RECEIVED

Sep 10, 2026

INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

September 10, 2026

Hon. Rob Bonta
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Anabel Renteria
Initiative Coordinator

Dear Attorney General Bonta:

Pursuant to Elections Code 9005, we have reviewed the proposed initiative related to taxation of food (A.G. File 26-0005).

Background

California's Sales Tax. California's state and local governments charge a sales and use tax (hereafter, "sales tax") on retail sales of tangible goods. The sales tax rate ranges from 7.25 percent in some parts of the state to 11.25 percent in others. Last year, this tax raised roughly $80 billion for the state and local governments.

Tax Applies to Many Food Sales. Many sales of food and drinks are subject to sales tax, while many others are exempt. For example, when people buy cold food from grocery stores and cook it at home, they generally do not pay sales tax. In contrast, when people eat at restaurants, they generally must pay sales tax. Complex rules determine which sales of food are taxed and which ones are exempt.

Some Other Taxes Apply to Food and Drinks. Food and drinks can be subject to other taxes besides sales taxes. Many cities, for example, have business taxes based on sales made in the city, including sales of food. Several cities also tax the distribution of sugary drinks.

Proposal

Broader Sales Tax Exemption for Food and Drinks. The measure exempts nearly all sales of food and drinks from sales tax. Sales tax would still apply to alcoholic beverages, tobacco products, nicotine products, cannabis or cannabis products, or products not ordinarily consumed as food or drink.

General Restriction on Taxes on Food. The measure also restricts taxes on food and drinks broadly, not just sales taxes. The practical effects of these restrictions would depend on how they are interpreted by government officials and the courts.

Fiscal Effects

Lower Sales Tax Revenue. By making a wider range of food and drink sales exempt, the measure likely would reduce state and local sales tax revenues by $10 billion to $15 billion per year.

Changes in Costs to Run Sales Tax Program. On one hand, the measure would create some one-time costs for the state. For example, the state would need to inform taxpayers about the new law. The state also would need to update its detailed rules about sales taxes on food. On the other hand, the state would no longer incur administrative costs related to the newly exempt sales. All of these changes in costs would be much smaller than the reduction in sales tax revenue.

Likely Lower Revenue From Other Taxes. The measure also likely would make it harder for the state and local governments to collect other taxes on food and drinks, such as business taxes and sugary drink taxes. If so, the measure would reduce revenues from those taxes as well.

Summary of Fiscal Effects. We estimate that this measure could have the following major fiscal effects on the state and local governments:

- State and local revenue loss, likely between $10 billion and $15 billion per year.

Sincerely,

Carolyn Chu

for Gabriel Petek
Legislative Analyst

for Joe Stephenshaw
Director of Finance