



# TaxNewsFlash

United States



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## KPMG report: Election results, state and local tax measures

Voters in several states on “Election Day” (November 3, 2020) were asked to decide on certain state and local tax measures.

KPMG’s State and Local Tax practice summarized certain measures that were approved and rejected by voters.

### Arizona

- **Individual tax increases:** Voters approved income tax increases for individuals to fund education in Arizona and free pre-school in Multnomah County. In Arizona, a 3.5% additional rate of tax will be imposed on taxable income above \$250,000 annually for single persons or married persons filing separately, and on taxable income above \$500,000 annually for married persons filing jointly. In Multnomah County, a new income tax will be imposed on county residents at a rate of 1.5% on taxable income over \$125,000 (single) or \$200,000 (joint).

### California

- **Proposition 22:** Voters approved a measure to classify app-based rideshare and delivery drivers as independent contractors, rather than employees, and to adopt labor and wage policies specific to these drivers. This measure was in response to legislation enacted in California last year that effectively expanded the number of workers classified as employees.
- **Proposition 15:** Voters narrowly declined to repeal Proposition 13 protection as it applies to commercial and industrial properties. Proposition 13 provides that all properties are subject to reassessment at fair market value only upon a change in ownership. Proposition 15 would have provided that most nonresidential property would have been taxed based on its fair market value within three years.
- **City of San Francisco:** Voters approved three tax measures of interest to business taxpayers.

- o Proposition F overhauls the city's gross receipts tax regime, including increasing gross receipts tax rates for all businesses when the measure is fully implemented. Initially, the rates imposed on certain businesses (e.g., hospitality, retail) will be reduced to account for the coronavirus (COVID-19) pandemic. This measure also repeals the payroll expense tax, revises the annual registration fee for certain businesses, and increases the exemption threshold. Proposition F also imposes additional taxes if courts ultimately strike down the "homelessness gross receipts tax" and the early child care and education tax.
- o Proposition I doubles the real estate transfer tax rate for properties valued at over \$10 million.
- o Proposition L adopts an additional gross receipts tax that would apply to businesses whose highest paid managerial employee earns more than 100 times the median compensation of employees.

## Colorado

- **Proposition 116:** Voters approved a measure to reduce the income tax rate for corporations and individuals from 4.63% to 4.55%.
- **Amendment B:** Voters approved the repeal of the "Gallagher Amendment" that limited the total share of property taxes paid on residential property statewide to 45% of overall property taxes. In doing so, residential property owners will likely pay a greater share of property taxes in the future, depending on local government actions.

## Illinois

- **Graduated income tax amendment:** Voters rejected a measure that would have amended the Illinois Constitution to allow the state to impose graduated individual income tax rates. The legislature had earlier enacted a contingent corporate tax increase that would have gone into effect if the graduated individual income tax had been approved by voters.

## Oregon

- **Portland Metro Measure 26-218:** Voters rejected Measure 26-218, which would have allowed Portland to impose a payroll tax of up to 0.75% on employers with more than 26 employees.

## Marijuana decriminalization

- Voters in Arizona, Montana, New Jersey, and South Dakota approved ballot initiatives legalizing and taxing recreational marijuana in their respective states. Voters in Mississippi approved the use of marijuana for medical purposes.

Read a [November 2020 report](#) prepared by KPMG LLP

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