

FOR IMMEDIATE RELEASE:

Contact: Steven Maviglio

Telephone: (916) 607-8349

COALITION OF GROCERS, RETAILERS, LOCAL BEVERAGE DISTRIBUTORS AND RESTAURANTS FILES LAWSUIT TO HALT ILLEGAL BEVERAGE TAX IN SANTA CRUZ

Sacramento, CA – May 29, 2025

A coalition of grocers, retailers, beverage distributors and restaurant owners filed a lawsuit today in Sacramento County Superior Court to halt an illegal tax on beverages that narrowly succeeded by ballot measure in Santa Cruz in November.

The lawsuit asks the court to declare the tax unenforceable and order the city to refund all money collected from taxpayers.

The measure clearly violates the statewide "Keep Groceries Affordable Act," approved by the state legislature and signed into law in 2018. The law, which polls have shown is supported by more than 70% of Californians, bans cities and towns from enacting local taxes on groceries, including beverages, and ensures working families are not hit with punishing regressive taxes on their everyday groceries.

The Santa Cruz City Council recognized that moving forward with the tax would violate the text of the Keep Groceries Affordable Act and be challenged in court. Despite this, the council moved ahead.

Many Santa Cruz residents and businesses opposed the tax and joined the Coalition to Keep Santa Cruz Affordable, warning that the tax would hurt working families, the local economy and jobs. The tax is especially harmful to lower-income families because it places a larger share of the tax burden on those who can least afford it. Contrary to claims from supporters, several studies have found beverage taxes do not improve public health.

Marissa Arslan, Owner Arslan's Turkish Street Food:

"Running Arslan's Turkish Street Food in Santa Cruz has been a dream, but inflation and rising food costs have made it harder than ever to keep that dream alive," said Marissa Arslan, owner of Arslan's Turkish Street Food in Santa Cruz. "This new beverage tax in Santa Cruz will pile on even more costs. That's why I applaud the lawsuit to challenge this

illegal tax—it puts my restaurant at risk and threatens the livelihoods of small business owners like me who are doing everything we can to serve our community.”

Ronald Fong, President and CEO, California Grocers Association:

“Grocers operate on razor-thin margins and strive daily to keep prices as low as possible for the communities they serve,” said Ronald Fong, president and CEO of the California Grocers Association. “By passing this illegal tax, Santa Cruz is risking even higher prices while hurting its ability to retain and attract new grocery stores.”

Julian Cañete, President of the California Hispanic Chambers of Commerce:

“Through representing the interests of over 950,000 Hispanic-owned businesses in California, we see first-hand the challenges faced by small, community-based businesses that are up against inflation, labor shortages and the extraordinary high cost of doing business in California,” said Julian Cañete, president of the California Hispanic Chambers of Commerce. “The Keep Groceries Affordable Act of 2018 has been a great help to us by keeping harmful taxes like Measure Z from adding even more pressures on Latino-owned stores and restaurants that operate on thin margins. Santa Cruz illegally sidestepped the state legislature’s popular and much-needed preemption of grocery taxes to impose new costs on working families and local Hispanic-owned businesses. It must be overturned.”

Jennifer Barrera, President and CEO, CalChamber:

“Santa Cruz leaders sold their constituents a fatally flawed tax scheme in Measure Z, one that is not only illegal but also regressive in that it will impact working class families the hardest while increasing the cost of living for all Santa Cruz residents and jeopardizing the well-being of local businesses,” said Jennifer Barrera, president and CEO, CalChamber.

Elizabeth Graham, CEO, California Fuels & Convenience Alliance:

“Convenience stores are often the last line of access to affordable food, fuel, and beverages—especially in underserved communities,” said Elizabeth Graham, CEO of California Fuels and Convenience Alliance. “This illegal beverage tax in Santa Cruz not only threatens our members’ ability to operate sustainably, it also punishes working families who are already struggling with rising costs. We are proud to join this legal challenge to overturn this harmful tax, which undermines state law and places an unfair burden on both small businesses and consumers.”

###