Challenge to Measure ULA Will Not Appear on Ballot, But Prop. 43 Will Set Two-Thirds Rule for Future Local Taxes

BY POOJA S. NAIR

Photo by galsavi.ya.ru/depositphotos.com

The statewide challenge to Measure ULA that appeared headed for the November ballot will not reach voters. The Howard Jarvis Taxpayers Association withdrew its initiative in a negotiated deal with Sacramento, and Los Angeles will keep its "mansion tax" as written.

Measure ULA imposes a 4% transfer tax on property sales above $5.4 million and 5.5% on sales of $10.9 million or more. The thresholds rise every July 1 with the Chained Consumer Price Index; the figures above took effect for transactions closing after June 30, 2026, up from $5.3 million and $10.6 million a year earlier. The tax is assessed on the gross sale price from dollar one, not on the amount above the threshold, so a $10.9 million sale owes $599,500 rather than a few thousand. It stacks on top of the Los Angeles city transfer tax of $4.50 per $1,000 and the county's $1.10 per $1,000. It reaches commercial, multifamily and industrial property as well as houses, and there is no exemption for a primary residence, for sellers over 65, or for a seller taking a loss.

Measure ULA reaches only property inside the incorporated city of Los Angeles, which means Bel Air, Brentwood, Westwood, the Wilshire Corridor, Century City and Pacific Palisades are all covered. Beverly Hills, West Hollywood, Culver City and Santa Monica are separate cities and not subject to the ULA tax. Beverly Hills is a general law city and imposes no add-on transfer tax of its own.

The proposed Local Taxpayer Protection Act ("LTPA") would have capped transfer taxes statewide at 27.5 cents per $500 of value. Twenty-six cities, including Los Angeles, San Francisco, and Santa Monica impose transfer taxes above the proposed cap, and those taxes, including ULA, would have been invalidated on December 31 two years after enactment. The LTPA also would have restored the two-thirds voter approval requirement for citizen-initiated special taxes. The measure qualified for the November ballot in April 2026 after proponents submitted more than 1.3 million signatures, and as I wrote in March, it appeared set for a statewide vote. However, after extensive negotiations, LTPA was pulled just hours before the withdrawal deadline at 5 p.m. on June 25. The proponent of the LTPA, the Howard Harvis Taxpayer Association, made a deal with Sacramento to get gubernatorial support for an alternative ballot measure that would require a two-thirds vote for future local taxes.

The Howard Jarvis Taxpayers Association's press release states: "…with just hours to go before the deadline to finalize the ballot, we won a tremendous victory for taxpayers. The governor's office and the Legislature reversed their previous stance and offered us their full support for the two-thirds vote requirement to pass special taxes. They offered to pass a legislative constitutional amendment, ACA 22, that would close the "Upland" loophole once and for all."

Instead of the LTPA, Proposition 43 will be on the ballot. Proposition 43 is Assembly Constitutional Amendment 22, which the Legislature advanced on June 25. Legislative leaders also withdrew ACA 13, a competing amendment that would have changed approval requirements for future voter initiatives. If passed, Proposition 43 will restore the two-thirds approval requirement for citizen-initiated local special taxes.

The two-thirds voting requirement for taxes was added to the California Constitution as Article XIII C in 1996. It provides: "No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote." In 2017, the California Supreme Court issued a ruling in California Cannabis Coalition v. City of Upland, which held that the local initiative power (meaning taxes passed through citizen petitions) were outside the Article 13 constitutional limit on taxes imposed by local government. Appellate courts then extended that reasoning to uphold special taxes approved by simple majority when citizens placed them on the ballot, which has led to new transfer taxes and other local taxes.

If Proposition 43 is enacted, then the two-thirds rule applies for any local tax, including local taxes passed by ballot initiatives. Proposition 43 would take effect January 1, 2027, and would apply prospectively. Any existing transfer taxes or local taxes that passed between 2017 and 2027 would remain in effect at their current rates, including the ULA tax. However, future transfer taxes or other tax initiatives imposed by local citizen initiatives will not be able to pass without a two-thirds majority.

The only direct transfer tax reform that could pass this year is Assembly Bill 736, which would cap local transfer taxes at 1.5% of consideration beginning January 1, 2027. The bill also creates a $10 billion Affordable Housing Bond Act of 2026, exempts the first sale of a single-family home for five years after it is destroyed or rendered uninhabitable by a natural disaster, and takes effect immediately as an urgency statute. A Senate hearing on the bill was postponed on June 25, 2026, the same day the LTPA was withdrawn. The Legislature adjourns on August 31, so time is running out for any statewide measures to pass.

Within Los Angeles, efforts to modify ULA seem unlikely in the short term. On May 29, 2026, the City Council's ad hoc committee on Measure ULA voted 2-1 to reject a proposal to reduce the rate on multifamily and mixed-use properties to between 2% and 3.5%. On July 1, 2026, the full Council voted unanimously to shelve the ballot proposal, which prevents a November measure from being enacted.

UCLA researchers estimate the odds of a property selling above the $5 million threshold fell by as much as 55% after the tax took effect. The tax has raised more than $1 billion for the House LA Fund since April 2023.

In November, California voters will decide whether the two-thirds rule should apply to all local taxes. Given the momentum that the ULA measure generated, this is an area where we can anticipate more legislative action and change.

Pooja S. Nair is a Partner and Chair of the Food, Beverage, and Hospitality Department at Ervin Cohen & Jessup LLP. She represents clients in real estate litigation and complex business disputes involving contracts, employment, intellectual property, and fraud. Her insights have appeared in Law360, Daily Journal, The New York Times, and the Los Angeles Times. Before joining ECJ, she led the Food and Beverage practice at TroyGould and practiced white-collar defense at Foley & Lardner. She also serves on nonprofit boards and has been recognized as one of Los Angeles's Top Litigators and Trial Attorneys and Most Influential Women Lawyers by the LA Business Journal.