SENATE BILL SB-1

Introduced by Senator Steve Choi (R-37)

An act relating to The Tax Relief & Spending Cap Act..

LEGISLATIVE COUNSEL'S DIGEST

SB-1, Steve Choi (R-37). The Tax Relief & Spending Cap Act..

(1) Proposition 13 established Article XIII A of the California Constitution to protect property owners from excessive tax increases. It caps local property tax rates at 1% of a property's assessed value and limits annual assessment increases to a maximum of 2% unless the property changes ownership. Section 3 of Article XIII A requires a two-thirds supermajority vote in the Legislature to approve state level tax increases.

State lawmakers frequently overcome these protections through local parcel taxes and administrative fees. By exploiting these legal loopholes, the Legislature imposes heavier financial burdens on Californians without voter authorization. This dynamic impacts both homeowners and renters: as taxes rise, housing costs escalate across the state. Furthermore, businesses are forced to raise prices on goods and services, resulting in economic inefficiency and a deadweight loss that harms both consumer and producer surplus.

This bill would enforce strict protections under Article XIII A, close administrative loopholes, freeze current state tax rates across all categories, and prohibit state agencies from creating new fees or surcharges without a direct vote of the people.

(2) Article XIII B of the California Constitution (the "Gann Limit", Prop 4) requires excess state revenues to be returned to taxpayers.

This bill would modify Article XIII B to mandate that any General Fund revenue surplus exceeding the annual Gann Limit calculation be directed toward paying down outstanding federal Title XII unemployment insurance debt and unfunded public liabilities before any excess funds may be appropriated for new state programs or returned to taxpayers.

Vote: Majority. **Appropriations/fiscal:** yes. **Local program:** no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

This act shall be known, and may be cited, as The Tax Relief & Spending Cap Act.

SECTION 1. Legislative Findings and Declarations

The Legislature finds and declares all of the following:

a. Uncapped administrative fees and local parcel surcharges impose a heavy financial burden on California residents, directly contributing to the lack of housing affordability for both homeowners and renters (directly affects more than 15 million California residents (equivalent to approximately 5.8 million households).

b. Excessive state and local taxation generates market efficiency losses, imposing economic inefficiencies that harm both consumer and producer surplus for California businesses. 4.8 million total businesses: This includes approximately 1.8 million private-sector businesses with hired employees and more than 3 million self-employed individuals or sole proprietors.
c. Responsible fiscal policy requires that state budget surpluses be used primarily to pay down state debt, $112 billion, in order to avoid future automatic tax increases for local employers.

SEC. 2. Section 3 of Article XIII A of the California Constitution is amended to read:

a. No new taxes, fees, or surcharges shall be imposed on property owners or businesses throughout California without direct voter approval by a two-thirds supermajority.

SEC. 3. Section 2(a)(3) is added to Article XIII B of the California Constitution, to read:

a. Beginning in fiscal year 2027--2028, any General Fund tax revenue surplus exceeding the 50 percent allocation of the Gann Limit shall be directed toward paying down the state's outstanding Title XII debt to the federal government and covering unfunded state liabilities. The Department of Finance must fully settle these state debts using the surplus funds before any remaining balance may be allocated to new state programs or returned to taxpayers.