

Bond Case Briefs

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Reynolds v. City of Calistoga

Court of Appeal, First District, Division 5, California - February 3, 2014 - Cal.Rptr.3d - 2014 WL 374143

Assignee of downstream riparian rights brought action against city for breach of fiduciary duty and declaratory judgment that city had misused sales tax funds reserved exclusively for flood protection and watershed improvement. The Superior Court, Napa County, sustained demurrer without leave to amend. Assignee appealed.

The Court of Appeal held that:

- Paying sales tax while making retail purchases did not confer taxpayer standing on assignee;
- Possession of lien on land within county did not confer taxpayer standing on assignee; and
- Assignee did not have public interest standing.

Assignee of downstream riparian rights did not have taxpayer standing, under the statute creating a citizen's remedy against illegal expenditures of city funds, to bring an action against city for breach of fiduciary duty and declaratory judgment that city had misused sales tax funds reserved exclusively for flood protection and watershed improvement, as a consumer who paid sales tax when buying retail products in the city, since sales tax was imposed on the retailers rather than on assignee.

Assignee of downstream riparian rights did not have taxpayer standing, under the statute creating a citizen's remedy against illegal expenditures of city funds, to bring an action against city for breach of fiduciary duty and declaratory judgment that city had misused sales tax funds reserved exclusively for flood protection and watershed improvement, as the holder of a lien on land surrounding a creek near the city, since the lien was not evidence that he paid any taxes on the land.

Even assuming the public interest exception to the usual requirement of a beneficial interest could properly be extended to provide standing to an assignee of downstream riparian rights to bring an action against city for breach of fiduciary duty and declaratory judgment that city had misused sales tax funds reserved exclusively for flood protection and watershed improvement, trial court acted within its discretion in denying such standing to assignee, since the judgments required of local officials in allocation of public funds for public purposes were already subject to challenge by county taxpayers, including the retailers who bore the sales tax.