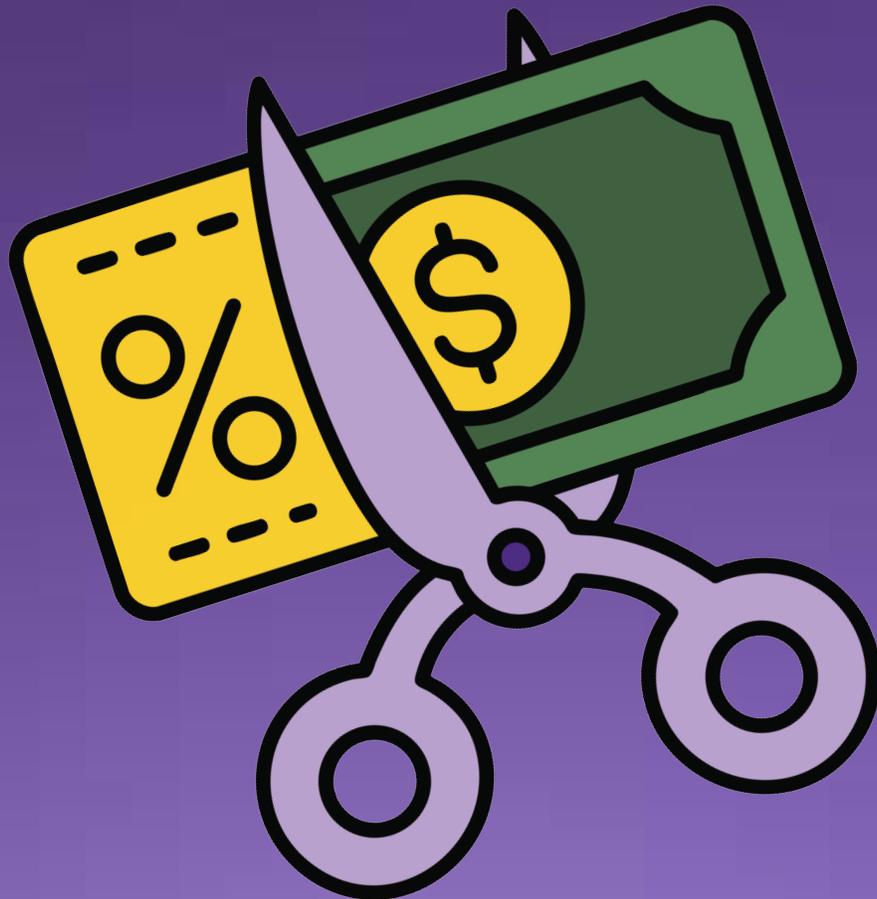


*Progressive tax revenue strategies can give Los Angeles City and County the resources needed to build the communities our public workforce and working families deserve.*



# A FAIR FUNDING FRAMEWORK: PROGRESSIVE TAX REVENUE STRATEGIES FOR A BETTER LA



## **KEY FINDINGS**

- There are multiple progressive tax revenue initiatives that would create millions to billions of dollars in additional revenue for the City and County of Los Angeles and throughout the State of California that could help with any future budget crises and help provide the essential services that Los Angeles workers and residents deserve. **Local tax revenue reforms could be placed on the ballot either legislatively or by the ballot initiative process.** Prop 13 reform and/or a Local Income Tax would require a change to California’s constitution and a Statewide coalition would need to be formed to run a campaign to successfully bring these proposed changes to the ballot for November 2028 or future elections.
- In tax year 2025, the City of Los Angeles generated \$763.2 million in Gross Receipts Tax revenue which represented about 73% of total Business Tax revenue. In turn, Business Tax revenue represented 4.4% of total revenue in FY 2024-25, a small portion compared to other California cities that implement a progressive Gross Receipts Tax. The City of Los Angeles should reform their Gross Receipts tax rates by increasing the small business exemption from \$100,000 in worldwide sales to \$500,000 in local receipts and increasing GRT rates so larger businesses pay higher rates. **If the city of Los Angeles redesigned its GRT structure to capture a similar percentage of the total local gross receipts as San Francisco, Gross Receipts tax revenue could potentially double, bringing in an additional \$700 to \$800 million annually.**
- 2024 US census ACS data available showed that there were **223,454 vacant housing units in Los Angeles County**, and a total residential vacancy rate of 6%. Market vacancy data for FY25 Q2 showed that the **vacancy rate of multifamily housing increased the more expensive the property class** with luxury multifamily housing having a vacancy rate of 8.7%. Also, in FY2025 Q2, LA County retail had a vacancy rate of 6.1% while office space had a vacancy rate of 24.1%. Implementing a vacancy tax in Los Angeles County could raise between **\$32.2 million to \$670 million** while implementing a commercial vacancy tax has been shown to reduce commercial vacancies after being implemented.
- The City of Los Angeles would raise between \$54 million to \$299 million in additional revenue by hiring 18 new employees to better enforce the City’s TOT ordinance, even after personnel cost is considered.
- Property Tax is the main source of revenue for local governments throughout California and the implementation of Prop 13 in 1978 **not only has greatly decreased the amount of property tax revenue that would go to local government agencies** but it has also concentrated real estate wealth into the hands of the few and has limited those who have the most real estate wealth from paying their fair share. A recent study found that **due to Prop 13, Los Angeles County lost \$7.4 billion in property tax revenue** in 2018 alone.
- California is one of the **only nine States** around the country that prevent the implementation of a Local Income Tax. As of February 2025, over 7,000 jurisdictions in 15 States impose some form of local income tax. **Allowing the implementation of a local income tax in California could give cities and counties a progressive way of raising billions in revenue for public services that is currently not available to them.**

## RECOMMENDATIONS

Our data analysis in this White Paper shows that while corporations and wealthy individuals have never had it so good in this new gilded age of wealth inequality, public services are being cut while working class and middle-class workers suffer. After analyzing our data, there are four recommendations coming out of this White Paper:

1. A coalition involving labor should be put together to not only push back against the possible repeal of the City of Los Angeles Gross Receipts Tax (GRT), the coalition should also launch an initiative, either legislatively or through the ballot initiative, to reform the City of Los Angeles GRT rate by expanding the small business exemption from \$100,000 in worldwide sales to \$500,000 in local receipts, and changing the rates from one flat rate to graduated rates that increase for larger businesses to be placed on the ballot for the November 2026 election.
2. The City of Los Angeles should hire 18 new employees for better enforcement of the TOT tax.
3. The City and County of Los Angeles should launch an initiative, either legislatively or through the ballot initiative, to put a commercial vacancy tax and a vacancy tax on luxury multi-family residential housing, to be placed on the ballot for the November 2026 election.
4. A state-wide coalition involving labor and other partners should prepare to launch a state-wide campaign for the November 2028 election that would amend the California constitution by reforming Prop 13 and allowing local agencies to implement a form of Local Income Tax.

## INTRODUCTION

There is an enormous amount of wealth that is concentrated in the United States, with wealth inequality reaching one of its worst points in recorded history, in what many have called the 2<sup>nd</sup> Gilded Age.<sup>i</sup> This wealth concentration and inequality is most apparent in the big cities and counties such as Los Angeles County and Los Angeles City.<sup>ii</sup> At the same time, Los Angeles County and Los Angeles City are facing budget crises and are having to cut back due to the multitude of cuts to public services from the Trump administration. On July 4, 2025, Trump signed the One Big Beautiful Bill Act (OBBA), a piece of legislation that was the **biggest transfer of wealth from the working class and middle class to the upper class in history**.<sup>iii</sup> The legislation provides the upper class and corporations with trillions of dollars of tax cuts and handouts while cutting trillions from public services such as healthcare and social services that local governments and communities rely on. Therefore, this white paper will look into possible progressive ways of raising tax revenue for Los Angeles City and/or Los Angeles County and look into the process that would be needed to have these initiatives be part of the November 2026 election ballot or other future elections.

# **STATE, CITY, COUNTY, INITIATIVE PROCESS & LEGISLATIVE REQUIREMENTS**

## ***Los Angeles City***

**Process:** The number of signatures required for a Los Angeles City initiative petition is 15% of the total votes cast for all candidates for Office of Mayor at which a mayor was elected prior to the filing of the petition.<sup>iv</sup> The City Clerk will only accept the signatures which have been collected within **120 days of the filing date**. Within 20 days after the certificate is presented to the City Council, the City Council must take one of the following actions [Charter § 452]:

- a. Adopt the proposed ordinance, without alteration;
- b. Call a special election to submit the proposed ordinance, without alteration, to a vote of the electors of the City at an election to be held not earlier than 110 days nor more than 140 days after the Council action on the petition; or
- c. Determine to submit the proposed ordinance, without alteration, to a vote of the electors of the City at either the next regular City election to be held more than 110 days from the date of Council action on the petition or the next Statewide election conducted by the County of Los Angeles to be held more than 110 days from the date of Council action on the petition.

**Requirements:** Nov 2022 -Mayor Vote - 929,974 total votes cast – 15% - Total amount of Signatures needed to qualify for November 2026 LA City petition - **139,497**

### **Sample Timeline<sup>v</sup>**

**December 23, 2025** – Recommended last day to submit notice of initiative petition. This starts the 120 days allowed to start collecting the 139,497 signatures needed.

**April 22, 2026** – Recommended Last day to submit petition signatures.

**June 17, 2026** – Last day for Council to request to City Attorney to prepare resolutions putting measures on the ballot. The legal deadline is Wednesday, July 1, 2026, which is a tentative Council Recess date. To provide the City Attorney enough time to draft any resolutions, it is recommended that Council adopt this motion on June 17, 2026, 139 days before Election Day.

**Jun 26, 2026** – Last day for Council to adopt election resolutions. The legal deadline of E-110 falls on an anticipated Council Recess Day (7/16/2026); therefore, the deadline for the Primary deadline is moved up to the Friday preceding the anticipated Council Recess.

## LA County

**Process:** LA County also has a specific process to propose and pass an initiative for a tax revenue increase. The first step would be to draft a proposed law or changes to law.<sup>vi</sup> Then a Notice of Intention (NOI) to circulate a petition in the County, the written text of the proposed law, along with a request for ballot title and summary (to be prepared by County Counsel) of the proposed initiative needs to be submitted to the Registrar-Recorder/County Clerk (RR/CC). Then LA County will publish the NOI and official ballot title and summary and file proof of publication with the RR/CC. During this process, proponents may request RR/CC to review and finalize the petition format.

Once the petition is deemed ready for circulation and all the legal requirements are met, the proponents have **180 days to circulate the petition for signatures by the registered voters in the County and file the petition with the RR/CC**. If the number of signatures on the petition submitted to the RR/CC equals or exceeds the minimum number of signatures required, RR/CC will examine and verify the signatures on the petition within 30 business days.

After submission and verification of signatures the Board of Supervisors shall either:

- a. Adopt the ordinance, without alteration, at the regular meeting at which the certification is presented or within 10 days after it is presented.
- b. Submit the ordinance, without alteration, to the voters.
- c. Order an impact report at the regular meeting at which the certification is presented.

**Requirements:** The petition needs to be signed by voters not less in number than 10% of the entire vote cast within the County for all candidates for Governor at the last Gubernatorial Election preceding the publication of the Notice of Intention. The vote for Governor in 2022 in Los Angeles County was: 2,389,227 (10%), therefore **238,922** are needed.

### **Sample Timeline**

The Board of Supervisors shall, after receiving the report, either adopt the ordinance within 10 days or order an election pursuant to letter b above. When legally possible, the election may be consolidated with the next statewide election occurring **not less than 88 days after the date of the order of election**. If the governing body calls a special election, the election shall be held not less than 88 days nor more than 103 days after the order of the election.

**November 24, 2025** - Notice of Intention & Request to RR/CC recommended deadline.

**August 7, 2026** – 88-day deadline for LA County BOS to submit the initiative to voters to be on the November 3, 2026, ballot.

## Statewide

**Process:** Numerous tax revenue changes are based on state law and would require a statewide initiative to qualify.<sup>vii</sup> **Signatures must qualify at least 131 days before (June 25, 2026)** and can only appear on the general election ballot. In California, initiatives can be proposed by the Legislature or by the people through the direct initiative process. Proponents of an initiative measure are allowed **a maximum of 180 days from the official summary date** to circulate petitions, collect signatures, and file petitions with county elections officials. (Elec. Code, § 9014.) If the petition reaches the number of valid signatures required, it will be eligible for the next statewide general election held at least 131 days after it qualifies or at any special statewide election held prior to that general election.

Petitions proposing initiative statutes must be signed by registered voters. The number of signatures must be equal to at least 5% of the total votes cast for the office of Governor at the last gubernatorial election.

Referendum – Must qualify up to 31 days before. The petitions must be signed by registered voters at an amount equal to at least 5% of the votes cast for all candidates for Governor at the last gubernatorial election, which was held on November 8, 2022. A vote by the people to approve or reject an existing law, triggered in two ways: 1) Legislature sends a proposed bill directly to the people instead of deciding it themselves (legislative referendum) or, 2) the people can attempt to repeal a law even after it has been passed by the Legislature (popular referendum). California is one of 24 states to allow this.

**Requirements:** The total number of signatures required for initiative statutes for November 2026 is **546,651**. The total number of signatures required for an initiative constitutional amendment for November 2026 is **874,641**. The total number of valid signatures required to qualify a referendum for the ballot for November 2026 is **546,651**.

### Sample Timeline for November 2026 Election

**Friday, October 17, 2025** – Last day for Attorney General to prepare and issue the circulating title and summary (includes time allotted for fiscal estimate); proponent(s) may begin circulation of the petition.

**Friday, April 17, 2026** – Last day for proponent(s) to file the petition with county elections officials.

**Thursday, April 30, 2026** – Last day for county elections officials to complete raw count totals and certify raw numbers to the Secretary of State.

**Wednesday, May 6, 2026** – Last day for Secretary of State to determine whether the initiative petition meets the minimum signature requirement and, if the minimum signature requirement has been met, to notify counties to verify a random sampling of signatures.

**Thursday, June 18, 2026** – Last day for county elections officials to verify and certify results of the random sampling of signatures to the Secretary of State.

**Thursday, June 25, 2026 (E-131)** – Last day for Secretary of State to determine that the measure qualifies for the ballot or a full check is necessary. At this point, if a full check is necessary, the measure would not be eligible for November 3, 2026, General Election ballot.

## ***Legislatively– State of California***

The State Legislature can also pass tax revenue bills legislatively, but any tax revenue bills that would increase State revenue (not be revenue neutral) and not change or amend the State of California constitution, would require a passage of two-thirds votes of both State houses, the **Assembly (54 votes) and Senate (27 votes)**, in the legislature, and then signed by the Governor in order to become law. Certain tax revenue proposals (such as property tax and local income tax) would require a change or amendment to the California constitution and would require a passage of two-thirds of both State houses (Assembly and Senate) in the legislature. However, the Governor would not need to sign the legislation but then the amendment would need to go to the voters at the next Statewide general election and pass the voters with majority approval (50%+1).<sup>viii</sup>

## ***Legislatively– LA County & LA City***

In addition to the initiative process, the Los Angeles County Board of Supervisors or Los Angeles City Council can make tax revenue changes legislatively. If the tax revenue is for general purposes, it needs to be passed by 2/3 of the Board of Supervisors (**4 votes**) or 2/3 of the City Council (**10 votes**) and then it will be placed on the ballot and need to be approved by a majority of voters (50%+1). If the Board of Supervisors or City Council passes a tax revenue increase that is for a specific purpose (infrastructure, homelessness, etc.) that also needs to be placed on the ballot and voters would need to approve it by two-thirds (66.7% of the vote) for it to be approved. This **restriction does not apply to tax revenue changes for specific purposes if it was qualified by the initiative process**, and in that case would only need a majority of voters (50% + 1) to pass.<sup>ix</sup>

## **LOCAL TAX REVENUE INITIATIVES**

### ***Gross Receipts Tax***

A Gross Receipts Tax (GRT) is a type of business tax that is applied to a business' total sales (gross receipts) within a given jurisdiction. Unlike Business Income Taxes, GRTs are applied before any deductions for business expenses are considered. GRTs also differ from Sales Taxes since they are levied on the seller (the business) rather than the consumer. Since GRTs are applied to all (or most) sales transactions, including business-to-business transactions, this can make them

easier to implement and a more stable source of revenue. **Additionally, GRTs have the potential to be less regressive than sales taxes if they are implemented in a graduated structure.**

In the state of California, there is no statewide GRT. However, a few local jurisdictions use gross receipts (total sales) as one of the main factors to calculate total business taxes including the cities of Los Angeles, San Francisco, Beverly Hills, Santa Monica and Oakland.

The City of Los Angeles’ “Business Tax” is mostly based on gross receipts for most business categories. For most businesses in Los Angeles, the **GRT rate ranges from 0.1% to 0.450% of every dollar in gross receipts depending on the business’ category.** Additionally, there is a “small business exemption” for business with less than \$100,000 in worldwide gross receipts.<sup>x</sup>

**Table 1:** City of Los Angeles’ Gross Receipts Tax Rates

Category	Business Type	GRT Rate (Per \$1,000)	GRT Rate (%)
LGR1	Child Care Provider	\$1.01	0.101%
	Multimedia Businesses		
	Telephone Companies		
	Tugboat and Barge Operators		
	Wholesale Sales		
LGR2	Antique Show Promoter	\$1.27	0.127%
	Office Commercial Building Rental		
	Hotel		
	Apartment Rental		
	Laundry/Cleaner/Shoe Repair		
	Swap Meet Operator		
	Retail Sales		
	Radio and TV Broadcaster		
	Theater		
	EV Charging Station		
	New Auto Sales		
L046	Collection Agency	\$2.55	0.255%
	Personal Property Rental		
	Sporting Events		
	Storage		
	Freight Forwarder		

	Vending Machines		
L047	Commission Broker	\$3.15	0.315%
	Telemarketing		
L048	Miscellaneous Services	\$3.56	0.356%
L049	Auto Park	\$4.50	0.450%
	Internet-Based Application Service Providers		
	Internet-Based Data Manipulation		
	Professions & Occupations		
	Health Maintenance Organization		
L050	Medical Marijuana Collective	\$60.00	6.0%
L188	Contractor	\$1.01	0.101%
L288	Contractor - B Gross	\$2.55	0.255%
L193	Sale of Real Property	\$2.55	0.255%

Two other cities in Southern California have a GRT, Beverly Hills and Santa Monica. The City of Beverly Hills applies GRT to several business categories. The GRT rate ranges from 0.13% of every \$1 above \$60,000 for Retail, Wholesale, and Manufacturing to 2.35% of every \$1 in gross receipts for Commercial property Rental.<sup>xi</sup> The City of Santa Monica also applies a GRT to some business categories ranging from 0.125% to businesses such as Retail, Wholesale, Utilities, Auto Dealers to 0.5% to Professions for every \$1 above \$60,000.<sup>xii</sup>

**Table 2:** City of Beverly Hills GRT Rates

Business Type	GRT Rate
Retail, Wholesale, Manufacturing	0.13% for every \$1 above \$60,000
Used Car Sales	0.30% for every \$1 above \$85,000
Residential Property Rental	1.20% for every \$1
Commercial Property Rental	2.35% for every \$1
Lenders, Brokers, Real Estate Brokers/Offices	0.35% for every \$1 above \$50,000
Real Estate Agents	0.10% for every \$1

**Table 3:** City of Santa Monica GRT Rates

Business Type	GRT Rate
Corporate or Administrative Headquarters	0.125%
Manufacturer / Retail / Wholesaler	
Recreation and Entertainment	
Rental of Residential or Non-Residential Property	
Utilities	
Auto Dealer	
Agent / Broker	0.3%
Contractor / Specialty Contractor	
Service	
Professions	0.5%

In Northern California, the cities of San Francisco and **Oakland have a progressive GRT structure that applies higher GRT rates to businesses with higher gross receipts.** The City of San Francisco has three types of GRT: a base GRT, a Homelessness GRT, and an Overpaid Executive GRT. All three of these taxes have a progressive structure. **For the base GRT there are 11 income brackets ranging from \$0-1 million in gross receipts to \$1 billion or more.** The GRT rate increases substantially for business with larger amounts of gross receipts. For instance, for Category 1, which includes Retail, Food Services and Wholesale Trade, the GRT rate ranges from 0.1% for the first \$0-\$1 million in gross receipts to 1.07% for gross receipts above \$1 billion. Businesses with less than \$5 million in local gross receipts are exempt from the base GRT. Additionally, the Homelessness GRT only applies to business with more than \$25 million in local gross receipts and has a progressive structure that increases the GRT rate as total sales increase ranging from 0.1% to 1.64% depending on total sales and business category. The Overpaid Executive GRT applies to companies where the highest paid executive (based anywhere) has a salary that is 100 times larger than the median non-managerial employee based in San Francisco. The overpaid executive GRT rate ranges from 0.02% to 0.129% depending on the executive pay ratio.<sup>xiii</sup>

**Table 4:** San Francisco, Base Gross Receipt Tax Rates 2025 & 2026

Category <sup>xiv</sup>	1	2	3	4	5	6	7
\$0 - \$1M	0.10%	0.19%	0.43%	0.26%	1.04%	1.56%	0.52%
\$1M - \$2.5M	0.14%	0.21%	0.43%	0.26%	1.04%	1.56%	0.52%
\$2.5M - \$25M	0.19%	0.21%	0.45%	0.31%	1.56%	3.12%	0.78%
\$25M* - \$50M	0.36%	0.35%	0.45%	0.53%	1.25%	2.49%	0.71%

\$50M - \$75M	0.36%	0.62%	0.47%	0.89%	1.42%	3.20%	1.07%
\$75M - \$100M	0.36%	0.62%	0.47%	0.89%	1.42%	3.20%	1.07%
\$100M - \$150M	0.36%	0.62%	0.47%	1.25%	1.42%	3.56%	1.42%
\$150M - \$250M	0.53%	0.62%	0.47%	1.25%	1.60%	3.56%	1.42%
\$250M - \$500M	0.71%	0.62%	0.47%	1.42%	1.78%	3.56%	1.60%
\$500M - \$1B	0.89%	0.62%	0.47%	1.42%	1.78%	3.56%	1.60%
\$1B+	1.07%	0.62%	0.47%	1.60%	1.78%	3.56%	1.78%

**Table 5: San Francisco Homelessness Gross Receipts Tax Rates**

Category	1	2	3	4	5	6	7
\$25M-\$50M	0.16%	0.16%	0.00%	0.25%	0.57%	1.15%	0.33%
\$50M-\$75M	0.16%	0.28%	0.33%	0.41%	0.66%	1.48%	0.49%
\$75M-\$100M	0.16%	0.28%	0.33%	0.41%	0.66%	1.48%	0.49%
\$100M-\$150M	0.16%	0.28%	0.33%	0.57%	0.66%	1.64%	0.66%
\$150M-\$250M	0.25%	0.28%	0.33%	0.57%	0.74%	1.64%	0.66%
\$250M-\$500M	0.33%	0.28%	0.33%	0.66%	0.82%	1.64%	0.74%
\$500M-\$1B	0.41%	0.28%	0.33%	0.66%	0.82%	1.64%	0.74%
\$1B+	0.49%	0.28%	0.33%	0.74%	0.82%	1.64%	0.82%

The City of Oakland also has a progressive GRT structure which considers business category and total gross receipts. For instance, a retail business with total sales of \$1 million would be taxed at 0.09% for all sales above \$66,666 but below \$1 million. The rate increases gradually to 0.25% for sales of over \$50 million.<sup>xv</sup>

## **Business Tax Revenue**

It is not possible to calculate the exact amount of revenue generated by GRT alone for every city since they are often reported as part of the overall “Business Tax” revenue by most cities. However, according to data provided by the City of Los Angeles, the City generated \$763.2 million in GRT revenue in tax year 2025 which represents about 73% of total business tax revenue.<sup>xvi</sup> In turn, in FY 2024-25 the City generated \$1 billion in business tax revenue, this represents **4.4%** of the City’s total revenue. In comparison, the City of San Francisco generated approximately \$1.6 billion in total business tax revenue in FY 2024-25 and the recent passage of Proposition M is expected to increase that amount over the long-term.<sup>xvii</sup> For San Francisco, business taxes represented **9.8%** of total revenue in FY 2024-25.<sup>xviii</sup> The city of Oakland generated \$123.5 million in total business tax, 7.6% of the City’s total revenue in FY 2024-25.<sup>xix</sup> **Compared to the cities**

that have a progressive GRT rate structure, the City of Los Angeles is generating substantially less revenue from business taxes as a proportion of total revenue.

**Table 6:** Business Tax Revenue Comparison for Cities with GRT FY 2024-25

City	Business Tax Revenue (In Millions)	Total Revenue (In Millions)	Business Tax % (of Total Revenue)
Beverly Hills	\$61.8	\$560	11.0%
San Francisco	\$1,598	\$16,320	9.8%
Oakland	\$129.6	\$1,643	7.6%
Los Angeles	\$1,057	\$24,276	4.4%

Along with the fact that the City of Los Angeles already generates a very low portion of its total revenue from business taxes, business groups have launched a ballot initiative for the 2026 election attempting to repeal the City’s current GRT.<sup>xx</sup> Since the vast majority of business tax revenue in the City of Los Angeles comes from gross receipts taxes, this could represent a loss of around \$700 to \$800 million in revenue for the City of Los Angeles which **would prove catastrophic for a city already reeling from a budget crisis.**

A more reasonable alternative to eliminating the City’s GRT would be to **redesign the current business tax to a more progressive structure that provides tax relief for small businesses and creates higher GRT rates for large businesses with higher amounts of local gross receipts.** This change could greatly increase business tax revenue while providing tax relief to the businesses that need it the most. According to data provided by the City of Los Angeles, in tax year 2025 approximately 85% of businesses subject to the GRT had local gross receipts of less than \$500,000 representing approximately 8% of the total gross receipts.<sup>xxi</sup> Thus, the City would be able to substantially increase the Small Business exemption from \$100,000 in worldwide gross receipts to \$500,000 in local gross receipts which **would provide relief to the vast majority of businesses without having a major impact on business tax revenue.** Along with this, the City should increase GRT rates for large businesses with higher amounts of local gross receipts. Currently, the City’s GRT rate varies based on business category but not on total gross receipts. This results in a huge disparity between the rates that businesses with high amounts of gross receipts pay in Los Angeles compared to San Francisco and Oakland. For instance, a retail business with \$50 million in local gross receipts would pay a GRT rate of 0.127% in Los Angeles on all their local gross receipts. In comparison, a similar business in San Francisco would pay 0.1% on their first \$0-\$1 million in local gross receipts, the rate would then gradually increase to 0.336% in base GRT plus 0.164% in Homelessness GRT for sales above \$25 million, more than two and a half times the Los Angeles rate. The difference in business tax structures between the two cities means that Los Angeles collects a much lower proportion of total local gross receipts than San Francisco (effective business tax rate). For instance, data analyzed shows that in FY2022 **San Francisco captured approximately 1% of the total local gross receipts in business tax revenue while Los Angeles captured only approximately 0.4% of total local gross receipts in business tax revenue in the same year.**

**Table 7:** Approximate Effective Business Tax Rate Comparison<sup>xxii</sup>

City	Total Gross Receipts (2022)	Business Tax Revenue (FY 2021-22)	Approximate Effective Business Tax Rate
San Francisco	\$134 Billion	\$1.3 Billion	1.0%
Los Angeles	\$264 Billion	\$1 Billion	0.4%

Therefore, the City of Los Angeles has an opportunity to provide tax relief to small businesses by increasing the minimum exemption and simultaneously increase business tax revenue by creating a graduated GRT structure that increases rates for business with larger amounts of gross receipts. **If the city of Los Angeles redesigned its GRT structure to capture a similar percentage of the total local gross receipts as San Francisco, business tax revenue could potentially double.** This would result in approximately \$700 to \$800 million in additional annual business tax revenue using Los Angeles’ most recent fiscal year’s business tax revenue figures. Furthermore, the overwhelming 70% vote in favor of Proposition M in San Francisco, which increased GRT tax rates on large businesses and increased the small business exemption, shows that there is support amongst voters for this type of business tax structure.<sup>xxiii</sup>

## **Transit Occupancy Tax**

In the city of Los Angeles, Transient Occupancy Tax (TOT) is a tax imposed on guests who rent a property for a period of 30 days or less. The property owners who rent the property are required to collect and remit the tax to the City. The current TOT rate in the City of Los Angeles is 14% and is applicable to all properties rented to “transients” including hotels, motels, and vacation/short-term rentals.<sup>xxiv</sup> The City’s TOT rate is in line with other cities in California that have high rates of tourism. For instance, the City of San Francisco’s TOT rate is 14%, San Diego’s is 10.5%, Anaheim’s is 15%, Malibu’s is 15%, Beverly Hills’ is 14%, and Inglewood’s is 15.5%.<sup>xxv</sup>

### **Transit Occupancy Tax Revenue:**

In FY 2023-24, the City of Los Angeles reported \$247.6 million in total TOT revenue. While the City did not specify how much of the total revenue came from hotels vs. short-term rentals, in the prior fiscal year (FY 2022-23), short-term rental TOT was approximately \$36 million representing 13% of total TOT revenue for that year per the City Controller.<sup>xxvi</sup> Questions have been raised regarding the enforcement of TOT for short-term rentals. A study by McGill University found that approximately **45% of short-term rental listings in Los Angeles were not in compliance with the law** which, if enforced, could have resulted in revenue from fines between \$56.8 million and \$302.2 million in one year. Additionally, Short-term rental hosts may have failed to pay up to \$14.2 million in TOT in 2021 per the study’s estimates.<sup>xxvii</sup> In a report to the Los Angeles City Council, the City’s Housing Department has estimated that they would need an additional 18 staff members to properly enforce the short-term rental ordinance.<sup>xxviii</sup> The total annual salary costs of filling the positions requested by the Housing Department at the current top pay rate would be about \$2.26 million annually, or \$3.2 million annually with a 40% rollup (benefits, other costs) factor.<sup>xxix</sup> This means that by hiring the necessary staff to enforce the SRT ordinance, the City would stand to have a net

gain of revenue between **\$54 million to \$299 million** approximately. Since Los Angeles will be hosting various games for the 2026 World Cup and the upcoming 2028 Olympics, short-term rental activity is expected to ramp up substantially which will further solidify the need for better enforcement to prevent further losses in revenue and lack of compliance.

**Table 8:** Estimated Annual Salary Costs of LA City Housing Department Staff Required to Enforce Short-Term Rental Ordinance

Class Code	Class Title	No. of Positions Required	Annual Salary Costs (Current Top Rate)
4254	Chief Inspector	1	\$193,849
4226	Principal Inspector	1	\$156,432
4244	Senior Housing Inspector	2	\$282,004
4243	Housing Inspector	10	\$1,272,420
9184	Management Analyst	1	\$127,743
1368	Senior Administrative Clerk	1	\$88,238
1358	Administrative Clerk	2	\$137,766
<b>Total</b>	<b>N/A</b>	<b>18</b>	<b>\$2,258,452</b>

## Vacancy Tax

Another type of progressive local tax reform would be the implementation of a “vacancy tax” in Los Angeles City and/or Los Angeles County. Vacancy rates are a hard datapoint to pin down as numerous owners of real estate, such as billionaires and private equity behemoth Blackstone, will intentionally leave numerous residential or commercial units out of the market in order to increase speculation to drive the prices up on the units they own.<sup>xxx</sup> Also, thousands of residential units are also kept off the market for use as secondary homes or for a short-term rental such as with Airbnb. Therefore, any “market” vacancy rates that we will use also should be understood as a manipulated vacancy rate and not the true extent of properties that sit vacant.

That being said, let’s look into the latest “market” vacancy rates in Los Angeles by property type use for FY2025 Q2 (April – June 2025) in terms of multi-family housing, retail, and office use. See Table 8 below:

**Table 9: Los Angeles County FY2025 Q2 Vacancy Rates by Property Use<sup>xxxi</sup>**

Property Use	Total # of Units in Los Angeles County	FY25 Q2 Vacancy Rate Los Angeles County	Total # of Vacant Units Los Angeles County
Multifamily Residential	3,624,084 <sup>xxxi</sup>	5.2%	188,452 multi-family units

Retail	161 million sq ft	6.1%	9.8 million sq ft
Office	212.3 million sq ft	24.1%	51.2 million sq ft

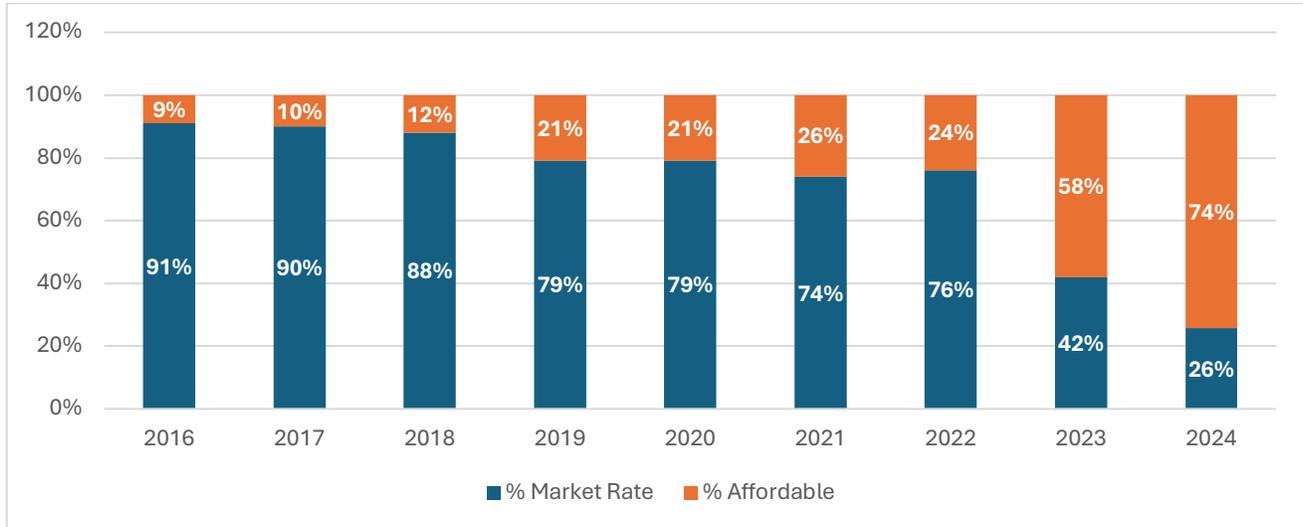
Also, when looking at the FY2025 Q2 vacancy rate of 5.2% for multifamily residential units, the vacancy rate is lower for affordable units and the highest for luxury high-end units. A January 2025 study on multi-family residential vacancy rates in Los Angeles by property class saw that affordable multi-family units had a vacancy rate of 4.3%, while mid-range multi-family units had a vacancy rate of 5.0%, and **luxury high-end multifamily units had a vacancy rate of 8.7%**.<sup>xxxiii</sup> The increasing vacancy rate trend for more expensive units was also confirmed in the seminal UCLA study The Vacancy Report which found that the **higher the asking rent for the multi-family unit, the higher the vacancy rate**.<sup>xxxiv</sup> Finally, it is also important to analyze the vacancy rates in single family housing in the City of Los Angeles, as **72%** of land permitting residential use is zoned for only single-family housing.<sup>xxxv</sup> The latest data available that includes single family homes is from the 2024 American Community Survey (ACS) of the United States Census Bureau. The 2024 ACS data shows that in 2024 in Los Angeles County, out of 3,709,264 housing units, **223,454 housing units were vacant**, giving Los Angeles County a total vacancy rate of 6.02%. See Table 9 below for the 2024 ACS breakdown of the LA County vacant housing units:

**Table 10: Los Angeles County ACS 2024 Housing Units Vacancy Status by Type<sup>xxxvi</sup>**

2024 Los Angeles County	Vacant Housing Units
Total	223,454
For Rent	72,118
Rented, not occupied	12,204
For Sale Only	10,391
Sold, not occupied	8,094
For seasonal, recreational, or occasional use	32,947
For migrant workers	128
Other vacant	87,572

Additionally, the City of Los Angeles, in their 2016-2023 Housing reports, show that the overwhelming majority of new housing units that have been approved in the city are market-rate housing, and not affordable housing, although that trend has started to change in 2023.

**Graph 1: City of Los Angeles Approved Housing Units by Property Class 2016-2024<sup>xxxvii</sup>**



### **Vacancy Tax Examples in California**

There are multiple examples of vacancy taxes approved by voters in various local jurisdictions in the State of California. **In 2020, voters in San Francisco passed a Commercial Vacancy Tax**, which penalizes landlords who leave commercial property vacant at least 182 days, consecutive or non-consecutive in a tax year. For tax year 2024, the city charged \$250 per linear foot for space that was vacant at least 182 days, with the charge per linear foot increasing to \$500 if vacant for at least 182 days in two consecutive tax years (2023 & 2024), and increasing to \$1,000 per linear foot if the commercial space is vacant for at least 182 days each tax year for three consecutive calendar years (2022, 2023, 2024). The Commercial Vacancy Tax is not imposed on landlords whose commercial property is vacant less than 182 days in a tax year.<sup>xxxviii</sup> This commercial vacancy tax in San Francisco **seems to have been successful in reducing commercial vacancy rates** after implementation.<sup>xxxix</sup> Additionally, State Senator Caroline Menjivar (D-Van Nuys) has introduced a statewide bill SB 789, that would require each commercial property landlord to file information to the state each year with vacancy information.<sup>xl</sup>

In addition to commercial vacancy taxes implemented in California, numerous local jurisdictions have imposed or tried to impose residential vacancy taxes. **In 2022, voters in San Francisco approved an “Empty Homes Tax” or Measure M**, that would tax residential properties that were left vacant more than half of a calendar year with penalties from \$5,000 to \$20,000. The scale would change depending on how large the property was and for properties that have been vacant for longer periods of time, with small one or 2 resident properties being exempt. Although the tax was supposed to go into effect in 2024, the real estate lobby successfully sued the city to suspend the tax and the legislation is currently still pending as it works its way through court.<sup>xli</sup> A vacancy tax that includes commercial and residential properties that has already started collecting revenue is **Measure W, in Oakland, which was approved by voters in 2018**. The Oakland vacant property tax establishes an annual \$3,000 to \$6,000 tax on vacant properties that is in use less than 50 days in a calendar year (therefore vacant at least 315 days) and not subject to the 10 exemptions as stipulated in the law.<sup>xlii</sup>

How much could a vacancy tax raise for LA County? If a vacancy tax of \$3,000 per housing unit left vacant for more than 182 days was implemented and we use the ACS 2024 LA County vacant housing units' number of 223,454, that would raise **\$670.4 million**. Additionally, if a commercial vacancy tax of \$5 per sq foot left vacant for more than 182 days in a calendar year, using LA County's FY25 Q2 market reports, vacant LA County retail could raise **\$32.2 million** while vacant LA County office space could raise **\$42.5 million**.

## Property Tax Reforms & Local Income Tax

As discussed in the sections above, there are multiple possibilities for local progressive tax revenue initiatives in the City and County of Los Angeles. However, to really get at the heart of raising local tax revenue in California, one must look at the California Constitution.

### Proposition 13

Property Tax, country-wide, is the main source of local revenue for local governments. The General Fund, which is the biggest fund and main operating fund for a government, of both Los Angeles City and Los Angeles County, heavily rely on Property Tax revenue. In FY24, **27% of Total General Fund Revenue for LA County** was from Property Taxes and **34% of Total General Fund Revenue for LA City** was from Property Taxes.<sup>xliii</sup> At the same time, housing and real estate values in Southern California have some of the highest property values in the country and have exploded and become completely unaffordable over the past decades, but especially since pre-Covid (2019). See Table 10 below:

**Table 11: LA City & County Property Assessed Values and Median Home Price<sup>xliv</sup>**

City/ County	Assessed Value 2019	Assessed Value 2025	% Change 19-25	Median Housing Cost July '19	Median Housing Cost July '25	% Change 19-25
LA City	\$652,916,219,958	\$887,351,105,934	36%	\$683,977	\$951,368	39%
LA County (includes LA City)	\$1,611,458,624,157	\$2,182,075,512,948	35%	\$621,104	\$882,839	42%

However, even though Southern California landlords are the beneficiary of the exploding and unaffordable Southern California real estate market, a conservative State law, **Proposition 13, passed in 1978, has greatly restricted the amount of property tax revenue that local public entities could receive.** Normally, property tax is based on the assessed value of real and personal property, generally done at the county level (railroad and utility property is assessed by the State). As is generally the case in the rest of the country and was in the case in California before Prop 13, all property was assessed at the **market rate** and locally determined tax rate.<sup>xlv</sup> Proposition 13, which was adopted in 1978, however, instead of assessing the property value at

the market value, limits the locally assessed value of real property (land, buildings, fixtures, mineral rights, etc.) to be **based on its acquisition value**. Also, under Prop 13, the assessed value is allowed to increase annually **by the lesser of 2 percent** or the rate of inflation (meaning that the maximum annual increase can be two percent even if inflation is higher than two percent). Finally, under Prop 13, the countywide (in the State of California) property tax rate **was limited to 1 percent of the assessed value**. This property tax cap **also applies to commercial properties** and land that businesses and landlords own. Additional levies are permitted for voter-approved general obligation debt. In 2024, the property tax rate for a median-valued home in Los Angeles was 1.19%, ranked 27<sup>th</sup> out of the 50 biggest cities in each State in United States. However, in a 2024 study, researchers found that due to the assessment limits from Prop 13, the **effective property tax rate** for a median valued home in Los Angeles in 2024 was actually **0.55%**, which is ranked **64 out of the 75 largest cities** in the United States.<sup>xlvi</sup>

Prop 13’s restriction on locally assessed real property to its acquisition value and its upper limit of a two percent increase each year, causes a huge gap in property tax paid, with those buying real estate now paying way more in property tax than those that bought real estate years ago. For example, in Los Angeles, if someone bought a home that was the price of the median home value of \$919,900 in 2024, the owner of the newly purchased home would be **117% more** in property tax than someone who bought a home worth exactly the same in 2024 but had bought the home 15 years ago.<sup>xlvii</sup>

Essentially Prop 13 froze the unequal distribution and concentration of property wealth from the late 1970s and has caused huge generational divides on who can afford housing and for those that are fortunate enough to own a home, huge generational divides on the amount of property taxes being paid for properties although they have been assessed identical values. As well, it took away and has been **taking away billions of dollars of essential revenue that local governments depend on to deliver city and county services**. After Prop 13 passed, property tax revenue was slashed by 60%.<sup>xlviii</sup> In response, local governments had to turn to other regressive, non-progressive types of taxes, such as sales taxes, to try to help make up for that lost revenue.<sup>xlix</sup> **This lost tax revenue is also exacerbated the higher the current property values are** in a neighborhood. For example, in a Prop 13 mapping project from CalMatters in 2018, various well-off neighborhoods such as Manhattan Beach, Venice Beach, or Silver Lake, show census blocks with loss of property tax revenue from Prop 13 to the time of the study of greater than \$10 to \$15 million, compared to more working class neighborhoods, such as Boyle Heights or Watts, with property tax revenue from Prop 13 to the time of the study only in the range of \$400,000- \$500,000 (see table below).

**Table 12: Example of Loss of Property Tax Revenue from Prop 13 (1978-2018)<sup>i</sup>**

Census Tract	LA County Neighborhood	Total Revenue Lost from Prop 13 (1978-2018)	Total Revenue Lost per Home
06037620800	Manhattan Beach	\$24,039,493	\$9,102
06037702102	Venice	\$14,105,517	\$7,725
06037195100	Silver Lake	\$10,799,401	\$5,953

06037203300	Boyle Heights	\$485,994	\$2,017
06037535200	Watts	\$172,240	\$138

In fact, a study by CalMatters and Zillow found that **due to Prop 13, Los Angeles County lost \$7.4 billion in property tax revenue in 2018 alone.** The last big attempt to repeal or amend Prop 13 was Proposition 15 in 2020 that would keep the Prop 13 rules for residential properties but repeal Prop 13 for commercial and industrial properties. The No vote won 52% to 48%.<sup>li</sup>

## ***Local Income Tax***

### **What is a Local Income Tax?**

In addition to the Federal Income Tax, 41 States and the District of Columbia have a State Income Tax. The nine (9) States that don't have a State Income Tax are Alaska, Florida, New Hampshire, Nevada, South Dakota, Tennessee, Texas, Wyoming, and Washington (Washington only taxes capital gains income).<sup>lii</sup> As well, as of February 2025, over 7,000 jurisdictions (counties, cities, special districts, other taxing districts etc.) in 15 States impose some form of **local income tax**.<sup>liii</sup> These local income taxes levy a tax on wages and capital gains, business gains, or corporate profits. The rate, name, and policies of the local income tax vary by local jurisdiction but some major cities that have implemented a local income tax include but are not limited to New York City, Philadelphia, Newark, Baltimore, Detroit, St. Louis, Denver, Indianapolis, Des Moines, Birmingham, Wilmington, Columbus, Portland, and Charlestown. Some local income tax rates are just a flat rate, while other cities, like New York City, have a more progressive graduated income tax rate. Additionally, of the 35 States that don't currently have local jurisdictions imposing some form of a local income tax, nine States- Arizona, **California**, Georgia, New Mexico, North Carolina, Tennessee, Texas, Wisconsin, and Wyoming-explicitly by statute or State constitution, **prohibit** municipalities from taxing personal income.

How much revenue could Los Angeles City and Los Angeles County raise if there was a local income tax? One way to provide estimates is to look at the per capita income for Los Angeles County (this metric is skewed by large income inequality but can give us a conservative estimate). The Federal Reserve found that the Per Capita Income of Los Angeles County in 2023 was \$78,302.<sup>liv</sup> Annually in 2023, an average of 4,799,000 people were employed in Los Angeles County.<sup>lv</sup> If LA County even just used a flat local income tax rate of 1% across the board and using the per capita income, this would have raised **more than \$3.74 billion** in revenue to be distributed to LA County, LA City, and other cities in LA County. If a higher tax rate and graduated local income tax format was used, such as is the case in New York City, a substantial larger amount of revenue could be raised for LA City and LA County. In addition to a local personal income tax, New York City also taxes **Capital Gains income, interest income, rental income, unincorporated business income, and self-employment income.**

### **Process of Changing State of California Constitution**

The legal process of either repealing Proposition 13 and/or allowing local taxing districts to

implement some form of a local income tax in California would require a change to the California Constitution. There are two ways to successfully file an amendment or revision to the California Constitution:

1. **Legislatively:** The State Legislature, by a two-thirds majority vote in both the State Assembly and the State Senate, can propose a revision or amendment to the California Constitution. If it passes both chambers (the House and Senate), the proposed amendment would be sent to the voters at the next Statewide general election, and if a majority of voters approve the measure, it becomes part of the California Constitution.
2. **Voter Initiative:** A constitutional amendment or revision can also be proposed by the everyday citizens if enough signatures are gathered in the legally allowed time frame. As described in the State initiative process above, since it would be a constitutional amendment initiative, the number of signatures needed to qualify for the November 3, 2026, election would be **874,641 signatures**. The number of signatures required to get a constitutional amendment initiative on the November 7, 2028, ballot would be equal to **8%** of the total votes cast for the November 3, 2026, Governor's election.

## CONCLUSION

The United States, and its democracy, is at a breaking point. The corporations and the well-off continue to accumulate more wealth and profit while the rest of us are left to fight over the crumbs. The labor movement is the last bulwark that could push back against massive inequality and the end to our democracy. This white paper goes over multiple local and statewide progressive tax revenue ideas that could be passed legislatively or by ballot initiative for either the November 2026 or November 2028 elections that **could raise millions to billions of dollars in revenue for local agencies**. Presumably, the corporate and upper-class lobby and media will push back against these proposals saying that progressive tax reform that forces corporations and the upper class to pay their fair share would “lose jobs” or cause companies or wealthy individuals to move out of Los Angeles or California. However, these claims have consistently been proven to be false. Numerous studies have shown that high wealth individuals do not leave high tax cities and states such as New York City and that actually a smaller percentage of high net worth individuals move States than the working class who leave to more affordable locations.<sup>lvi</sup> As well, numerous studies have found that minimum wage increases that have cut into corporations massive profits do not in fact cause job loss.<sup>lvii</sup> These progressive tax revenue ideas would finally force the corporations and individuals of extreme wealth in the City and County of Los Angeles to finally pay their fair share in order to **finally properly fund our Southern California cities and to finally give the public workforce and working families and communities the City and County they deserve**.

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- <sup>vi</sup> <https://www.lavote.gov/home/voting-elections/candidate-measure-information/measure-information/getting-a-measure-on-the-ballot>
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- <sup>xiv</sup> For a full list of businesses included in each category please see the San Francisco Treasurer and Tax Collector website: <https://sftreasurer.org/proposition-m-2024-business-tax-reform>
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- <sup>xliv</sup> <https://www.zillow.com/home-values/3101/los-angeles-county-ca/>, <https://assessor.lacounty.gov/news-information/annualroll>
- <sup>xlv</sup> [https://www.lao.ca.gov/2007/tax\\_primer/tax\\_primer\\_040907.aspx](https://www.lao.ca.gov/2007/tax_primer/tax_primer_040907.aspx)
- <sup>xlvi</sup> [https://go.lincolnst.edu/50-state-property-tax-comparison-for-2024.pdf?\\_gl=1\\*5ijx8q\\*\\_ga\\*NDcwNjAyNjQ1LjE3NTQyNDk0NDE.\\*\\_ga\\_26NECLE3MM\\*cze3NTQ0MzgzMTYkbzlkZzAkDE3NTQ0MzgzMTgkajU4JGwwJGgw](https://go.lincolnst.edu/50-state-property-tax-comparison-for-2024.pdf?_gl=1*5ijx8q*_ga*NDcwNjAyNjQ1LjE3NTQyNDk0NDE.*_ga_26NECLE3MM*cze3NTQ0MzgzMTYkbzlkZzAkDE3NTQ0MzgzMTgkajU4JGwwJGgw)
- <sup>xlvii</sup> [https://go.lincolnst.edu/50-state-property-tax-comparison-for-2024.pdf?\\_gl=1\\*5ijx8q\\*\\_ga\\*NDcwNjAyNjQ1LjE3NTQyNDk0NDE.\\*\\_ga\\_26NECLE3MM\\*cze3NTQ0MzgzMTYkbzlkZzAkDE3NTQ0MzgzMTgkajU4JGwwJGgw](https://go.lincolnst.edu/50-state-property-tax-comparison-for-2024.pdf?_gl=1*5ijx8q*_ga*NDcwNjAyNjQ1LjE3NTQyNDk0NDE.*_ga_26NECLE3MM*cze3NTQ0MzgzMTYkbzlkZzAkDE3NTQ0MzgzMTgkajU4JGwwJGgw)
- <sup>xlviii</sup> <https://projects.scpr.org/prop-13/history/>
- <sup>xlix</sup> Sales tax is considered a regressive tax such as that the same rate applies to everyone, regardless of income, meaning that those in lower and middle income brackets pay a higher percentage of their total income on sales taxes than those in the upper income brackets.
- <sup>l</sup> <https://projects.scpr.org/prop-13/>
- <sup>li</sup> [https://ballotpedia.org/California\\_Proposition\\_15,\\_Tax\\_on\\_Commercial\\_and\\_Industrial\\_Properties\\_for\\_Education\\_and\\_Local\\_Government\\_Funding\\_Initiative\\_\(2020\)](https://ballotpedia.org/California_Proposition_15,_Tax_on_Commercial_and_Industrial_Properties_for_Education_and_Local_Government_Funding_Initiative_(2020))
- <sup>lii</sup> <https://taxfoundation.org/data/all/state/state-income-tax-rates/>
- <sup>liii</sup> <https://itep.org/the-mostly-untapped-power-of-local-income-taxes/>
- <sup>liv</sup> <https://fred.stlouisfed.org/series/PCPI06037>
- <sup>lv</sup> <https://labormarketinfo.edd.ca.gov/cgi/databrowsing/LocalAreaProfileQSMOREResult.asp?viewAll=yes&viewAllUS=&currentPage=&currentPageUS=&sortUp=&sortDown=&criteria=unemployment+rate&categoryType=employment&geogArea=0604000037&timeseries=unemployment+rateTimeSeries&more=&menuChoice=localAreaPro&printerFriendly=&BackHistory=-1&goTOPageText=>
- <sup>lvi</sup> <https://patrioticmillionaires.org/perspectives/millionaires-wont-leave-if-you-tax-them/>
- <sup>lvii</sup> <https://www.epi.org/blog/most-minimum-wage-studies-have-found-little-or-no-job-loss/>