

THE EVOLUTION AND IMPACT OF PROPOSITION 13



A VISUAL GUIDE TO CALIFORNIA'S PROPERTY TAX SYSTEM

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CHAPTER 1

Before Proposition 13

Proposition 13 was born out of a need for fairness. At a time of runaway inflation, corrupt assessment practices, taxation based on government guesswork, and appraisals that could be influenced by revenue needs, California voters approved reforms in 1978 to restore trust in the property tax system. Forty years after passage of Proposition 13, these reforms have evolved but the impacts remain tangible: long-lasting tax relief, certainty, transparency, and most importantly, fairness.

In the 1960s and 1970s, countless ideas were proposed to reform California's property tax system. Governors, legislators, local government officials and taxpayers all tried to provide property tax relief – yet all failed. The question every reform sought to answer was: "What is the value of a property, and how do you tax it?"

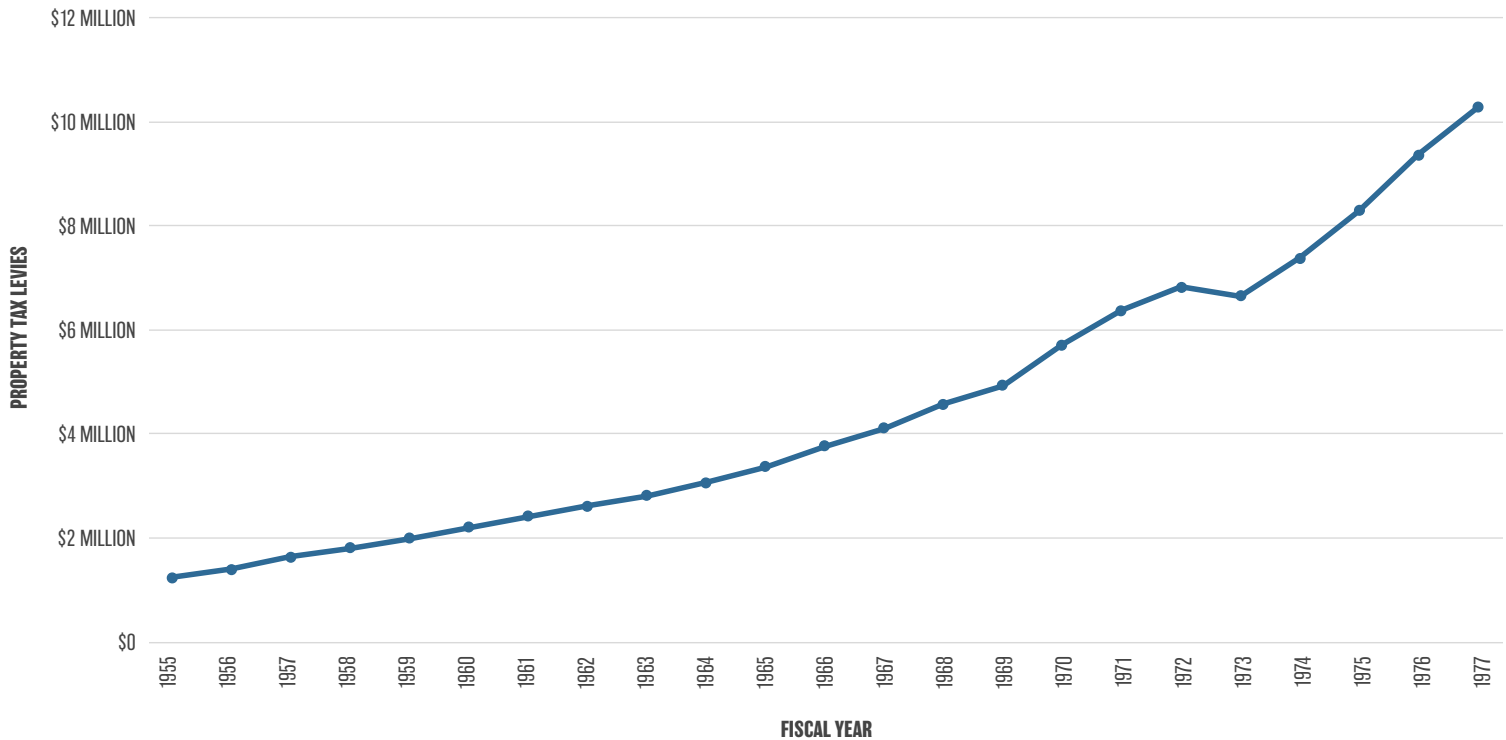
On the 40th anniversary of Proposition 13, it is clear that this initiative was the most significant change to the California tax structure in the second half of the 20th century, and remains highly popular, with more voters today supporting the measure than those who voted for it in 1978.



This home at 15001 Nordhoff Street in Los Angeles County was assessed at a market value of \$77,960 in 1965, based on the assessor's opinion that it would achieve that value if the property were converted to a different use. Photo from the California Taxpayers Association archives.

Tax Levies Before Proposition 13

Prior to passage of Proposition 13, property tax levies increased an average of 10.22 percent annually, much higher than inflation during the same period (4.9 percent average annual increase). The escalation of property taxes was in part due to the lack of assessment controls and limitations.



Source: State Board of Equalization.

Events Leading to the Passage of Proposition 13

1962



Howard Jarvis with taxpayers in the San Fernando Valley.

Taxpayers gather in a San Fernando Valley home to form the United Organizations of Taxpayers, which would advocate for lower property taxes. One of the founding members is Howard Jarvis.

1964

The Assembly Revenue and Taxation Committee publishes “A Major Tax Study,” a 12-volume study on California’s tax structure. David R. Doerr, chief consultant to the committee, writes: “Reform of the property tax is of the utmost urgency ... to restore public confidence in the tax, to protect the taxpayers from gross abuse and discrimination, and to preserve the stability and independence of local government.”

1964



San Francisco Assessor Russ Wolden checks into jail after being arrested on corruption charges.

Norman Phillips steals several file cabinets from his employer, a tax consultant, and delivers the files to the *San Francisco Chronicle*. The files reveal that assessors in nearly a dozen counties accepted bribes to lower property assessments. This leads to the arrest of several assessors.

1966

Governor Pat Brown signs AB 80, which strengthens the State Board of Equalization’s oversight of county assessment practices, leading to property tax reforms.



Governor Pat Brown signs AB 80 with lawmakers and legislative staff.

1968



Signs begin appearing throughout L.A. County, in protest of property taxation.

Howard Jarvis and Los Angeles County Assessor Phil Watson join forces to try to reduce property taxes by placing Proposition 9 on the ballot. The Legislature places its own version of property tax relief on the ballot, establishing the homeowners’ exemption. The Legislature’s measure (Proposition 1A) is approved, and Proposition 9 is defeated.

1971

The California Supreme Court rules that using local property tax dollars to fund schools is unconstitutional because it promotes discrimination, since some schools have a larger property tax base. Implementation of Proposition 13 would later solve this issue (*Serrano v. Priest*).

1975



Market-value assessments result in large property tax increases for homeowners.

The property tax revolt begins to gain momentum. CalTax President Kirk West says, “Throughout the state, assessors are increasing assessments on homes 20 to 60 percent due to rapidly changing market values. These reassessments will increase property taxes by percentages even greater than the assessment increases and they will also hit lower-income homeowners the hardest.”

1977

Howard Jarvis and Paul Gann join forces to place a property tax limitation initiative on the ballot. Using volunteers to gather 1.5 million signatures door-to-door and at shopping malls, Jarvis is responsible for the Southern California signatures, while Gann manages Northern California. In December, the initiative qualifies for the June 1978 ballot, and Jarvis and Gann have a total campaign budget of \$28,500.

1978



Dan Walters reports in *The Sacramento Union* that the state has a large surplus.

Governor Jerry Brown prepares the 1978-79 state budget with multibillion-dollar reserves. State Treasurer Jesse Unruh calls the reserve “obscene.”

June 6, 1978

Despite opposition from the Legislature, unions, businesses, local governments and the media, Proposition 13 is approved with 64.8 percent voting in support. On the same ballot, voters reject Proposition 8, a split-roll measure placed on the ballot by the Legislature to provide relief only to homeowners.



Howard Jarvis and Paul Gann celebrate Proposition 13’s passage.

1977-78 Average Property Tax Rates

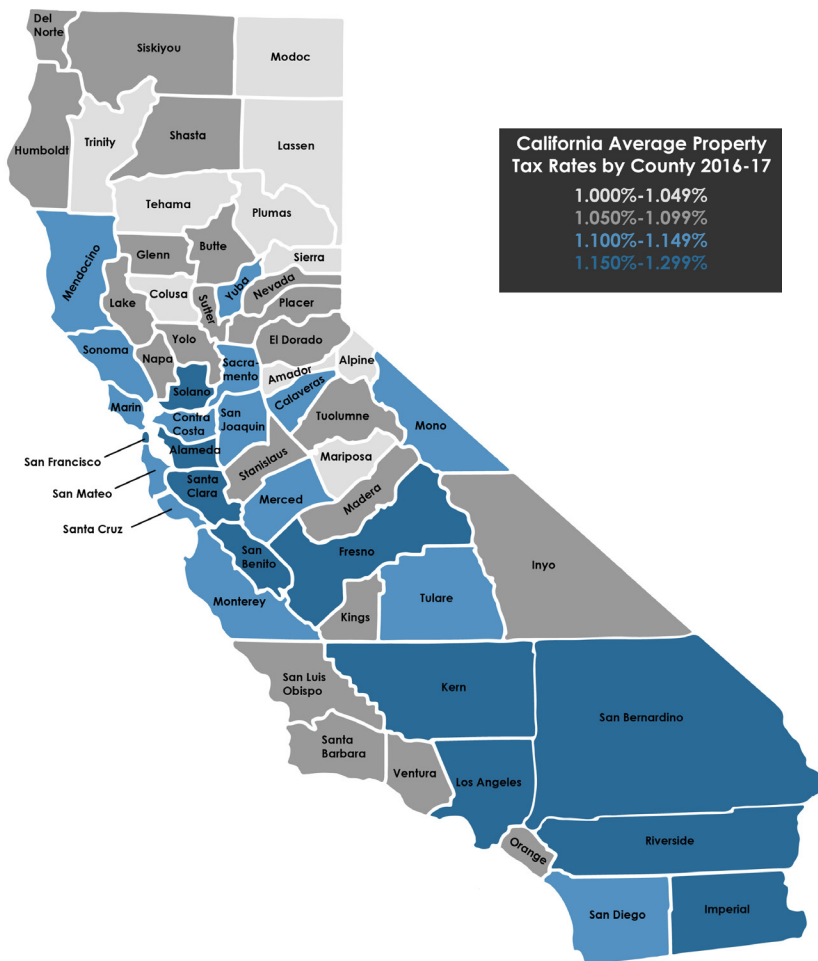
COUNTIES WITH THE HIGHEST PROPERTY TAX RATES

(Fiscal Year 1977-78)

1	Alameda, 3.148% Current Rate: 1.209%
2	Los Angeles, 3.100% Current Rate: 1.164%
3	Sacramento, 3.048% Current Rate: 1.126%
4	San Francisco, 2.955% Current Rate: 1.183%
5	Contra Costa, 2.798% Current Rate: 1.149%
6	Yuba, 2.755% Current Rate: 1.118%
7	San Bernardino, 2.723% Current Rate: 1.155%
8	San Joaquin, 2.700% Current Rate: 1.141%
9	Fresno, 2.695% Current Rate: 1.163%
10	Yolo, 2.670% Current Rate: 1.073%



2015-16 Average Property Tax Rates



COUNTIES WITH THE HIGHEST PROPERTY TAX RATES

(Fiscal Year 2015-16)

1	Alameda, 1.209% Average 1977-78 Rate: 3.148%
2	Santa Clara, 1.203% Average 1977-78 Rate: 2.613%
3	San Francisco, 1.183% Average 1977-78 Rate: 2.955%
4	San Benito, 1.182% Average 1977-78 Rate: 1.750%
5	Kern, 1.176% Average 1977-78 Rate: 2.150%
6	Solano, 1.173% Average 1977-78 Rate: 2.573%
7	Los Angeles, 1.164% Average 1977-78 Rate: 3.100%
8	Fresno, 1.163% Average 1977-78 Rate: 2.695%
9	Riverside, 1.163% Average 1977-78 Rate: 2.660%
10	Imperial, 1.158% Average 1977-78 Rate: 2.238%

Estimating Property Value



Prior to passage of Proposition 13, property was assessed at its estimated market value. County assessors based their estimates on their opinion of each property's "highest and best use," and used three common appraisal methods: sales of comparable properties, income or cost. Under this subjective system, an assessor could decide, for example, that a farm on the outskirts of an urban area would be more valuable if it were turned into a mid-rise building, and could increase the farmer's property tax to reflect the value of the theoretical building.

COMPARABLE SALES

Prices of comparable properties are used to estimate the value of the appraised property. Finding recent representative sales can be complicated if the property being appraised has unique features or other intangible assets.

INCOME

Income generated from a property is used to estimate its value. An appraiser will seek to estimate potential investment returns, and develop a formula to estimate the property's value. Intangible assets must be removed when estimating income.

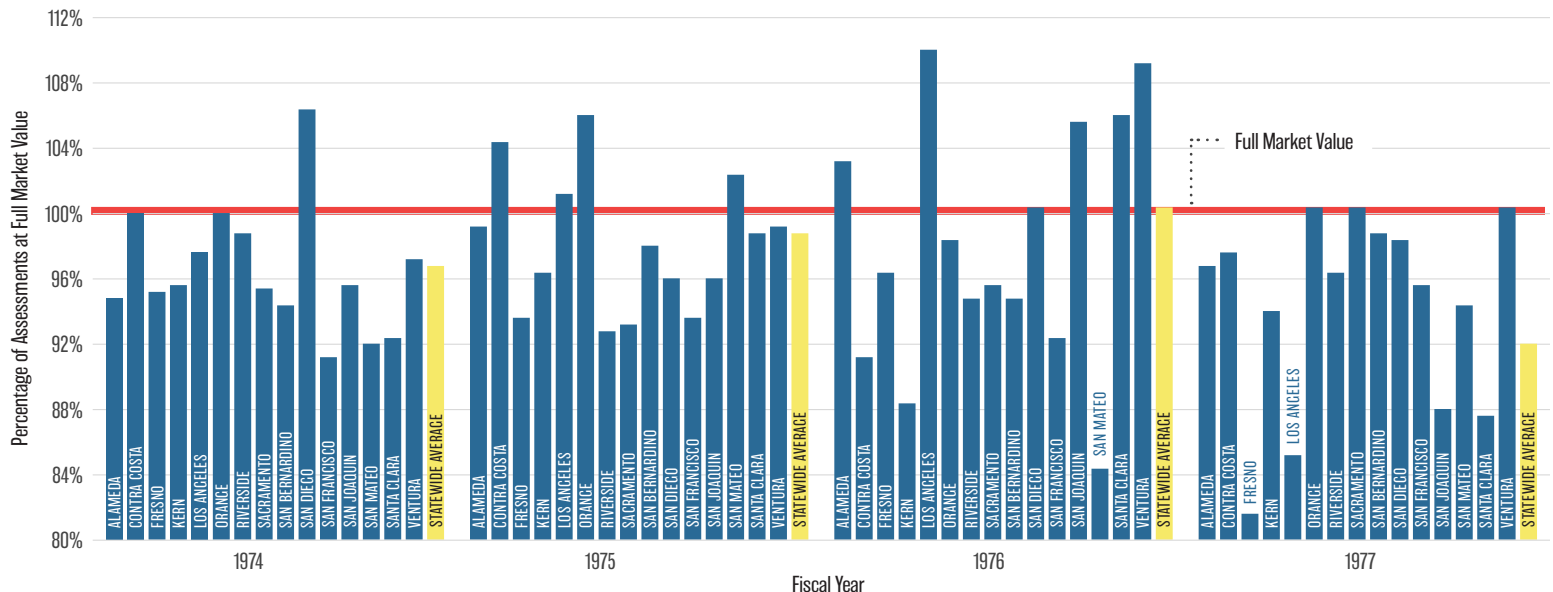
COST

The estimated cost of replacing the property is used to estimate its value. When determining the improvement costs, depreciation is considered. Appraisals also need to consider the cost of replacing land.

Estimating Property Value

Prior to Proposition 13, each property was reassessed regularly to estimate its current full market value. However, given the workload associated with reassessments, many counties reassessed properties every few years rather than annually, which meant that assessments often were above or below full market value. For property owners, this also meant a steep increase in property taxes every few years.

MARKET-VALUE ASSESSMENTS FOR CALIFORNIA'S LARGEST COUNTIES PRIOR TO PASSAGE OF PROPOSITION 13*



Source: State Board of Equalization. *AB 80 of 1966 established a uniform assessment ratio of 25 percent to determine a property's full market value.

CHAPTER 2

What Proposition 13 Did

Proposition 13 sent shock waves through all levels of government once the votes were tallied on June 6, 1978. Proposition 13 was opposed by politicians, unions, businesses and the media. Once it passed, lawmakers were faced with the daunting task of implementing comprehensive property tax reform. Some suggested ignoring the will of the voters, others suggested using the state's \$3.4 billion surplus to help offset the impact of the measure's revenue reduction for local governments. In the end, compromise between state and local leaders over property tax allocations and bail-out funds helped make Proposition 13 a reality.

Months after passage of Proposition 13, Los Angeles City Councilman Marvin Braude wrote: "Those of us who opposed Proposition 13 have a problem: Now that the measure has been in effect almost six months, how do we account for the fact that civilization as we know it has not come to a sudden halt? In contrast to earlier predictions of doom, the problems brought by its passage have turned out to be manageable and public services continue largely unaffected."

"California voters sent the message loud and clear to politicians Tuesday – they want drastic, unequivocal property tax relief. Riding a bigger wave of ballots than anything in comparable elections, the tax-cut Proposition 13, an initiative which got on the ballot because the people – 1.2 million of them – earlier signed petitions to put it there, swept to an overwhelming victory."

– Richard Bergholz, Los Angeles Times, June 7, 1978

Howard Jarvis and Paul Gann, the sponsors of Proposition 13, celebrate the initiative's passage on June 6, 1978. Photo Courtesy of the Los Angeles Public Library.

THE PROVISIONS OF PROPOSITION 13

Proposition 13 added Article XIII A to the California Constitution, with four sections:

1

SECTION ONE

Tax Rate Limitation. Established a maximum uniform tax rate of 1 percent of the property's assessed value.

3

SECTION THREE

State Tax Increase Limitation. Requires a two-thirds vote of the Legislature to increase state taxes.

2

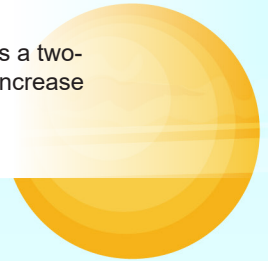
SECTION TWO

Acquisition-Value Assessments. The value of locally assessed real property is based on the purchase price or appraised value at the time of a change in ownership or new construction, plus an increase for inflation not to exceed 2 percent annually.

4

SECTION FOUR

Local Tax Limitation. Requires a two-thirds vote of the electorate to increase local special taxes.



Change in Ownership

Proposition 13 requires a property to be reassessed at purchase price when a change in ownership occurs. Most change-in-ownership reassessments occur when an individual or business purchases 50 percent or more ownership or control of a property. In such transactions, the property's new value typically will be the price paid for the property. However, a change in ownership also can include or exclude other transfers, as seen below:

CHANGE-IN-OWNERSHIP EXAMPLES	
Dustin is the sole owner of a single-family home and sells his house to George and Christine, who upon transfer are the sole owners of the property.	Change
Jenny is the sole owner of a single-family home, and transfers ownership of her home to her son Jack upon her death. Jack becomes the sole owner of the house.	No Change
Grace's Cookie Store acquires Elizabeth's Flower Company. The acquisition of the flower company and any subsidiaries is subject to reassessment.	Change
The government uses the power of eminent domain to purchase Russell's home so it can build a freeway through his neighborhood. Russell uses the money he was paid for his old home to buy a similar home elsewhere. He is able to keep his existing property tax base year, and the purchase of his new home is not subject to reassessment.	No Change
In an effort to raise capital, Annie's Computer Company offers its headquarters for a sale-and-leaseback transaction. Because the transaction is a financing mechanism rather than a change in beneficial interest, the sale-and-leaseback does not result in a reassessment of the headquarters.	No Change

Source: State Board of Equalization.

New Construction

Proposition 13 requires a property to be reassessed at market value when new construction results in any substantial addition of land or improvements (including fixtures), or if a physical alteration of any improvement results in a “like-new” condition, major rehabilitation, substantial renovation or modernization. The new construction is assessed at market value, leading to an increase in the base-year value reflecting the portion of the new construction.

EXAMPLES OF “NEW CONSTRUCTION”	
Removing orchard trees for replanting.	Not New Construction
Adding an extra bedroom or bathroom to a residence.	New Construction
Converting a residential garage into a living area.	New Construction
Converting a warehouse into office space.	New Construction
Replacing a roof.	Not New Construction
Reinforcing masonry to protect property from earthquakes.	Not New Construction
Adding or removing a swimming pool.	New Construction

Source: State Board of Equalization.

Approval Process for New Taxes

VOTES NECESSARY TO APPROVE ...	PROPOSALS IN THE LEGISLATURE	MEASURES ON THE STATE BALLOT
State Budget (Excluding Tax/Bond Provisions)	Majority	Not Applicable
Tax	2/3	Majority
Fee (See Pages 19-20)	Majority	Majority
General Obligation Bond (Including School Bonds)	2/3*	Majority
Revenue Bond	Majority	Not Applicable
Initiative Statute (Including Proposals to Raise Taxes or Issue Debt)	Not Applicable	Majority
Constitutional Amendment Proposed by the Legislature or Initiative	2/3*	Majority

VOTES NECESSARY TO APPROVE ...	LOCAL PROPOSALS	PROPOSALS ON THE LOCAL BALLOT
Municipal Budget (Excluding Tax/Bond Provisions)	Majority	Not Applicable
Tax Used for General Purposes	Majority or 2/3 [†]	Majority
Tax Earmarked for a Specific Program	Majority or 2/3 [†]	2/3
Property Assessment or Property-Related Fee	Majority	Majority ^{**}
Fee (Except Property-Related)	Majority	Not Applicable
General Obligation School Facilities Bond	2/3*	55%
General Obligation Bond	2/3*	2/3
Revenue Bond	Majority	Not Applicable

Must also be approved by voters. [†] Proposition 62 of 1986 requires a two-thirds vote of a City Council to place a tax before voters in a general law city, while charter cities may opt in to comply with the measure. ^{}Requires only a vote of the property owners. Note: At the time of this writing, a proposed statewide initiative for the November 2018 ballot would require all local taxes to be approved by a two-thirds vote effective January 2018.*

CHAPTER 3

The Evolution of Proposition 13

Since passage of Proposition 13 in 1978, countless changes have been made to the landmark property tax reduction initiative – implementing statutes, legislative changes, regulatory amendments, and voter-approved amendments. Most of Proposition 13's evolution has dealt with taxpayer protections and changes in ownership.

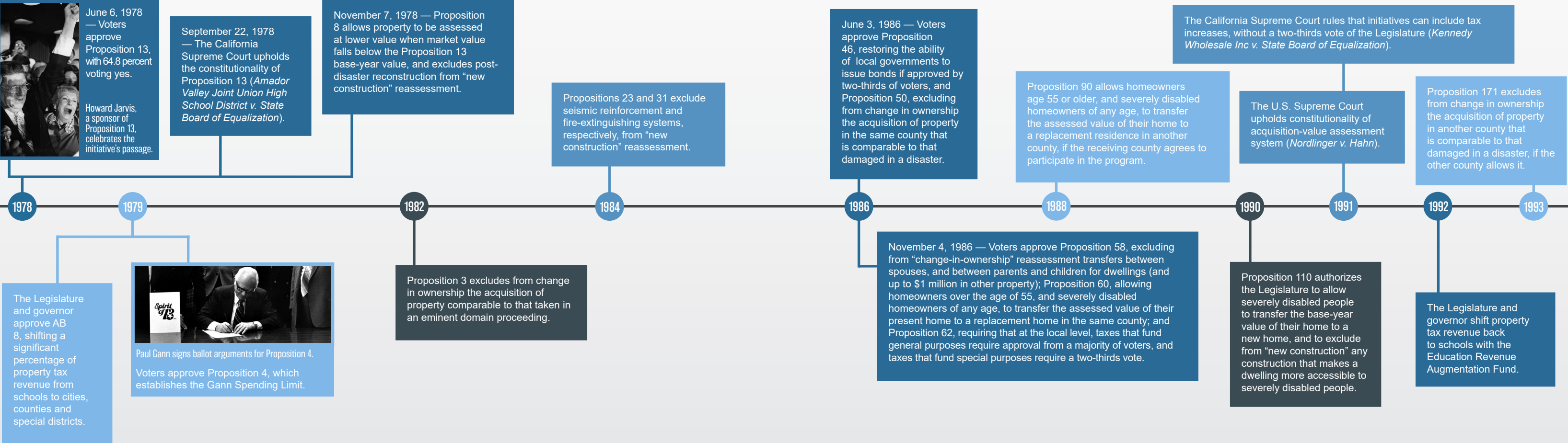
Proposition 13 provides that property is reassessed when it changes ownership or when new construction occurs. Over time, the definition of a change in ownership has been expanded to exclude changes that occur when homeowners transfer property to children, grandchildren or sell their homes and move elsewhere, and to apply to changes involving business activity, such as mergers and acquisitions.

Taxpayers also have continued to strengthen the taxpayer protections contained in Proposition 13 by expanding the definition of a tax and to address decisions from California's courts.

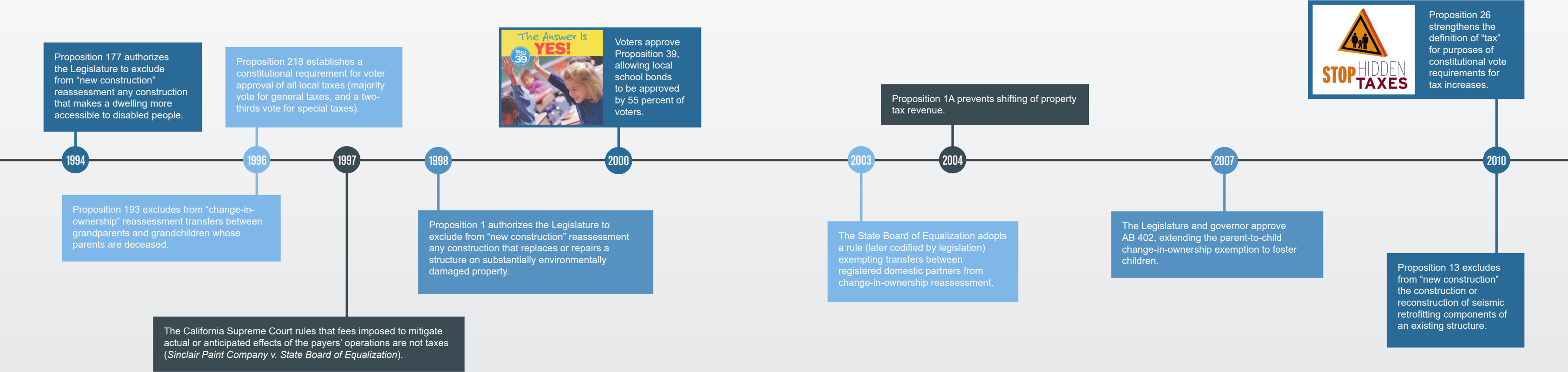


Mixed-use construction in Downtown Los Angeles.

The Evolution of Proposition 13



The Evolution of Proposition 13



Definition of a Tax

Proposition 13 requires at least a two-thirds vote of the Legislature to approve a state tax. At the local level, a tax dedicated to a specific program can be approved by a two-thirds vote of the electorate, and a general tax by at least a majority of the electorate. In 2010, voters approved Proposition 26 to expand the definition of tax to include tax-like fees, such as those listed below. Proposition 26 stops the Legislature, local governments and special interests from passing hidden taxes labeled as “fees.”

“FEES” THAT ARE ACTUALLY TAXES

9-1-1 Telephone Fee	Mitigation Fee on Hazardous Materials Shipped by Rail
State-Collected Bag Charge for State Environmental Programs	Marriage License Fee for Anti-Violence Programs
Container Fee for Port Congestion Relief	Traffic Congestion Pricing Fees
Ecological Labeling Fee	Timber Yield Fee
Electronic Waste Recycling Fee	Recording Fee for Affordable Housing
Fire Prevention Fee to Fund CalFire Activities	Soda Fee to Fund Health Programs
Fireworks Fee to Fund Fire Safety Programs	Vehicle Registration Fee on Electric Cars Only
Healthcare Fee to Pay for Low-Income Care	Vehicle Registration Fee for Anti-Theft Programs
Mitigation Fees	Vehicle Crash Fee to Pay for Responders

Reasonable Fees

Proposition 26 allows state and local governments to impose a charge, fee or fine/penalty if the levy is reasonable and falls within a certain category (as listed below). Under the categories below are examples of types of legitimate charges that would not require voter approval at the local level, or could be imposed by a majority vote of the Legislature.

BENEFIT OR PRIVILEGE	GOVERNMENT SERVICE OR PRODUCT	REASONABLE REGULATION	ENTRANCE OR USE OF GOVERNMENT PROPERTY	FINE, PENALTY OR MONETARY CHARGE
Limited Liability Company Fee Zoning Fee	Copying Charges Death Certificate Marriage License Vehicle Registration	Ag Market Order Fee Audit Fee Investigation Fee Inspection Fee	Block Party Permit Event Space Rental Franchise Fee Library Book Rentals	Court-Ordered Fine Penalty for Not Filing a Tax Return Parking Ticket Speeding Ticket
LOCAL ONLY: PROPERTY DEVELOPMENT		LOCAL ONLY: PROPERTY-RELATED		
Developer Fee		Business Improvement District Assessment Street Lighting Assessment		

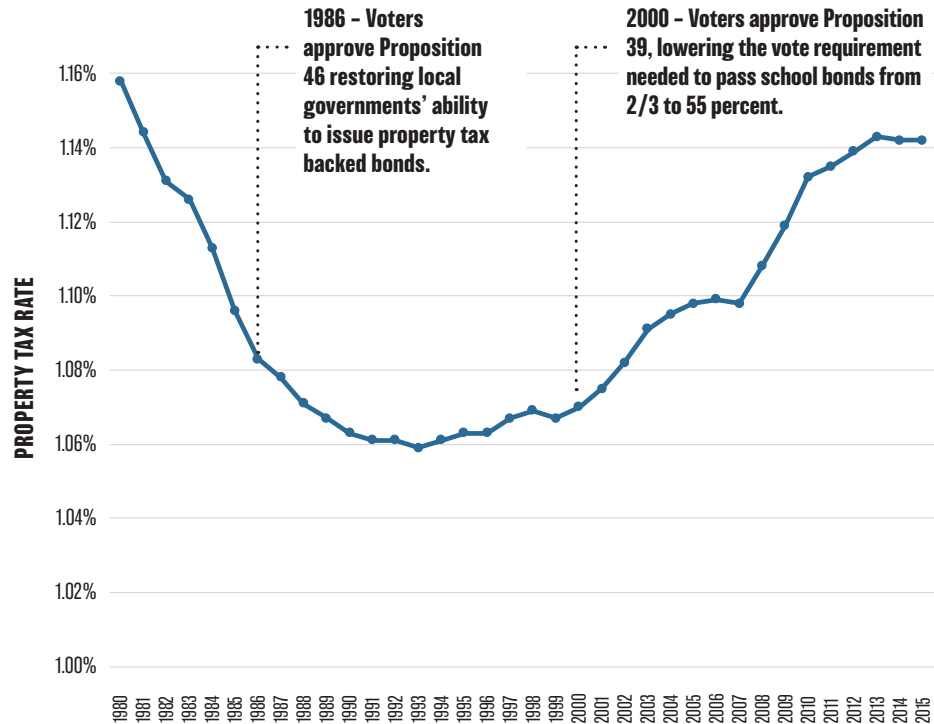
State and local governments must be able to demonstrate that any of the fees above are reasonable and do not cover unnecessary or excessive costs. Otherwise, the “fee” may be a tax.

Local Bonds

A local general obligation bond is debt approved by the voters. Local governments repay this voter-approved debt by imposing an add-on property tax rate above Proposition 13's 1 percent rate limit. When Proposition 13 was approved, it prohibited local governments from increasing property taxes for the purpose of repaying new general obligation bonds. The prohibition was repealed in 1986, and local governments were allowed to issue bonds as long as the bonds were approved by a two-thirds vote (as had been required since 1879). In 2000, voters modified the approval requirement so general obligation bonds issued to finance school facility improvements could be approved by a 55 percent vote if certain conditions are met.

CHANGES IN THE STATEWIDE AVERAGE PROPERTY TAX RATE SINCE 1980

Proposition 13 allows a maximum property tax rate of 1 percent. Add-on rates in excess of 1 percent reflect local bond indebtedness.

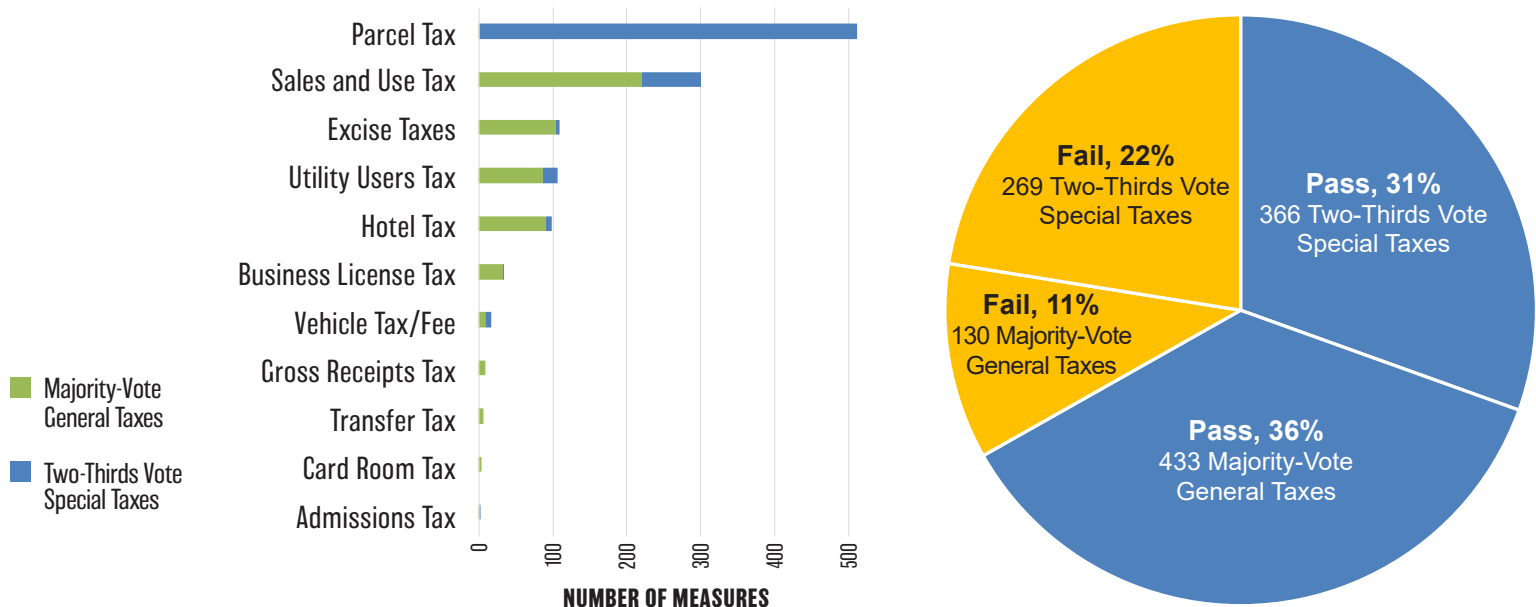


Source: State Board of Equalization.

Local Taxes

Proposition 13 requires a two-thirds vote for special taxes that appropriate funding to a specific program. General taxes require a majority vote. Since 2010, a total of 1,198 local general and special taxes have appeared on the ballot. Of the identified general and special tax measures, 33 percent failed passage and 67 percent were approved by voters under the existing vote requirements.

LOCAL GENERAL AND SPECIAL TAX MEASURES ON THE BALLOT, 2010 TO 2018

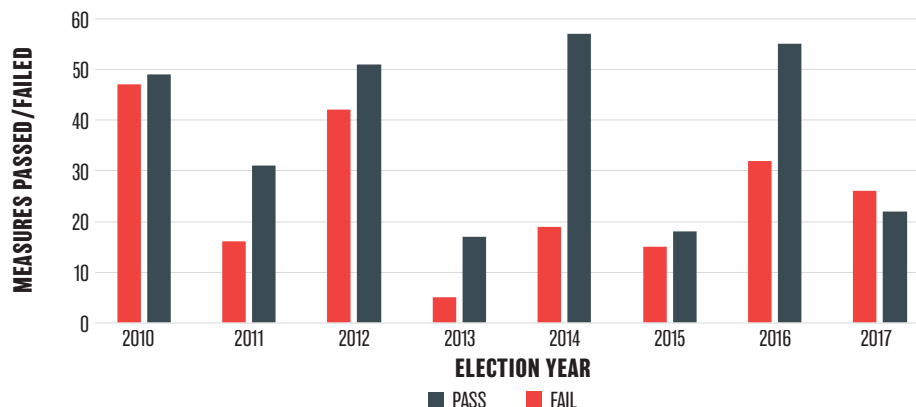


* Excludes school bonds and other general obligation bonds that increase property taxes, property-related benefit assessments, and other non-tax measures. Mello-Roos parcel taxes have been excluded because these taxes generally were approved by landowners between 2010 and 2018 (although recent court decisions may change this practice). Sources: Data compiled by the California Taxpayers Association from local elections offices, the California League of Women Voters and www.CaliforniaCityFinance.com.

California's Other Property Tax

WHAT IS A PARCEL TAX?

In addition to the property tax, many properties in California are subject to parcel taxes. A parcel tax is a tax on parcels within a tax rate area that is approved by a two-thirds vote of the electorate to finance a city, county, school, fire district, or other local government. Some properties may be subject to more than one parcel tax.



Source: California Taxpayers Association election data compiled from local election offices, the California League of Women Voters and www.californiacityfinance.com.

Neither the term “parcel tax,” nor any uniform tax structure exists in state law. Instead, inconsistent rules in various code sections guide local governments on parcel tax administration.

TYPES OF PARCEL TAXES

FLAT RATE

A flat dollar amount per parcel (example: every parcel owner pays \$50).

FRONTAGE

Tax is based on the feet and inches a property faces a particular street multiplied by a dollar amount.

SINGLE-FAMILY EQUIVALENT

Tax is based on several factors, including frontage, square feet, and use to determine the approximate equivalent of a single-family home.

SQUARE FOOTAGE

Tax is determined by a property's improved and/or unimproved square feet, multiplied by a dollar amount.

USE

Tax is determined by a parcel's use (single-family, multi-family, commercial, etc.).

MELLO-ROOS TAX

Any of the above types of parcel taxes, but the revenue is used to pay off debt for a capital project.

Other Property-Related Charges

In addition to the property tax and parcel taxes, other charges may appear on some property tax bills. These typically are assessments that provide a direct, proportional and measurable benefit to each property. Assessments cover a wide range of local services, including those listed below, and at some point were approved by past or present property owners, or the electorate, under Proposition 218 (a 1996 voter-approved state initiative that requires a public vote on property-related charges).



BUSINESS IMPROVEMENT



STREET IMPROVEMENT



FLOOD



STREET LIGHTING



LANDSCAPING



TRASH



MOSQUITO ABATEMENT



VECTOR CONTROL



SIDEWALKS



WATER



STORM DRAIN



WEED ABATEMENT

\$238 MILLION

Property owners in cities paid more than \$238 million in benefit assessments for lighting service in fiscal year 2016.

\$5.1 BILLION

Property owners paid more than \$5.1 billion to cities for water service charges in fiscal year 2016.

Source: State Controller's Office.

Property-related assessments are not a new source of revenue. In California, use of property assessments peaked between 1910 and 1930, and regained popularity after passage of Proposition 13 in 1978.

June 19, 1978

CHAPTER 4

The Impact of Proposition 13

No policy issue in California has generated more debate, controversy, praise, passion and vested interest than Proposition 13. It is at the root of many conversations concerning how we provide critical services to our communities. It's a rallying issue for protesters. And it's the saving grace for homeowners and business owners in a state with very high property values and high tax rates on income, sales, energy and other goods.

Proposition 13 was placed on the June 1978 ballot by proponents who were "mad as hell" with escalating property taxes. Proposition 13's proponents said the measure would provide permanent property tax relief, not shift the burden of who pays, and continue local government funding at adequate levels.

How has Proposition 13 fared? Did it provide meaningful tax relief? Is the tax burden under Proposition 13 fair? The figures in this chapter seek to address these questions.

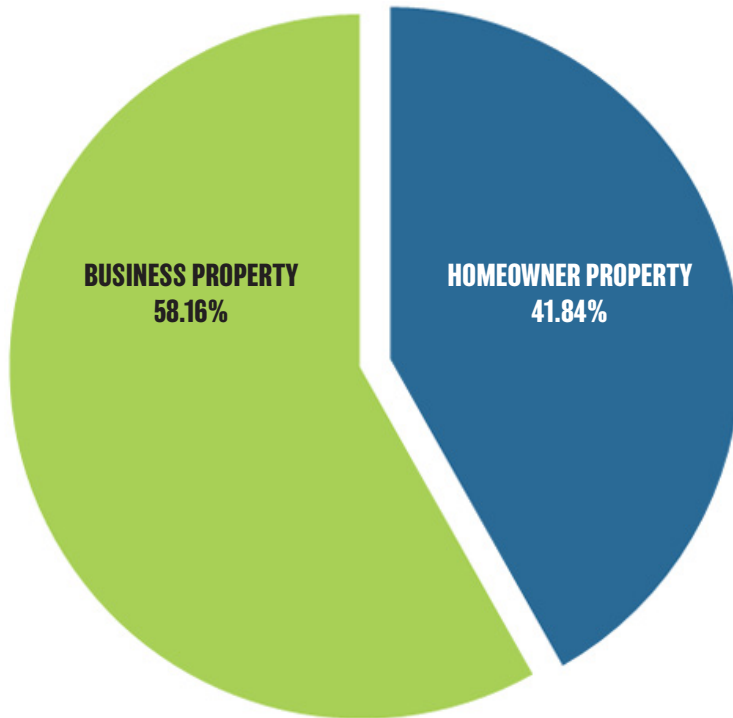


The cover of Newsweek Magazine, June 19, 1978.

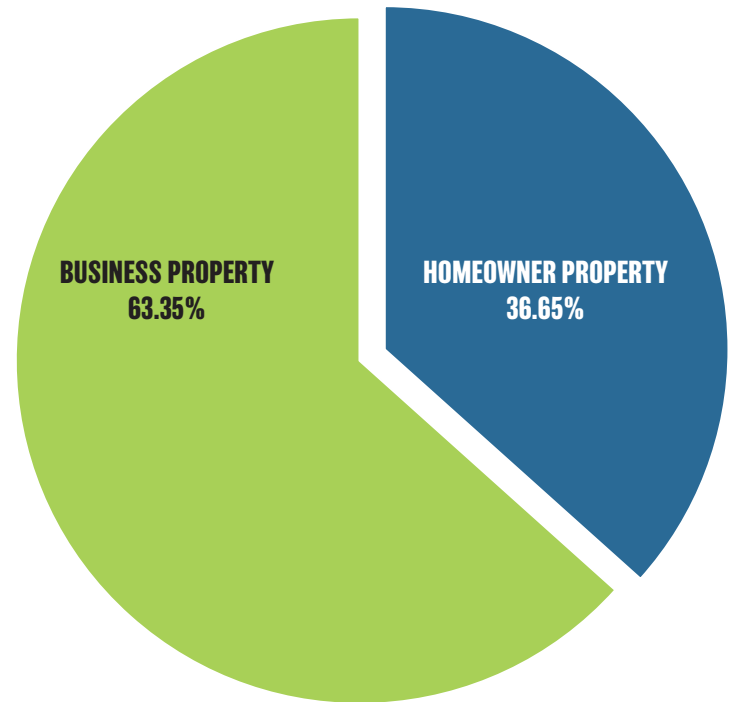
The Property Tax Burden

Since passage of Proposition 13, the burden of the property tax has not shifted significantly. Homeowners remain the greatest beneficiaries of Proposition 13, as their cumulative property tax burden has remained lower than business property owners' burden, and, in fact, has gone down more than 5 percent.

1979-80 ASSESSMENT PERIOD



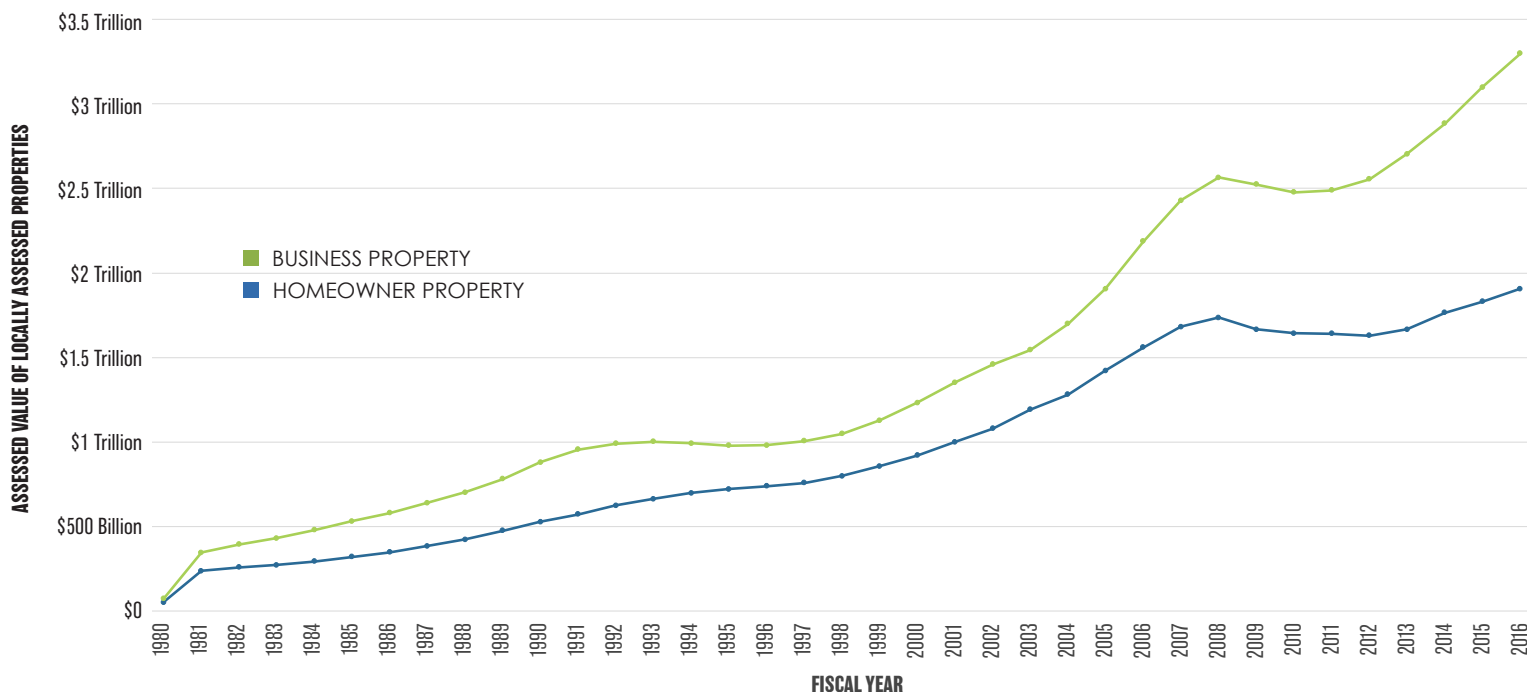
2016-17 ASSESSMENT PERIOD



Business property includes all non-homeowner-occupied property (including commercial, industrial and residential investment property) subject to Proposition 13 assessments; homeowner property is all residential property owned and occupied as a principal residence, for which the owners claim the homeowners' exemption. Source: State Board of Equalization.

Growing Property Assessments

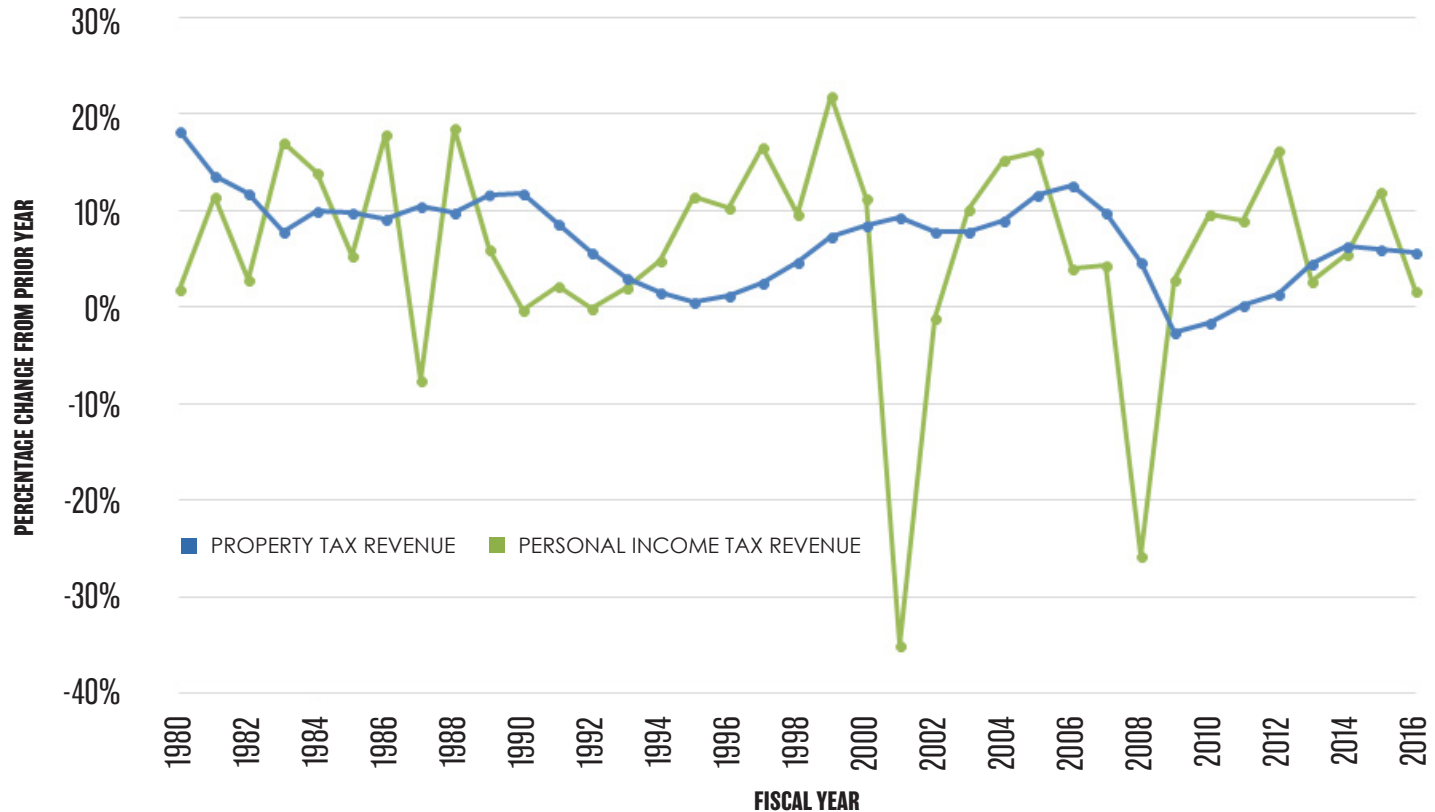
The assessed value of business property has grown more on average (7.3 percent annually) than the average for homeowner property (6.34 percent) since passage of Proposition 13 in 1978. The higher rate of growth in assessed values for business property is likely a result of more frequent changes in business ownership and new construction on business properties.



Business property includes all non-homeowner-occupied property (including commercial, industrial and residential investment property) subject to Proposition 13 assessments; homeowner property is all residential property owned and occupied as a principal residence, for which the owners claim the homeowners' exemption. Source: State Board of Equalization.

Revenue Stability Under Proposition 13

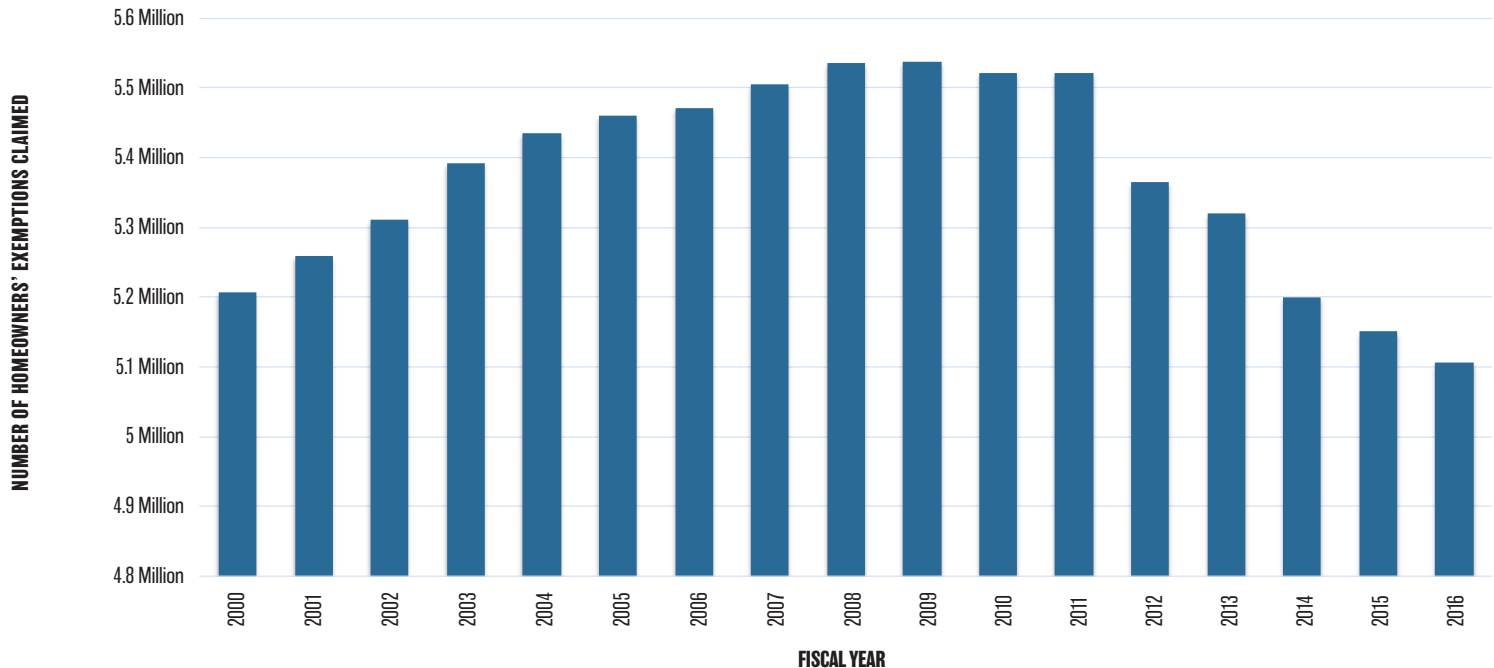
Unlike the personal income tax, the property tax under Proposition 13 has been, in the words of the Commission on the 21st Century Economy, “the most stable of major state and local sources” of revenue.



Sources: State Board of Equalization and Legislative Analyst's Office.

Trends in Homeownership

The homeowners' exemption is an important indicator for measuring the property tax burden. California provides a \$7,000 reduction in the taxable value of a home that may be claimed only by taxpayers who own and occupy the home as their principal residence (including single-family homes, condominiums, duplexes, etc.). For purposes of measuring the property tax burden, the exemption is the most accurate available indicator of "homeowner property." In fiscal year 2016-17, the homeowners' exemption was claimed by 5,105,946 property owners.



Source: State Board of Equalization.

Housing Affordability

Proposition 13 keeps property taxes affordable because the tax is based on what property owners can afford at the time they purchase their property:



	ESTELLE	STEPHANIE	HOWARD
Age	35	55	78
Household Income	\$126,531	\$64,868	\$35,000
Year of Purchase	2012	1988	1980
Purchase Price	\$320,000	\$170,000	\$150,000
Current Assessed Value	\$353,260	\$285,981	\$292,754
Estimated Market Value	\$397,944	\$505,605	\$596,601
Estimated Annual Tax Without Proposition 13	\$9,775	\$12,420	\$14,655
% of Income Spent on Tax Without Proposition 13	7.7%	19.1%	41.9%
Estimated Annual Tax Under Proposition 13	\$3,532	\$2,860	\$2,928
% of Income Spent on Tax Under Proposition 13	2.8%	4.4%	8.4%
Estimated Property Tax Relief Since Purchase	\$38,044	\$165,349	\$206,028

Impact on State Revenue

BY THE NUMBERS

TAX INCREASES SINCE 1978

Fifteen major tax increases have been approved since passage of Proposition 13 in 1978. Below are the three largest tax increases, as compared to a percentage of the state's general fund revenue at the time the tax was approved:

1991 TAX PACKAGE

Cumulative \$7.2 billion increase in sales and use tax, alcohol tax, car tax, and personal income tax. Increase equaled 17.96% of 1991-92 general fund revenue.

2009 TAX PACKAGE

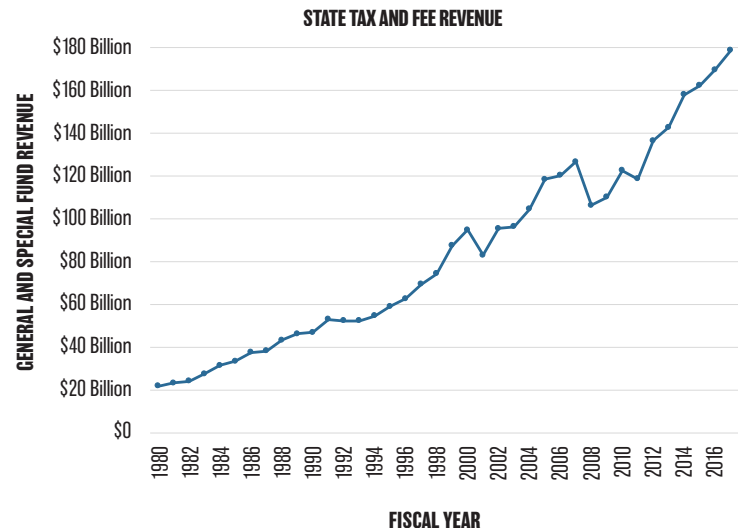
Cumulative \$9.15 billion increase in sales and use tax, personal income tax, and car tax. Increase equaled 9.37% of general fund revenue.

PROPOSITION 30 OF 2012

Cumulative \$6 billion increase in sales and use and personal income taxes. Increase equaled 6.18% of general fund revenue.

Source: Compiled by California Tax Foundation.

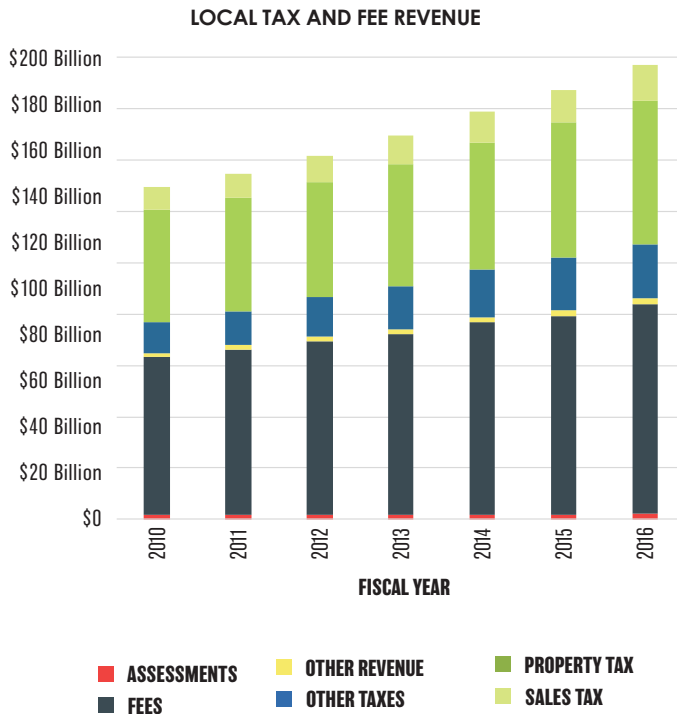
Since passage of Proposition 13, state tax and fee revenue has increased 717 percent, from \$21.7 billion in 1980-81 to a projected \$178.5 billion in 2017-18. During this time, 15 major tax increases were approved by lawmakers with a two-thirds vote, or passed by voters.



Source: Legislative Analyst's Office. Data for 2016-17 and 2017-18 is based on revenue estimates contained in the budget. Excludes loans and transfers.

Impact on Local Revenue

Since passage of Proposition 26 in 2010, local government tax and fee revenue has increased by \$47 billion, up 36.9 percent. Revenue from fees and charges continues to increase: from 2010 to 2016, developer fees increased 229.5 percent, parking fees increased 120.9 percent, and zoning fees increased 109.1 percent.



BY THE NUMBERS

LOCAL TAXES & FEES

Local Tax & Fee Revenue, 2016:

- **\$91.1 BILLION IN TAXES**
- **\$81.6 BILLION IN FEES**
- **\$19.5 BILLION IN FINES & PENALTIES**
- **\$2 BILLION IN ASSESSMENTS**

Local Fee Revenue Increase From 2010 to 2016:

- **DEVELOPER FEES: 229.5%**
- **PARKING FEES: 120.9%**
- **TRANSIT FARES: 114.9%**
- **ZONING FEES: 109.1%**
- **UTILITY SERVICE CHARGES: 32.4%**

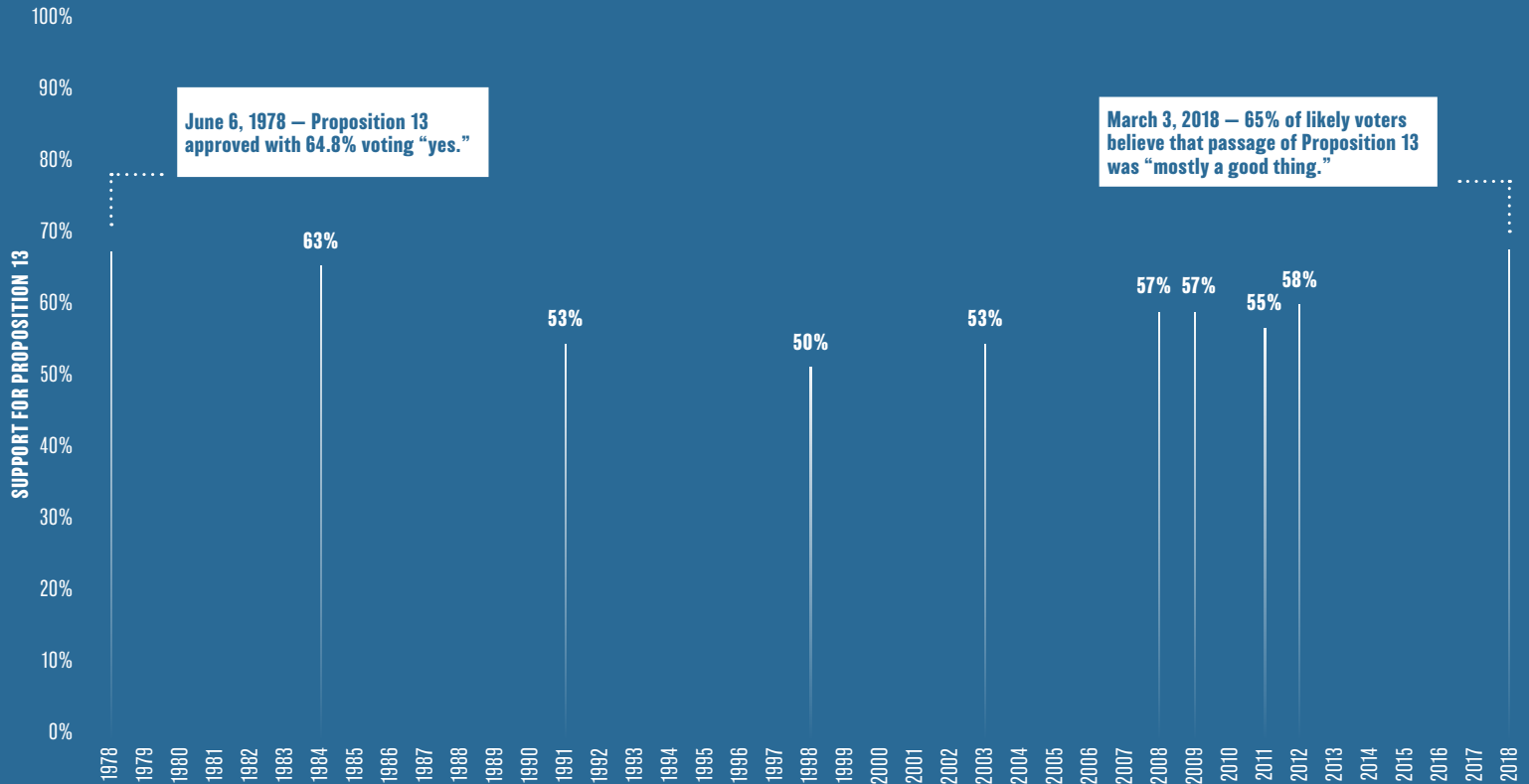
Largest Sources of Local Fee Revenue in 2016:

- **UTILITY CHARGES: \$30.2 BILLION**
- **HEALTHCARE FEES: \$17.8 BILLION**

Source: Data compiled by CalTax Foundation from the State Controller's Office and the Department of Education.

Voter Support of Proposition 13

Proposition 13 was approved June 6, 1978, with 65 percent of the voters casting a “yes” vote. Today, Proposition 13 is more popular than when it was approved, and its support has remained consistent during the past four decades.



Sources: Field Poll and the Public Policy Institute of California.



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This report was prepared by Robert Gutierrez, Director of the California Tax Foundation. To purchase copies of this report or other publications, call 916-441-0490, email foundation@caltax.org or visit the California Tax Foundation's website at www.caltaxfoundation.org.

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