A Defense of Proposition 13 Property Tax Revenues

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When it comes to gathering sufficient property taxes, Prop 13 is no problem at all – except for profligate spenders. Look at the history of my San Diego County – a history which pretty much reflects the history of property taxes in the urban/suburban counties that hold over 85% of California's population.

According to San Diego County, in 1977 – the year BEFORE Prop 13 took effect (when everything was working great, according to Prop 13 critics) – our countywide property tax revenue was about $639 million. In the 2014-2015 fiscal year, our county reports property tax revenues of $5.368 BILLION. Hence for every property tax dollar collected in 1977, the county in 2014-15 collected $8.41. And BTW, according to the County Assessor, since Prop 13 passed, 97% of the pre-Prop 13 county owner-occupied homes have changed hands (and been reassessed) at least once.

During that time frame, our county population has grown about 92.6%, and inflation has gone up about 266%. Hence **property tax revenues today are higher than the bloated PRE-Prop 13 year, even after adjusting for inflation and population growth.**

California in 2014 ranked 17th highest in per capita property taxes (including commercial) – the only major tax where we are not in the worst ten states. But CA property taxes per owner-occupied home were the 10th highest in the nation in 2009.
http://taxfoundation.org/sites/taxfoundation.org/files/docs/TaxFoundation_2015_SBTCI.pdf page 73 and
http://www.taxfoundation.org/taxdata/show/1913.html (2009 latest year available on homes)

To see how CA ranks numerically against the other states on tax, regulation, litigation, utility costs and other economic factors (with confirming URL's), go to: www.TinyURL.com/CA-vs-other-states and read the latest updated version of my dreary fact sheet "Breaking Bad – CA vs. the Other States."

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ANOTHER PROP 13 BENEFIT: It turns out that, under Prop 13, property tax revenue is FAR more stable than our other forms of CA tax revenue. During the recession, income tax revenue plunged, and sales tax revenue significantly declined.

But property tax revenue seldom goes down AT ALL. Since the year Prop 13 passed in 1978, San Diego County real estate property tax revenue has ALWAYS gone up every year but two – in the 2008-09 crash the property tax revenue dropped a miniscule 0.8%, and in 2010-11 it dropped 0.6%. In 2013-14 it's up 3.0%.

Not one person in a thousand knows about this revenue stability. The press has not covered these amazing facts.

Revenue is up because Prop 13 has the little-known added benefit of smoothing out real estate property tax revenue from year to year. Many properties this past year (generally those purchased prior to 2003) had their property tax go up 2%. Add to that the property resales, property improvements, "catch up" reassessments and new structures (all of which establish new tax assessment levels), and the revenue stayed rather constant in the teeth of our economic downturn.

Consider what happens without Prop 13 protection: In the real estate boom years from 1998 through 2005, property taxes would have SOARED. Even WITH the Prop 13 limitations, San Diego County property tax revenue collection during this period STILL rose 111%. But then in the next four years, dropping property values would have caused a dramatic plummet in property tax revenues – revenues that governments would now be hooked on – just like we see with our volatile sales taxes, and especially with our hugely erratic income tax revenues. Property tax revenues are CA governments' one steady, reliable source of income – thanks to Prop 13.

NOTE: Statistics provided above – plus a year-by-year summary since 1975 – are on my verifiable spreadsheet posted at –

http://tinyurl.com/HistorySDPropTax

Additional Thoughts about Prop 13

by Richard Rider

For 30+ years since the passage of Prop 13, advocates for higher taxes have complained about inadequate CA property tax revenue. But the one thing ALL such critics have in common is that they NEVER show the actual revenue shortfall. They never provide the figures.

They never compare the property tax revenue collected in 1977 (the year before the big Prop 13 drop when everything was supposedly hunky dory) with the property tax revenue being collected today.

Why? For one of two reasons. And ONLY one.

1. They don't know the figures. Never checked. Even supposed financial gurus haven't a clue what the numbers are. They just INTUITIVELY know that the revenues are woefully inadequate. After all, this "massive revenue shortfall" has been endlessly cited by fellow leading California progressives for decades, so most liberals mindlessly conclude that it MUST be true.

2. They DO know the figures. But they intentionally omit them, as such figures DESTROY their argument. For it turns out – compared to property tax revenue collected the year BEFORE Prop 13 passed – such tax revenues have grown faster than inflation and population COMBINED.

Much of the complaining about Prop 13 has to do with its lack of "fairness." Property is taxed by a formula that caps the yearly tax increases, resulting over time in long-time property holders paying less property tax than newer purchasers of similarly valued property. But is "fairness" the issue? I think not.

We <u>could</u> have this discussion if the idea were to somehow **"equalize"** the property taxes in a <u>revenue neutral</u> fashion (though I still disagree with the change). But the proponents' goal is to make the senior property owners and commercial properties pay MORE property taxes – with little or no relief for the newer residential property purchasers. Obviously this "fairness" objection is just a ruse to further raise property taxes – and, as I've demonstrated above, Californians pay quite enough property taxes, thank you very much.

Are commercial properties not paying their "fair share"? You decide. In 1979-80, businesses paid 58.2% of all CA property taxes. In 2011-12, they paid 60.3%. Commercial properties pay a HIGHER percentage of the property tax than they did 35 years ago!

As to commercial property which "turns over" less often than residential property, a discussion of raising property taxes faster needs to include consideration of our plethora of business "fees" and our already high state corporate income tax – highest west of the Mississippi (except for Alaska) – our economic competitors. Our state's businesses are viewed as ATM machines by our greedy California state and local governments. Raising commercial property taxes faster would only accelerate the business migration out of the state – while further deterring any business from considering relocating IN to California.

<u>Still</u> think our California property taxes are too low? Consider this: The average impact fee in CA for single-family residence in 2012 was $31,100 per unit, nearly 90 percent higher than the next most expensive state and 265 percent higher [**more than TRIPLE!]** the norm among jurisdictions that levy such fees, which typically pay for capital improvements, like water and wastewater facilities, required by a new development. Many states and localities on the eastern side of the Sierras have <u>**no**</u> such fees at all. To add insult to injury, that "fee" becomes part of the price of the home or apartment – the base on which your annual property taxes are calculated.

These fees also impact multifamily housing; the state's fees on multifamily units averaged $18,800 – 290 percent [**almost quadruple!]** above the average outside California – again, not counting the states and cities where such fees are not levied at all.

http://www.newgeography.com/content/003882-california-homes-require-real-reach