



OCTOBER 2026

Rising Rates

How Local Measures Have Reshaped Sales Taxes in Southern California

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Executive Summary

This report examines local sales taxes in Los Angeles, Orange, Riverside, and San Bernardino counties to determine how the taxes work, how rates have changed since 2016, and which jurisdictions have ballot measures asking voters for increases in 2026. Rates in the region have risen steadily, but unevenly. As of October 2026, the average rate across the region's 178 cities and unincorporated areas was 9.55%, up from 8.57% in 2016. Nearly all that growth has occurred in Los Angeles County, where numerous countywide increases, city-level hikes, and state exemptions from the 2% cap on local taxes have pushed every jurisdiction to at least 10.25%, and two cities as high as 11.75%. In the other three counties, the sales tax in most cities remains in the 7.75-8.75% range. The region's increases are not slowing down, as voters approved 12 local sales tax measures between March and June 2026, and at least 16 more will appear on the November 3, 2026 ballot.

Background

Purpose of Sales Tax

California levies a sales tax on retail sales of tangible goods, such as clothing, furniture, and cars. A companion use tax, charged at the same rate, applies when a buyer purchases a taxable item from a seller that does not collect California sales tax, such as out-of-state online retailers. Many services, digital goods, housing, groceries, and prescription medication are not taxed.¹ The sales tax funds state programs such as education and healthcare, as well as local services such as police, jails, fire, parks, and transportation. Sales and use taxes currently account for approximately 16% of state revenue in California, the second largest source after the income tax. Local governments, including cities, counties, and special districts, rely more heavily on the sales tax to fund their budgets. Sales tax revenues vary widely at the local level, based on a number of factors including whether a jurisdiction has a high volume of retail sales and what local sales tax rate it charges. On average, sales and use taxes account for approximately 30% of local government general purpose revenues.² Sales tax revenues haven't kept pace with population growth or inflation because the sales tax generally applies to tangible goods, not services, and California has increasingly shifted to a service-based economy.

California adopted its first statewide sales tax in 1933, at a rate of 2.5%, all of which went to the state. By the 1940s and 50s, many cities and counties enacted their own sales tax ordinances with varying requirements.³ In 1955, the Bradley-Burns Uniform Local Sales and Use Tax Act replaced these local taxes with a uniform 1% local rate, collected by the state and distributed to cities and counties. In 1969, the Transactions and Use Tax Law allowed cities, counties, and special districts to ask voters to approve additional "district" taxes on top of the statewide rate. In the 1990s and 2010s, the state added earmarked rates or redirected existing ones to fund county

1 Seth Kerstein, *Understanding California's Sales Tax* (Sacramento: Legislative Analyst's Office, 2015), <https://lao.ca.gov/reports/2015/finance/sales-tax/understanding-sales-tax-050615.aspx>.

2 Kerstein, *Understanding California's Sales Tax*; Michael Coleman, A Primer on California City Revenues, Part Two: Major City Revenues, Western City, December 1, 2016. <https://www.westerncity.com/article/primer-california-city-revenues-part-two-major-city-revenues>.

3 Seth Kerstein, "California's Sales Tax Rate Has Grown Over Time," EconTax Blog, Legislative Analyst's Office, May 5, 2015, <https://lao.ca.gov/LAOEconTax/Article/Detail/97>.