**PROPERTY TAXES**

**PROPOSITION 13**

### THEMES
- Republicans are working to defend the taxpayer protections included in Proposition 13.
- California is a high tax state, except for property taxes, thanks to Proposition 13.
- The protections offered by Proposition 13 are critical to allow homeowners to keep their homes as real estate prices rise.
- New buyers as well as established homeowners benefit from predictable tax rates.
- Increasing property taxes hurts renters as well as owners.
- Recent attempts to alter Prop 13 with a “split roll” to allow higher tax rates for certain commercial properties have been rejected by voters.
- Public employee unions see Prop 13 as a hindrance to their goals of raising taxes to increase revenue for their programs.
- Imposing a split-roll allowing property tax increases for commercial properties will hurt California’s employers.

### SUMMARY
- California’s statewide median home price is $699,890 as of January 2021\(^1\). This is an increase of 21.7% from January 2020. Prop 13 protects taxpayers by controlling increases in property tax.
- Before Prop 13 passed, there were no limits on rate increases or value assessments. Some properties were reassessed by 50% or 100% in one year.
- The National Association of Home Builders says that housing affordability in California is very sensitive to increases and that “even a $1,000 increase in costs results in pricing out 153,967 of households.”
- Prop 13 also requires a 2/3 vote to impose new special taxes. This vote threshold prevents many proposed taxes from passing. According to CalTax in 2020\(^2\), 1,956 local tax measures appeared on the ballot from 2010 to 2020. Of these proposals, 69.5% or 1,359 were approved by voters, “representing a cumulative tax increase of more than $8.8 billion per year.” If instead the vote threshold were 55%, an additional 234 special tax measures would have passed and taxes would have been increased $852.9 million more.
- Unlike the state’s income tax revenue, property taxes provide a reliable funding source for local governments and the services they provide.
- Opinion polls show that voters continue to support a supermajority vote requirement for tax increases. In March 2018, the Public Policy Institute of California survey found that voters across all demographics support a 2/3 vote. In November 2020, the Berkeley IGS poll \(^3\) found that voters support Proposition 13 by a 3-1 margin.

### ISSUES
- **Affordability and taxes.** Assembly Republicans are concerned that allowing taxes to increase will continue to make California unaffordable for many Californians. The costs of operating in this

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\(^1\)California Association of Realtors letter of opposition to ACA 1, March 25, 2021.

\(^2\) Local Tax Trends in California: A Survey of Ballot Measure Elections from 2010-2020

\(^3\) Tabulations from a Late October 2020 Survey of California Likely Voters about Taxes, Proposition 13 and this Year’s “Split Roll” Property Tax Initiative, Proposition 15 (escholarship.org)
state has compelled many businesses to relocate to lower-cost states. These companies take jobs with them when they exit the state. California needs to encourage more businesses to remain here for the sake of their constituents who need jobs.

- **More ballot battles in 2022.** The Service Employees International Union (SEIU) and the United Healthcare Workers West have filed two initiatives to impose a split-roll property tax increase. These initiatives are focused on commercial, residential, industrial, vacant, and mixed-used real property with a value of $4 million or more. The Pacific Research Institute warns that if these new attempts are approved, “don’t be surprised when more businesses leave the state. They can take only so much.”

**SOLUTIONS**

Assembly Republicans should continue their staunch support for Prop 13 emphasizing the importance of these protections for all taxpayers – residential and commercial and the benefit to local government of ensuring a stable revenue source.

- Defeating ACA 1 (Aguiar-Curry) which lowers the 2/3 vote threshold for both local bonds and special taxes to 55% for cities and counties to fund public infrastructure, homelessness, and subsidized housing. Similar measures have been introduced and defeated in prior sessions.
- Defending Prop 13’s taxpayer protections. Recognizing that two more anti-Prop 13 split roll initiatives have been filed for the coming election, Republicans must continue to voice the concern that California is a high-tax state that is not welcoming to employers.

**BACKGROUND**

- Proposition 13 of 1978:
  - Approved by the voters with 64.8% voting in favor of Prop 13.
  - Requires the voters to approve changes.
  - Tax rate limit. Limits property tax rates to 1% of acquisition value and allows for increases for inflation not to exceed 2% annually.
  - Reassessment occurs when property is transferred to a new owner or there is new construction.
  - Tax increases have a higher vote requirement.
    - Requires a 2/3 vote by the Legislature to increase state taxes.
    - Requires a 2/3 vote of the electorate to approve local special taxes.
- Proposition 15 of 2020 would have required more reassessments of business property based on a subjective standard of “highest and best use.” Prop 15 was rejected by the voters with 51.97% voting no.
- **What Does “Split Roll” Mean?** “Roll” refers to the property tax roll prepared by county tax assessors each year. “Split Roll” means providing different tax rates depending on property type, e.g. higher rates for nonresidential property, such as agricultural or commercial.

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5. [Two Years After Voters Said No, Special Interests Try Again to Pass Split Roll - Pacific Research Institute](https://www.pacificresearch.org/two-years-after-voters-said-no-special-interests-try-again-to-pass-split-roll/)