



Measure W: Los Angeles County Property Tax Increase

CALTAX RECOMMENDATION: VOTE NO ON MEASURE W

The California Taxpayers Association urges Los Angeles County residents to vote “no” on Measure W. The measure proposes a flawed property tax that would increase the cost of living and doing business in Los Angeles County, with no expiration date and no guarantee that the money would be used effectively.

DIGEST

Measure W, placed on the ballot by the Los Angeles County Board of Supervisors, would impose a parcel tax that would cost taxpayers an estimated \$300 million per year, with no end date. Beginning July 1, 2019, the Los Angeles County Flood Control District would impose a tax of 2.5 cents per square foot on each parcel’s surface improvements that are impermeable by rainwater. Proponents contend that the money would be used to reduce stormwater runoff.

MAJOR PROVISIONS

- **Hits Individuals and Businesses.** The tax is set at a rate of 2.5 cents per square foot of impermeable surface improvements on a parcel. Impermeable areas include buildings, roofs, paved roadways, sidewalks, driveways, parking lots, brick, asphalt, concrete, pavers, covers, slabs, sheds, pools, and other constructed surfaces or hardscape features.

Impermeable areas do not include vegetated areas, grasses, bushes, shrubs, lawns, bare soil, tree canopies, natural water bodies, wetland areas, gravel, gardens and planters on bare soil, rocky shores, and other natural areas. Therefore, unimproved property is not subject to tax.

- **No Expiration.** The new property tax imposed by Measure W is a “forever tax” that does not include a sunset date.
- **Appeals Process Is Limited.** The district will establish an appeals process, but appeals are limited to a mathematical error in the calculation of a parcel owner’s liability, or a “significant discrepancy” of what is an actual “impermeable area.”
- **Spending on Administration.** The measure would spend 10 percent of the new tax revenue on administrative costs, rather than actual water programs. After taking 10

percent off the top to pay Flood Control District employees to collect the tax, the measure would give the remaining money to cities and unincorporated areas to spend on specified stormwater pollution cleanup programs; to watershed management programs; and to repay bonds issued by the district.

- **Exemptions for Government Properties and Others.** Parcels exempt from taxation include all parcels exempt from ad valorem property taxes, including government parcels, nonprofit parcels and parcels owned by low-income seniors. Other exempt parcels include possessory interests based on a private, beneficial use of government-owned real property.

POLICY CONSIDERATIONS

This measure would impose a tax that lacks uniformity, is inconsistent with similar local parcel taxes, and lacks spending oversight.

- **Discriminatory Tax.** This tax would require some taxpayers to pay significantly more than others, based solely on “impermeable area” – not ability to pay, property value, etc.
- **Jeopardizes Los Angeles County Residents’ Income Tax Deductions.** Under the county’s existing parcel tax that funds parks, residents may deduct the cost of the tax when filing federal income taxes, because the tax is uniform. This new tax, however, is unlikely to be deductible from federal income taxes. The Internal Revenue Service prohibits parcel taxes from being deducted if the tax is not uniform. IRS Informational Letter 2012-0018A specifies that some parcel taxes may be deductible if the tax provides a benefit for the general welfare, but notes that a deduction may not be taken for parcel taxes that impose higher taxes on some properties and lower taxes on others.
- **Recipe for Inefficiency.** The tax continues forever, with a large percentage of the revenue earmarked for county bureaucrats. This means there is no incentive for the county bureaucrats to be efficient, as they are guaranteed to continue receiving revenue regardless of how much is wasted.
- **Fails to Uphold Sound Tax Principles.** A 2014 study by the California Tax Foundation, “Piecing Together California’s Parcel Taxes: An In-Depth Survey of Local Special Taxes on Property,” noted that when local governments impose parcel taxes, the tax structure should include certainty, uniformity, oversight, a standard tax base and an expiration date. Measure W fails on each count. For example:
 - **Uncertainty.** The definitions make it unclear which property improvements are specifically subject to the tax. Taxpayers should know before they vote how much they are going to pay, and how the tax will be imposed.
 - **No Oversight.** Measure W does not contain oversight or accountability requirements. (Many local governments form citizens’ oversight committee to evaluate bonds and parcel taxes, and to identify ways to improve efficiency.)
 - **Lack of Standard Tax Base.** Measure W uses complex calculations based on property characteristics, thus creating market distortions and discriminating against certain property uses.