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Teresa Casazza: 'Split roll' only the latest bad jab at Prop. 13

Special to The Bee

Published Friday, Jun. 05, 2009

Saturday marks the 31st anniversary of the approval of Proposition 13, California voters' solution to a problem that had lingered for decades – unpredictable, out-of-control property taxes that were a threat to every homeowner, renter and business owner.

Unfortunately, there is a growing movement to repeal these protections and increase property taxes by billions of dollars per year.

Those who were not California residents in 1978 might not be familiar with the events that led up to Proposition 13. Starting in the 1950s, Californians were hit hard by taxes linked to rapidly escalating property values, assessments that varied dramatically from county to county, and illegal behavior by some county assessors. Despite many promises, the Legislature and several governors ignored constituents' pleas for property tax reform. Finally, the people took matters into their own hands and approved Proposition 13.

The initiative, approved by a 2-to-1 margin, limited property taxes to 1 percent of the property's acquisition value (generally the purchase price), with annual increases limited to 2 percent.

Polls show that Proposition 13 still has the same 2-to-1 support, even though critics have spent the past three decades characterizing it as the downfall of modern civilization.

The latest attack on Proposition 13 is actually an old one that has been dragged out for another go-round, even though it has been rejected by voters. It is the "split roll," under which the assessment roll would be split in two, stripping commercial property owners of Proposition 13's protection so they could get clobbered with huge tax increases. This would be the single most damaging tax policy that could be enacted in this state – one that would result in job losses and higher prices on consumer items.

A split roll also would send a message to employers that California doesn't want them to locate here. California already has the highest corporate tax rate in the West, the highest income tax rate and the highest sales tax in the nation. Business owners also pay an annual property tax on the equipment they already own.

San Francisco Assessor Phil Ting, who is campaigning for re-election, believes the tax burden should be even higher and has become a leader in the movement to increase property taxes on struggling California businesses. He supports allowing property taxes to increase up to 6 percent a year for commercial property, and he said this represents a property tax increase of approximately \$8 billion per year.

Under another plan mentioned by Ting and others, commercial property would be reassessed every year, which would shift taxes from an objective standard (sales price) to a subjective one (an assessor's opinion of value). This would lead to unfair assessments, more appeals and a return to the days when some assessors artificially inflated assessments by basing their opinions on a property's "highest and best use,"

rather than its actual use.

Supporters of a split roll gloss over such problems, including the obvious results – massive job losses, small-business owners being forced to give up their dreams, and California consumers being hit with higher prices as businesses pass along \$8 billion in new taxes.

Advocates of a split roll also base their arguments on a myth that Proposition 13 has shifted the property tax burden to homeowners. It just isn't so. Data from the state Board of Equalization shows that the assessed value on non-homeowner property subject to Proposition 13 has grown an average of 8.5 percent per year, while homeowners' property tax has grown an average of 8.3 percent. In other words, the Proposition 13 property taxes paid by non-homeowners have outpaced homeowners' property tax burden.

Proposition 13 also has made property tax the most stable and predictable source of revenue for government. More importantly, it created certainty for all property owners. There is great value in knowing what your property taxes will be in the future and not having to worry about being taxed out of your property.

As Adam Smith wrote in "The Wealth of Nations" back in 1776, "The certainty of what each individual ought to pay is, in taxation, a matter of so great importance that a very considerable degree of inequality ... is not near so great an evil as a very small degree of uncertainty."

The split roll was a bad idea when it was promoted nine years ago, when the state had large tax surpluses, and it is an even worse idea now, when California's unemployment rate is 11 percent and businesses are struggling to keep their doors open.

Chances are that you have a favorite restaurant, store or newspaper that has gone under in the past year, and that either you or your friends or relatives have been impacted by layoffs, furloughs or other cutbacks necessitated by the recession. Many businesses, big and small, are barely staying open. A massive property tax increase would effectively step on their fingers as they are clinging to the ledge.

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Click here for a Cal-Tax fact sheet on split roll.