revenues in excess of \$1 billion to publicly disclose greenhouse gas emissions from the prior calendar year starting in 2027. These business entities must ensure their disclosures have been verified by a third-party auditor. Businesses required to report would also be required to pay an annual fee to fund the program. That fee would be set annually by the State Air Resource Board.

S.B. 770 would move California close to establishing a single-payer universal healthcare system. Specifically, the bill requires the California Health and Human Services Agency to pursue discussions with the federal government regarding healthcare waivers. Such waivers are required to move forward with any single-payer system in the state level.

Conclusion

With the close of the 2023 session, the main tax event will be the November 2024 ballot initiatives, which could have a significant impact on California taxpayers in the future. Additionally, California taxpayers should also be cognizant of the non-tax bills that could have a tax or fee impact in the future.

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