

The Only Game in Town: Government Claims Act Controls Local Tax Refund Claims

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The California Supreme Court has ruled that the Government Claims Act (GCA) preempts administrative procedures enacted by local public entities for tax refund claims because the California Legislature enacted the GCA to ensure uniform treatment of claims for money or damages throughout the State.

The Genesis of the Lawsuit

In *Tesoro Refining and Marketing Company LLC v. City of Carson* (Cal. 2026) 347 Cal.Rptr.3d 88, 91, the plaintiff/appellant oil refinery operators (collectively, Tesoro) filed a lawsuit for recovery of taxes paid after filing an unsuccessful claim with the City of Carson (City) under the GCA. Tesoro was subject to a City ordinance, the Oil Industry Business License Tax (Ordinance), enacted in 2017 to impose a tax on certain businesses operating within the City. The City determined that Tesoro underpaid its tax and issued the company a notice of deficiency. Tesoro paid the tax under protest and filed a claim with the City using the filing forms for a government claim under the GCA, contesting the amount assessed. The City ultimately denied the claim.

Tesoro then sued the City for return of the paid tax. The City moved to dismiss the case, arguing that Tesoro did not exhaust the administrative remedies outlined in the Ordinance, which included first requesting a refund from the City's finance director and, if denied, appealing the finance director's decision to the city manager before seeking a writ of administrative mandate. Tesoro contended that it did not have to exhaust these administrative remedies but instead only had to comply with the GCA. The trial court agreed with the City and the Court of Appeal upheld the trial court's decision.

The California Supreme Court Decision

The California Supreme Court disagreed with the lower courts. The Court began its analysis by examining the history of the GCA, writing that it was enacted in part to standardize the administrative procedures for claims against local public entities.

After summarizing the Ordinance, the Court outlined the doctrine of preemption, which allows the judiciary to invalidate local laws if they (1) duplicate, (2) contradict, or (3) enter an area fully occupied by general law, either expressly or impliedly.

The potential conflict presented in *Tesoro* involved the question of whether the Ordinance encroached on a field the California Legislature intended to fully

occupy—the process for the pursuit of claims for money or damages against a local public entity. To answer questions like this, the court first determines the precise field the Legislature intended to occupy when it enacted the legislation in question. The court then considers the subject matter of the local ordinance at issue and analyzes whether the local ordinance supplements, complements, imposes additional requirements, or otherwise seeks to regulate the field the Legislature intended to occupy.

Here, the Court concluded that the Legislature intended to fully occupy the field of claims for money or damages against local public entities. The Court determined that the phrase “claims for money or damages” encompassed “any prelawsuit demand asserting a right to monetary compensation for an alleged unlawful act or omission.” The refund sought by Tesoro met this definition. The Court pointed to the comprehensive nature of the GCA, which includes a section outlining claims to which it does not apply. The Court also highlighted the history of the GCA and stated that one of the catalysts to its enactment was the varied claim presentation procedures used throughout the State.

The Court went on to analyze whether the Ordinance was in conflict with the GCA, finding that the Ordinance in fact required claim presentation procedures different from and in addition to those in the GCA. Therefore, Tesoro’s adherence to the GCA, while failing to exhaust the additional steps required by the Ordinance, could not stand as a bar to Tesoro’s lawsuit, and the Court reversed the decision of the Court of Appeal.

Takeaways

While it defined the phrase “claims for money or damages” broadly, the Court noted that its decision in *Tesoro* did not impact the refund procedures for various taxes governed by the Revenue and Taxation Code and other State statutes. Additionally, the Court stated that its decision did not limit the ability of local public entities to enact nonduplicative administrative remedies for claims other than claims for money or damages. Last, *Tesoro* itself dealt with a unique set of facts as the refund process at issue was entirely local and not a creation of any State statute, which limits the scope of the decision.

Closing

If you have any questions about the *Tesoro* decision, or the GCA generally, please contact the authors of this Client News Brief or an attorney at one of our [nine offices](#) located statewide. You can also subscribe to our [podcast](#), follow us on [Facebook](#) and [LinkedIn](#), or download our [mobile app](#).

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