



Digital Software Sales and Use Tax Facts: May Revision Proposal

As part of his 2026-27 May Revision proposal, the Governor has proposed to extend the sales and use tax to digital prewritten software and software as a service. The Administration is estimating that this change would generate \$450 million for the General Fund in 2026-27, growing to \$900 million in 2029-30. In addition, the Administration estimates that local sales tax revenue is projected to increase by \$560 million in 2026-27 and by approximately \$1.1 billion annually thereafter. During his May Revision press conference, the Governor suggested that this revenue would be helpful to counties in offsetting costs associated with H.R. 1 implementation.

To clarify the practical impact of this proposal to county governments, we thought it would be helpful to outline the following:

Breakdown of the California Sales and Use Tax Rate¹

Rate	Jurisdiction	Purpose
3.6875%	State	State General Fund
0.25%	State	State General Fund
0.50%	State	Local Public Safety Fund (Prop 172)
0.50%	State	Local Revenue Fund (1991 Realignment)
1.0625%	State	Local Revenue Fund 2011 (2011 Realignment)
1.25%	Local	0.25% County transportation funds 1.00% City or county general fund
7.25%		Total Statewide Base Sales and Use Tax Rate
Rate	Jurisdiction	Purpose
Varies	Local entity w/ voter approval	Counties, cities, and other authorized local entities in California may impose one or more district taxes. Those district tax rates range from 0.10% to 2.0%

Estimated Impact of Governor's Proposal²

Dollars in millions

Rate	Jurisdiction	Purpose	2026-27	2027-28
3.6875%	State	State General Fund	\$ 450	\$ 900
0.25%	State	State General Fund		
0.50%	State	Local Public Safety Fund (Prop 172)	57	114
0.50%	State	Local Revenue Fund (1991 Realignment)	57	114
1.0625%	State	Local Revenue Fund 2011	121	243
1.00%	Local	City or county general fund	114	119
0.25%	Local	County transportation funds	29	57
		District add-ons	182	363
TOTAL			\$ 1,010	\$ 2,021

¹ Source: <https://cdtfa.ca.gov/taxes-and-fees/sut-rates-description.htm>.

² Based on Governor's 2026-27 May Revision; base rate only.

Programs Funded by Source

Local Public Safety Fund (Prop 172)	Local public safety including sheriff, police, fire, county district attorneys, and corrections; requires MOE
Local Revenue Fund (1991 Realignment)	Health and human services programs, including child welfare services, IHSS, CalWORKs, indigent health care, public health, and behavioral health
Local Revenue Fund 2011 (2011 Realignment)	Public safety programs, including criminal justice, mental health, and social services programs