TAXPAYER PROTECTION and Government Accountability Act

GET THE **FACTS**

The **Taxpayer Protection and Government Accountability Act** will give voters the right to vote on all future state taxes and holds politicians accountable for new fees and other increased costs paid by working families and all Californians.

The measure increases accountability by requiring politicians to spend new or higher tax revenue on its intended purpose. It will provide much-needed relief to families, farmers, and business owners, helping them to combat the growing cost-of-living crisis facing all Californians.

The Act doesn't cut any current state or local government funding. It simply gives voters the right to vote on all future tax increases and stops working families from paying billions more in "hidden taxes" imposed by unelected bureaucrats.

The Problem

There is a cost-of-living crisis in California, and it's only getting worse. California's high cost of living not only contributes to the state's skyrocketing poverty, rampant homelessness, and rising crime, but it also pushes working families and job-providing businesses out of the state.

Californians pay the nation's highest state income tax, sales tax and gasoline tax. According to the Census Bureau, we pay more in combined state and local taxes than any other state in the nation. Taxes are only part of the reason for California's rising cost-of-living crisis. We also pay billions more in hidden "fees" passed through to consumers in the price they pay for products, services, food, fuel, transportation, utilities and housing.

But special interests keep demanding more from taxpayers and businesses. State tax revenue has more than doubled from 2011-12 to 2021-22, and politicians are spending every penny they can. Despite a massive state budget surplus of $46 billion and growing, state legislators and special interests proposed more than $234 billion in new and higher state taxes in 2021. In 2022, they've already proposed another $100 billion more. Local governments have stated they will seek tens of billions in higher local taxes in the coming years.

Taxpayer Protection & Government Accountability Act

GIVES VOTERS AN INCREASED VOICE ON ANY NEW AND HIGHER TAXES

Increases voters' voice on all statewide tax increases. The Act requires state legislation imposing any new or higher taxes to be approved by a majority of voters in a statewide election.

Closes tax loophole at the local level. The Act will reinstate the two-thirds approval requirement for any new or higher "special taxes" proposed by initiative in a local election, while still maintaining the current majority vote requirement for general tax increases. This loophole was created when the California courts undid decades of voter-approved tax law requiring a 2/3 vote for all special taxes.

DEMANDS ACCOUNTABILITY & TRANSPARENCY

Eliminates all "hidden taxes." The Act reestablishes and clarifies what constitutes a tax or an exempt charge. It restricts the courts from punching new loopholes in Proposition 13 and Proposition 218 by requiring new revenues to be assigned to one of these two categories protected by the transparency and accountability provisions of the TPA. The Act prohibits unelected bureaucrats with no public accountability from imposing "hidden taxes" that could raise billions of dollars in revenue from working families and businesses. Under the measure, any revenue increase must be passed by either the voters or an elected body, making politicians accountable for cost increases on working families and businesses.

Provides improved transparency on how new and higher taxes and exempt charges will be used. The Act will require that all charges for products or services must be based on the *actual cost* to the government service of providing that product or service, and that those costs must also be reasonable, preventing politicians from placing additional franchise fees or other "hidden profit" onto private providers who ultimately pass them on to consumers. Simply put, government should not be making a "profit" off of the services it provides the people it serves.

Holds politicians accountable for truthful description of the new tax proposals. The Act will require that the Legislature and local governments include a legally enforceable, specific designation on the ballot for the use of proposed special taxes, the tax rate and the period the tax would be in effect (limited or in perpetuity). This provision will put an end to "bait and switch" taxes, where politicians say the new revenue will be used for one purpose, then redirect the funds after voters approve the new or increased tax.

Prevents politicians and special interests from circumventing the requirements of this measure. In order to ensure politicians and special interests do not flood the ballot with new and higher tax proposals or impose new or increased charges to before new protections are adopted in November, the Act requires all revenue proposals (taxes and exempt charges) adopted after January 1, 2022 to comply with the Act's new accountability and transparency requirements.

TAXPAYER PROTECTION and Government Accountability Act

FREQUENTLY ASKED QUESTIONS

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 as 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 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.