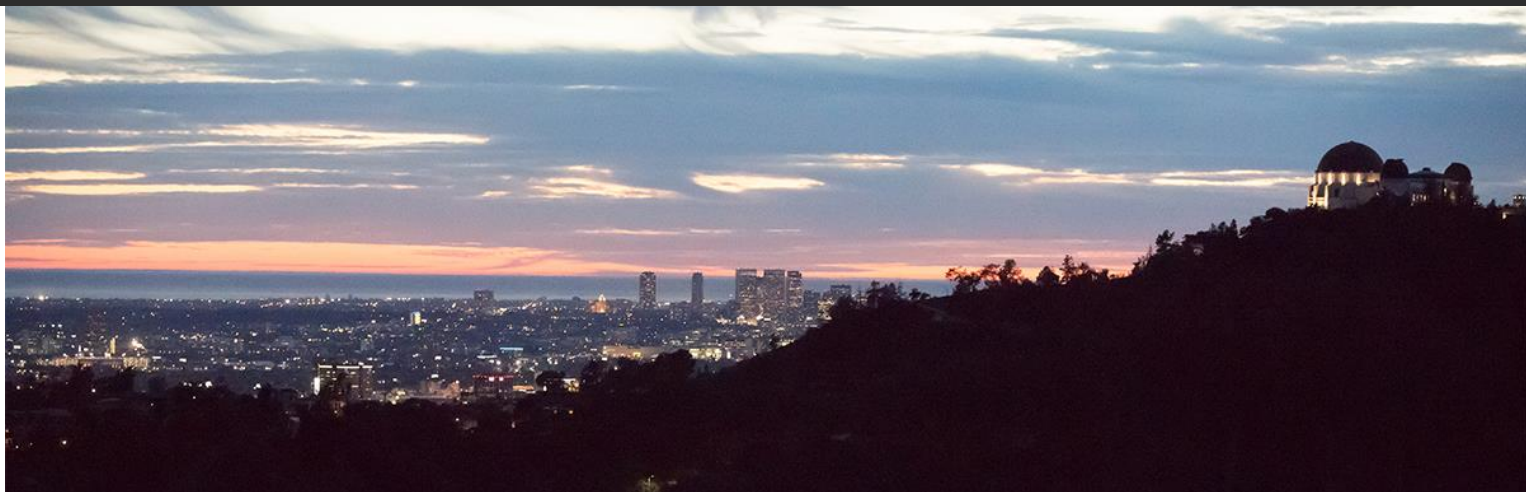


Alert | State & Local Tax (SALT)



October 2023

Los Angeles ULA ‘Mansion Tax’ Survives Latest Bout

A Los Angeles County superior court judge dismissed a lawsuit that sought to invalidate Measure ULA, also called the mansion tax. Measure ULA, which took effect in April 2023, significantly increased documentary transfer tax on all real estate sales or transfers of over \$5 million, with all taxes collected from it directed to various housing and homelessness-related programs administered by the Los Angeles Housing Department. Measure ULA reportedly brought in nearly \$82.1 million within its first five months.

The plaintiffs in *Howard Jarvis Taxpayers Association vs City of Los Angeles*¹ argued that the special documentary transfer tax was invalid for numerous reasons, including that (1) Measure ULA is a special tax that violates the California Constitution, (2) section 450(a) of the Los Angeles City Charter inherently limits the initiative power of the electorate, (3) Measure ULA is an *ad valorem* tax imposed by a local government, (4) Measure ULA is preempted by state law since homelessness is a matter of statewide concern, and (5) Measure ULA violates several other federal constitutional laws.

The court dismissed each of the plaintiffs’ contentions, focusing on the sanctity of electorate’s initiative power: “[T]he initiative power is ‘one of the most precious rights of our democratic process’ [Citations] and . . . we must ‘resolve any reasonable doubts in favor of the exercise of this precious right.’”² Courts

¹ *Howard Jarvis Taxpayers Assoc. vs. City of Los Angeles*, Case No. 21STCV20310.

² *Kennedy Wholesale, Inc. v. State Bd. of Equalization* (1991) 53 Cal.3d 245, 250 [emphasis in original].

must “narrowly construe provisions that would burden or limit the exercises of that power.”³ With the respect to taxation, no restriction exists on the use of the initiative.⁴

The plaintiffs have vowed to appeal the superior court’s decision to the Second District Court of Appeal. There is also another challenge to Measure ULA currently before the U.S. Court of Appeals for the Ninth Circuit. Briefing before the Ninth Circuit is set to begin in late December 2023.⁵

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³ *California Cannabis Coalition v. City of Upland* (2017) 3 Cal.5th 924, 936.

⁴ *See id.*

⁵ *See Newcastle Courtyards, LLC v. City of Los Angeles*, 2:23-cv-00104-JAK-AS (C.D. CA. Sept. 5, 2023).

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