



## Countering the Attacks on Proposition 13

For almost four decades, Proposition 13 has done what it was intended to do: it has brought predictability, stability and objectivity to California's property tax system. Voters wanted equal treatment for all property, and rejected a split-roll measure on the same 1978 ballot as Proposition 13. Voters reiterated this intention by soundly rejecting a split-roll proposal again in November 1992. The landmark reform also set in place key taxpayer protections regarding state-imposed tax increases.

Despite the virtues of Proposition 13, some opponents argue that it allows businesses to avoid paying their "fair share" of property taxes, and that Proposition 13 should be amended to allow for a split-roll property tax system in California.

### Setting the record straight regarding a split-roll property tax:

- **Discriminatory:** A split roll is a form of property tax discrimination whereby the assessment roll is split, and businesses and homeowners are taxed differently. This is one of the single most damaging tax policy changes that could occur in California.
- **Volatility:** One of the most important benefits to taxpayers is Proposition 13's acquisition-value assessment system, which keeps the property tax stable. Reverting to the pre-Proposition 13 assessment methodology for business property would make the property tax a volatile revenue source for local government, triggering larger cuts in government services during recessions – when people need these services most.
- **Costly:** A split roll would cost California businesses \$9 billion every year, and this would be passed on to consumers, or would force businesses to shut their doors or relocate to states with a less hostile tax environment. A split roll could send more than 396,000 working Californians to the unemployment line, according to a Pepperdine University study.

- **Unnecessary:** There is no need to propose yet another tax increase. In fact, assessed property values have grown more than \$270 billion, as reported by just 28 counties as of July 31, 2015. This represents an average increase of 5.45 percent over last year.
- **Hurts the Economy:** California already has the third-worst business tax climate in the nation, according to the Tax Foundation, a leading independent tax policy research organization. A \$9 billion property tax increase would continue to drive employers out of the state.
- **Misleading:** Split-roll activists say that “72 percent of the property tax burden” is placed on homeowners — a false statistic. In fact, of the 72 percent, almost half (34 percent) of the burden is on rental or investor-owned property; and only 38 percent of the burden is on homeowners.
- **Attempts to Solve a Problem That Does Not Exist:** Homeowners are the biggest beneficiaries of Proposition 13, and they now pay a smaller percentage of the total property tax burden than they did prior to Proposition 13: The assessed value of homeowner property accounted for 38.15 percent of all property subject to Proposition 13 in 2013-14, compared to 41.84 percent in 1979-80.
- **No Shift to Homeowners:** Split-roll proponents who talk about a “shift” of the tax burden to homeowners are missing the point: Under Proposition 13, every property owner is protected by a property tax cap, so the property tax generally stays the same regardless of what other property owners pay. It is impossible for property owners to shift their property tax burden to others.
- **Dismantles Proposition 13:** Many split-roll activists have the long-term goal of repealing Proposition 13 protections for homeowners as well as businesses. As their first step in destroying Proposition 13, proponents are trying a “divide and conquer” approach. By sticking together, homeowners and business property owners can continue to protect Proposition 13.
- **Unwanted:** Polls show that the public wants their representatives in government to protect Proposition 13. Support for Proposition 13 remains high among Democrats as well as Republicans. One of the lessons of the property tax revolt of 1978 was that elected officials should listen to the people.