SCHOOLS & COMMUNITIES FIRST

About the California Schools and Local Communities Funding Act of 2020

Official summary from the office of the California Attorney General:

"Increases funding for K-12 public schools, community colleges, and local governments by requiring that commercial and industrial real property be taxed based on current market value. Exempts from this change: residential properties; agricultural properties; and owners of commercial and industrial properties with combined value of $3 million or less."

Key benefits of the ballot measure:

1

Reassessment of Commercial/Industrial Property Only:
The reassessment of only commercial and industrial property to fair market value is the cornerstone of the initiative. Reassessments will be conducted on a regular, ongoing basis, and are estimated to generate as much as $12 billion annually in new revenues when fully implemented, not including small business exemptions outlined below.

2

Residential Properties and Agricultural Land are Exempt:
No residential properties will be reassessed, whether rental residential (apartments and rental homes), homeowner or condominium owner, or mobile home. It exempts all agricultural land from reassessment used for producing commercial commodities or for agricultural production. It also exempts open space, so that farmland which is held without production would also be exempt. Mixed-use property is to be assessed based on proportion of commercial to residential footage. Our measure allows the legislature to exempt the commercial portion of mixed-use properties if the properties are predominantly residential (75% or more).

3

Education Share:
40% of the revenue goes to schools, with 89% of this dedicated to K-12 and 11% for Community Colleges.

New School Revenues Over Prop 98:
New revenues will be pooled statewide and deposited into the Local School and Community College Property Tax Fund to ensure that the local schools and community colleges portion of new revenues is considered additional to all other funding, over and above the Proposition 98 guarantee.

New School Revenues to Advance Equity:
The school share of new revenues will be allocated to advance social equity according to the local control funding formulas for all schools, which provide additional funding for districts with large populations of low-income students, English-learners, and foster youth.

Basic Aid School Districts:
In order to assure that all school districts benefit from this reform, Basic Aid School Districts (which receive sufficient local property tax revenue to meet their target funding level under state law) will receive as much as they would have under current law and at least $100 per unit of average daily attendance in addition from the new revenues. Similarly, community college districts shall receive no less than $100 per enrolled full-time equivalent student.

Paid for by Schools and Communities First - Sponsored by a Coalition of Social Justice Organizations Representing Families and Students. Committee major funding from:
Chan Zuckerberg Advocacy (Nonprofit (501(c)(4))
The San Francisco Foundation
California Teachers Association
Funding details at http://fppc.ca.gov

777 S. Figueroa St., Ste. 4050, Los Angeles, CA 90017

SCHOOLS & COMMUNITIES FIRST

About the California Schools and Local Communities Funding Act of 2020

Key benefits of the ballot measure:

4

New Revenues for Local Government:

60% of the new revenues go to cities, counties and special districts and will be allocated in the same manner as property tax revenues are currently allocated, with no changes in the proportions between local government entities. Like all property taxes, revenues will be spent at local government discretion, for parks, libraries, public safety, capital outlay, health and social services.

5

Expenditure Transparency:

Public disclosure is required by all entities (i.e., local education agencies, community colleges, counties, cities and counties, cities and special districts) on an annual basis as to how new revenues from this measure are spent. The measure mandates that public disclosures be widely available to the public and written in a manner that is easily understood.

6

Expanded Small Business Relief:

The new measure contains modified and expanded provisions to protect small businesses:

Exemption for small properties:
Properties with a market value of $3 million or less will be exempted from reassessment, unless the property owner holds a direct or indirect interest in other properties in the state which together have a cumulative total market value of over $3 million, in which case, all properties will be reassessed. Small property owners will claim this exemption annually through a certification filed with their County Assessor under penalty of perjury.

7

Business Personal Property Tax on Equipment and Fixtures:

An exemption is to be provided from the Business Personal Property Tax on up to $500,000 of fixtures and equipment for all businesses. This exemption helps the vast majority of businesses that lease but do not own their property. It will take most small businesses off the business personal property tax rolls and provide financial relief from a nuisance tax.

8

Expanded Phase-In and Assessor Provisions:

Since the system has not been changed in 40 years, a transition period will be necessary. The measure creates a Property Tax Administration Task Force comprised of County Assessors, the Board of Equalization and others to work with the Legislature to implement a phase-in timetable to develop plans for implementation. It calls for start-up costs to be advanced by the Legislature to County Assessors and full compensation from revenues generated by the measure of administrative costs, including costs of the Assessors' Offices, to implement the new system. It provides for statewide oversight by the Board of Equalization. It also directs the Legislature to consult with Assessors to develop a phase-in approach that begins in the 2022-23 fiscal year, and extends over 2 or more years, allowing for reasonable workload, including an expedited process for hearing appeals. The phase-in period also applies to property owners to provide them a reasonable timeframe within which to pay any increase in taxes. After the initial reassessment is completed, all commercial and industrial property will be periodically reassessed no less frequently than every 3 years as determined by the Legislature.

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Allocation of Revenues From Schools and Communities First for Selected Counties

Prepared by

Blue Sky Consulting Group

May 4, 2020

METHODOLOGY

Estimates of the amount of additional property taxes from the SCF initiative for individual local jurisdictions were developed by first estimating the additional revenue to be contributed by individual parcels in each community. The additional revenue from each parcel was then allocated to the relevant jurisdictions in which the parcel is located (e.g., to the city, school district, any special districts serving the parcel and the county) based on the current allocation of property taxes for that parcel. For each jurisdiction, the total amount of additional revenue was calculated by summing the contributions from each parcel in that jurisdiction. The amount of additional revenue generated by each parcel was adjusted to reflect estimated 2021-22 revenues and reduced by the proportionate share of the anticipated administrative costs.

The amount of additional revenue to be generated by each parcel was estimated based on disparity ratio for that parcel as calculated by USC PERE. (The disparity ratio is the relationship between a property's market value and its assessed value.)

The total amount of revenue based on USC PERE's midpoint estimate of new revenues for 2021-22 is $11.4 billion, and the net revenue is $10.9 billion after subtracting the LAO's estimate of reductions due to administrative costs, etc., ($0.5 billion).

Commercial Property Tax Reform

Estimated Allocation of Revenues 2021-22

Alameda

Entity	Amount
COUNTY GENERAL	175,369,000
COUNTY LIBRARY	4,291,000
ALAMEDA CO. FIRE DEPT.	3,070,000
BAY AREA AIR QUALITY MANAGEMENT	1,353,000
ALAMEDA CO. MOSQUITO ABATEMENT	562,000
AC TRANSIT	24,168,000
SF-BART	3,973,000
EAST BAY REGIONAL PARK	17,610,000
ALAMEDA COUNTY WATER	1,220,000
E.B.M.U.D.	6,563,000
CITY OF ALAMEDA	6,947,000
CITY OF EMERYVILLE	5,245,000
CITY OF FREMONT	20,660,000
CITY OF HAYWARD	15,182,000
HAYWARD AREA REC & PARK	3,985,000
CITY OF NEWARK	4,521,000
CITY OF OAKLAND	60,466,000
OAKLAND ZOO	297,000
CITY OF PLEASANTON	12,918,000
CITY OF SAN LEANDRO	8,357,000
CITY OF UNION CITY	5,635,000
CITY OF LIVERMORE	8,218,000
LIVERMORE AREA REC & PARK	2,267,000
CITY OF BERKELEY	17,557,000
CITY OF ALBANY	1,247,000
CITY OF DUBLIN	6,076,000
CITY OF PIEDMONT	419,000
OTHER	11,085,000
TOTAL	**429,261,000**

Commercial Property Tax Reform

Estimated Allocation of Revenues 2021-22

Fresno

Entity	**Amount**
FRESNO COUNTY	23,879,000
FRESNO CO FIRE	1,166,000
FRESNO CO LIBRARY	1,089,000
CITY OF CLOVIS	2,445,000
CITY OF COALINGA	238,000
CITY OF FIREBAUGH	348,000
CITY OF FOWLER	167,000
CITY OF FRESNO	15,391,000
CITY OF HURON	80,000
CITY OF KERMAN	248,000
CITY OF KINGSBURG	346,000
CITY OF MENDOTA	130,000
CITY OF PARLIER	249,000
CITY OF REEDLEY	404,000
CITY OF SANGER	441,000
CITY OF SELMA	222,000
CITY ORANGE COVE	109,000
CITY SAN JOAQUIN	40,000
CEMETARY DISTRICTS	236,000
NORTH CENTRAL FIRE	232,000
CONSOLIDATED MOSQ	335,000
FRESNO MET FLOOD	1,399,000
FRESNO MOSQ ABMT	156,000
COAL HURON PRK-REC	309,000
CLOVIS MEMORIAL	280,000
COALINGA HOSPITAL	263,000
COALINGA LIBRARY	125,000
OTHER	615,000
TOTAL	**50,942,000**

Commercial Property Tax Reform
Estimated Allocation of Revenues 2021-2022

KERN

Entity	Amount
CO. GENERAL FUND	25,694,000
CO ADVERTISING	59,000
CO. FIRE FUND	5,297,000
CITY OF ARVIN	218,000
CITY OF BAKERSFIELD	9,787,000
CITY OF CALIFORNIA CITY	350,000
CITY OF DELANO	1,038,000
CITY OF MARICOPA	14,000
CITY OF MC FARLAND	166,000
CITY OF RIDGECREST	302,000
CITY OF SHAFTER	467,000
CITY OF TAFT	169,000
CITY OF TEHACHAPI	366,000
CITY OF WASCO	394,000
CEMETARY DISTRICTS	213,000
EAST KERN HEALTH CARE DISTRICT	52,000
KERN VALLEY HOSPITAL	21,000
MUROC HOSPITAL	50,000
NORTH KERN-SO TULARE HOSPITAL	53,000
TEHACHAPI VALLEY HLTH CARE DST	53,000
WEST SIDE HOSPITAL	54,000
DELANO MOSQ ABATE	84,000

Entity	Amount
KERN VECTOR CONT	503,000
WEST SIDE MOSQ	39,000
BEAR MNT REC&PARK	83,000
MCFARLAND REC-PK	30,000
NOR REC & PK DIST	533,000
SHAFTER REC & PK	60,000
TEH. REC & PARK	64,000
WASCO REC & PARK	51,000
WST SIDE REC & PK	25,000
MOJAVE UTIL DIST	48,000
S SAN JOAQUIN MUNICIP UTILITY	107,000
EAST KERN AIRPORT	42,000
E NILES COM SER	32,000
STALLION SPRG CSD	27,000
KERN DELTA WTR	204,000
TEHACHAPI-CUMMINGS WATER	343,000
ANTELOPE VAL E KERN WTR AGENCY	110,000
KERN CO WATER AGENCY	516,000
NOR MUNI WATER	63,000
OTHER	196,000
TOTAL	**47,781,000**

Commercial Property Tax Reform
Estimated Allocation of Revenues 2021-2022

Los Angeles County

Entity	Amount
LOS ANGELES COUNTY GENERAL	1,337,450,000
L.A. COUNTY ACCUM CAP OUTLAY	353,000
L A COUNTY LIBRARY	16,485,000
COUNTY ROAD DISTRICT	907,000
CONSOL. FIRE PRO.DIST.OF L.A.CO.	128,246,000
L A C FIRE-FFW	21,540,000
CO LIGHTING MAINT DIST	3,036,000
L.A.CO.FL.CON.DR.IMP.DIST.MAINT.	5,133,000
LA CO FLOOD CONTROL MAINT	29,041,000
BELVEDERE GARBAGE DISPOSAL DIST	431,000
FIRESTONE GARBAGE DISPOSAL DIST	374,000
L A CO WATER WORKS	585,000
PALOS VERDES LIBRARY DIST MAINT	359,000
L A CO WEST VECTOR CONTROL DIST.	293,000
GREATER L A CO VECTOR CONTROL	477,000
CO SANITATION DIST	17,470,000
STA CLRTA VLY SANIT DIS OF LA CO	992,000
SOUTH BAY CITIES SANIT DIST OPER	281,000
BEACH CITIES HOSPITAL DIST	370,000
CITY-ALHAMBRA	4,933,000
CITY-ALHAMBRA - OTHER	327,000
CITY-AGOURA HILLS	1,063,000
CITY-ARCADIA	4,054,000
CITY-ARTESIA CTRL COM'L CORR RP	785,000
CITY-AVALON	496,000
CITY-AZUSA	3,256,000
CITY-BALDWIN PK	3,595,000
CITY-BALDWIN PK CONSOL. LT DIST	389,000
CITY-BELL	1,309,000
CITY-BELLFLOWER	2,741,000
CITY-BELL GARDEN	1,608,000
CITY-BEV HILLS	14,462,000
CITY-BRADBURY	35,000
CITY-BURBANK	16,720,000
CITY-CARSON	6,909,000
CITY-CALABASAS	1,039,000
CITY-CALABASAS - OTHER	349,000
CITY-CLAREMONT	1,740,000

Entity	Amount
CITY-COMMERCE	2,917,000
CITY-COMPTON	5,097,000
CITY-COVINA	3,262,000
CITY-CUDAHY	841,000
CITY-CULVER CITY	4,973,000
CITY-CERRITOS LOS COYOTES RP	3,159,000
CITY-CERRITOS - OTHER	578,000
CITY-DOWNEY	6,397,000
CITY-DOWNEY - OTHER	153,000
CITY-EL MONTE	5,291,000
CITY-DUARTE	1,541,000
CITY-DUARTE - OTHER	334,000
CITY-DIAMOND BAR	1,978,000
CITY-EL SEGUNDO	4,580,000
CITY-GARDENA	3,753,000
CITY-GLENDALE	15,529,000
CITY-GLENDORA	2,521,000
CITY-HAWAII GDNS	575,000
CITY-HAWTHORNE	4,379,000
CITY-HERMOSA BCH	1,585,000
CITY-HIDDEN HILL	69,000
CITY-HUNTINGTN P	2,332,000
CITY-INDUSTRY	4,716,000
CITY-INGLEWOOD	7,592,000
CITY-IRWINDALE	1,599,000
CITY-LA PUENTE	1,420,000
CITY-LA PUENTE - OTHER	106,000
CITY-LAKEWOOD	2,892,000
CITY-LA VERNE	2,253,000
CITY-LAWNDALE	1,162,000
CITY-LA MIRADA	2,357,000
LA MIRADA - S. E. REC AND PARK	697,000
CITY-LOMITA	781,000
CITY-LOMITA - OTHER	102,000
CITY-LONG BEACH	32,031,000
CITY-LA CANADA-F	933,000
CITY-LANCASTER	5,179,000
CITY-LANCASTER - OTHER	175,000
CITY-LA HABRA HT	176,000
CITY-LOS ANGELES	473,601,000

Los Angeles, cont.

Entity	Amount
CITY-LYNWOOD	3,313,000
CITY-MALIBU	1,021,000
CITY-MANHATTAN B	3,329,000
CITY-MAYWOOD	885,000
CITY-MONROVIA	3,202,000
CITY-MONTEBELLO	3,627,000
CITY-MONTEREY PK	4,065,000
CITY-NORWALK	3,758,000
NORWALK - S. E. REC AND PARK	752,000
CITY-PALOS VRD	484,000
CITY-PALMDALE	5,338,000
CITY-PALMDALE STREETLIGHT DIST	244,000
CITY-PARAMOUNT	2,587,000
CITY-PASADENA	21,460,000
CITY-PICO RIVERA	2,829,000
CITY-PICO RIVERA - OTHER	279,000
CITY-POMONA	11,017,000
CITY-POMONA - OTHER	25,000
CITY-RANCHO P V	1,693,000
CITY-REDONDO BCH	5,651,000
CITY-ROSEMEAD	2,276,000
CITY-ROSEMEAD - OTHER	225,000
CITY-ROLLING HLS	55,000
CITY-ROLL HLS ES	438,000
CITY-S FERNANDO	1,550,000
CITY-SAN DIMAS	1,583,000
CITY-SAN DIMAS - OTHER	275,000
CITY-SAN GABRIEL	2,303,000
CITY-SAN MARINO	859,000
CITY-SANTA CLARITA	7,832,000
STA CLRTA STREET LIGHT MAINT #2	475,000

Entity	Amount
CITY-SANTA CLARITA LIBRARY	956,000
CITY-SANTA FE SP	3,683,000
CITY-SANTA MONIC	16,418,000
CITY-SIERRA MADR	545,000
CITY-SIGNAL HILL	839,000
CITY-SO EL MONTE	1,515,000
CITY-SOUTH GATE	3,434,000
CITY-SO PASADENA	1,763,000
CITY-TEMPLE CITY	1,499,000
CITY-TEMPLE CITY - OTHER	111,000
CITY-TORRANCE	14,494,000
CITY VERNON	2,794,000
CITY-WALNUT	1,095,000
CITY-WEST COVINA	5,289,000
CITY-W LAKE VILL	769,000
CITY-W LAKE VILL - OTHER	143,000
CITY-W HOLLYWOOD	6,885,000
W HOLLYWOOD LIGHTING MAINT DIST	411,000
CITY-WHITTIER	4,023,000
ANTELOPE VY.-EAST KERN WATER AGY	1,082,000
SANTA CLARITA VALLEY WATER-CLWA	3,470,000
PALMDALE WATER DIST	327,000
THREE VALLEY MWD	454,000
SAN GABRIEL VAL MUN WATER DIST	949,000
OTHER	9,383,000
TOTAL	**2,415,008,000**

Commercial Property Tax Reform

Estimated Allocation of Revenues 2021-22

Merced

Entity	**Amount**
COUNTY GENERAL FUND	6,887,000
COUNTY FIRE	1,017,000
ATWATER CITY	590,000
ATWATER CITY FIRE	141,000
DOS PALOS CITY	59,000
GUSTINE CITY	54,000
MERCED CITY	2,173,000
MERCED CITY FIRE	13,000
LIVINGSTON CITY	427,000
LOS BANOS CITY	626,000
REGIONAL OCCUPATIONAL	47,000
MOSQUITO ABATEMENT	238,000
CEMETARY DISTRICTS	117,000
WINTON LT	6,000
BLOSS HEALTHCARE DIST	41,000
WESTSIDE HOSPITAL	10,000
DELHI COUNTY WATER	7,000
HILMAR COUNTY WATER	12,000
SANTA NELLA CO WATER	17,000
WINTON SANITARY	6,000
DOS PALOS DRAINAGE	7,000
GUSTINE DRAINAGE	5,000
MERCED IRRIGATION DIS	316,000
OTHER	48,000
TOTAL	**12,864,000**

Commercial Property Tax Reform
Estimated Allocation of Revenues 2021-2022

ORANGE

Entity	Amount
ORANGE CO GEN. FUND	126,735,000
ORANGE COUNTY PUBLIC LIBRARY	8,486,000
O C FLOOD CONTROL DISTRICT	19,338,000
O C PARKS CSA 26	14,948,000
ANAHEIM CITY	19,453,000
ALISO VIEJO CITY	1,249,000
BREA CITY	3,997,000
BUENA PARK CITY	4,450,000
COSTA MESA CITY	10,015,000
COSTA MESA CITY - DISTRICTS	10,000
CYPRESS CITY	1,982,000
CYPRESS CITY - DISTRICTS	248,000
DANA POINT CITY	1,184,000
DANA POINT CITY - OTHER	607,000
FOUNTAIN VALLEY CITY	4,029,000
FULLERTON CITY	8,417,000
GARDEN GROVE CITY	6,609,000
GARDEN GROVE CITY - DISTRICTS	548,000
HUNTINGTON BEACH CITY	10,550,000
IRVINE CITY	9,058,000
IRVINE CITY - DISTRICTS	678,000
LA HABRA CITY	3,097,000
LA PALMA CITY	632,000
LA PALMA CITY - DISTRICTS	13,000
LAGUNA BEACH CITY	3,046,000
LAGUNA BEACH CITY - DISTRICTS	301,000
LAGUNA HILLS CITY	1,130,000
LAGUNA HILLS CITY - DISTRICTS	300,000
LAGUNA NIGUEL CITY	1,330,000
LAGUNA NIGUEL CITY - DISTRICTS	913,000
LAGUNA WOODS CITY	426,000
LAKE FOREST CITY	2,133,000
LAKE FOREST CITY - OTHER	749,000
LOS ALAMITOS CITY	881,000
LOS ALAMITOS CITY - OTHER	80,000
MISSION VIEJO CITY	2,166,000
MISSION VIEJO CITY - OTHER	2,935,000

Entity	Amount
NEWPORT BEACH CITY	11,650,000
ORANGE CITY	9,121,000
PLACENTIA CITY	1,911,000
PLACENTIA CITY - DISTRICTS	118,000
RANCHO SANTA MARGARITA CITY	1,094,000
SAN CLEMENTE CITY	3,136,000
SAN CLEMENTE CITY - OTHER	90,000
SAN JUAN CAPISTRANO CITY	1,711,000
SAN JUAN CAPISTRANO CITY - OTHER	158,000
SANTA ANA CITY	19,189,000
SANTA ANA CITY - OTHER	83,000
SEAL BEACH CITY	1,388,000
STANTON CITY	1,398,000
STANTON CITY - OTHER	201,000
TUSTIN CITY	3,678,000
TUSTIN CITY - DISTRICTS	313,000
VILLA PARK CITY	125,000
WESTMINSTER CITY	3,128,000
WESTMINSTER CITY - OTHER	414,000
YORBA LINDA CITY	1,991,000
YORBA LINDA CITY - OTHER	371,000
CYPRESS RECREATION AND PARK DIST	1,038,000
BUENA PARK LIBRARY DIST-GEN FUND(FMR 704.01)	789,000
IRVINE RANCH WATER DIST	2,826,000
MIDWAY CITY SANITARY DIST-GEN.FUND	691,000
MOULTON NIGUEL WATER DIST	3,014,000
ORANGE CO VECTOR CONTROL DIST	1,092,000
SANTA MARGARITA WATER DIST	484,000
O C FIRE AUTHORITY-GEN FUND	35,639,000
ORANGE COUNTY WATER DISTRICT	5,295,000
ORANGE COUNTY TRANSIT AUTHORITY	2,744,000
OC SANITATION	20,809,000
OTHER	2,432,000
TOTAL	**410,844,000**

Commercial Property Tax Reform

Estimated Allocation of Revenues 2021-2022

Riverside

Entity	Amount
COUNTY GENERAL PURPOSE	82,695,000
CO FREE LIBRARY	2,224,000
CO STRUCTURE FIRE PROTECTION	6,248,000
COUNTY - DISTRICTS	106,000
CITY OF BANNING	751,000
CITY OF BEAUMONT ANX	1,252,000
CITY OF BLYTHE ANX	415,000
CITY OF CALIMESA	222,000
CALIMESA CITY FIRE	147,000
CITY OF CANYON LAKE	167,000
CATHEDRAL CITY FIRE	330,000
CITY OF CATHEDRAL CITY	1,138,000
CITY OF COACHELLA ANX	935,000
CITY OF CORONA	6,863,000
CITY OF DESERT HOT SPRINGS	564,000
CITY OF LAKE ELSINORE ANX	1,473,000
CITY OF LA QUINTA	1,103,000
CITY OF HEMET BASIC AREA ANX	1,986,000
CITY OF INDIAN WELLS	257,000
CITY OF INDIO DS	2,807,000
CITY OF MORENO VALLEY	4,524,000
MORENO VALLEY FIRE	1,152,000
CITY OF MORENO VALLEY LIBRARY	318,000
CITY OF MURRIETA	2,095,000
CITY OF MURRIETA LIBRARY	183,000
CITY OF NORCO	802,000
CITY OF PALM DESERT	1,077,000
CITY OF PALM SPRINGS	3,657,000
CITY OF PERRIS	2,374,000
CITY OF RANCHO MIRAGE	687,000
CITY OF RIVERSIDE	11,062,000
CITY OF SAN JACINTO ANX	833,000
CITY OF TEMECULA	2,414,000
CITY OF MENIFEE	1,507,000
CITY OF MENIFEE FIRE PROTECTION	356,000
CITY OF WILDOMAR	568,000

Entity	Amount
CITY OF WILDOMAR FIRE PROTECTION	143,000
CITY OF EASTVALE	905,000
CITY OF EASTVALE FIRE PROTECTION	295,000
CITY OF JURUPA VALLEY	2,433,000
RIV CO REGIONAL PARK & OPEN SP	685,000
FLOOD CONTROL	8,235,000
COUNTY SERVICE AREAS	121,000
RANCHO MIRAGE CSD FIRE	672,000
RANCHO MIRAGE CSD LIBRARY	280,000
CEMETERY DISTRICTS	418,000
CATHEDRAL CITY COMMUNITY SERVICE	304,000
EDGEMONT COMMUNITY SERVICES	373,000
JURUPA COMMUNITY SERVICES	835,000
RUBIDOUX COMMUNITY SERVICES	520,000
MORENO VALLEY CS	338,000
COACHELLA FIRE PROTECTION	227,000
IDYLLWILD FIRE PROTECTION	167,000
MURRIETA FIRE	1,174,000
DESERT HOSPITAL	997,000
SAN GORGONIO PASS MEM HOSPITAL	175,000
BANNING LIBRARY DIST	76,000
BEAUMONT LIBRARY	110,000
CV MOSQUITO & VECTOR CONTROL	787,000
NW MOSQUITO & VECTOR CNTL DIST	353,000
BEAUMONT CHERRY VALLEY REC & PK	130,000
DESERT RECREATION	545,000
JURUPA AREA REC & PK	177,000
VALLEY WIDE REC & PK	129,000
VALLEY SANITARY	243,000
COACHELLA VALLEY WATER DISTRICT	1,714,000
CVWD	2,709,000
MISSION SPRINGS WTR DIST	241,000
IDYLLWILD CO WATER	120,000

Riverside, cont.

Entity	Amount
DESERT WTR AGENCY	204,000
SAN GORGONIO PASS WTR AGENCY DS	320,000
EMWD	4,232,000
ELSINORE VALLEY MUNICIPAL WATER	762,000
LAKE HEMET MUNICIPAL WATER	79,000
WESTERN MUNICIPAL WATER	2,943,000
CITY BEAUMONT - OTHER	140,000
RIV CORONA RESOURCE CONSERVATION	156,000
RCWD	1,568,000
OTHER	550,000
TOTAL	**182,877,000**

Commercial Property Tax Reform
Estimated Allocation of Revenues 2021-22

Sacramento

Entity	Amount
COUNTY - OTHER	56,000
SACRAMENTO WATER AGENC	447,000
COUNTY LIBRARY	1,122,000
COUNTY GENERAL	38,274,000
SACRAMENTO METRO FIRE	10,703,000
COSUMNES CSD	2,343,000
NATOMAS FIRE	374,000
PACIFIC-FRUITRIDGE FIRE	405,000
MISSION OAKS PARK	160,000
SUNRISE PARK	274,000
FULTON - EL CAMINO PAR	209,000
RIO LINDA-ELVERTA PARK	158,000
CORDOVA PARK	473,000
SOUTHGATE PARK	300,000
CITY OF RANCHO CORDOVA	1,799,000
REGIONAL OCCUP CENTER	109,000
CITY OF CITRUS HEIGHTS	1,130,000
SACTO-YOLO MOSQUITO	986,000
CITY OF FOLSOM	2,636,000
CITY OF GALT	387,000
CITY OF ISLETON	25,000
CITY OF SACRAMENTO	19,519,000
CITY OF ELK GROVE	1,723,000
ELK GROVE CITY-LAGUNA	254,000
CITY OF FOLSOM SOUTH	50,000
DEV CENTER HANDICAPPED	139,000
OTHER	1,006,000
TOTAL	**85,061,000**

Commercial Property Tax Reform

Estimated Allocation of Revenues 2021-22

San Bernardino

Entity	Amount
COUNTY GENERAL FUND	138,321,000
FLOOD CONTROL	10,844,000
COUNTY FREE LIBRARY	3,000,000
CITY OF ADELANTO	827,000
TOWN OF APPLE VALLEY	2,645,000
CITY OF BARSTOW	1,102,000
CITY OF BIG BEAR LAKE	488,000
CITY OF CHINO	6,096,000
CITY OF CHINO HILLS	2,671,000
CITY OF COLTON	2,477,000
CITY OF FONTANA	7,012,000
CITY OF GRAND TERRACE	550,000
CITY OF HIGHLAND	2,001,000
CITY OF LOMA LINDA	1,563,000
CITY OF HESPERIA	2,451,000
CITY OF MONTCLAIR	1,989,000
CITY OF NEEDLES	297,000
CITY OF ONTARIO	18,729,000
CITY OF RANCHO CUCAMONGA	7,474,000
CITY OF REDLANDS	5,794,000
CITY OF RIALTO	6,345,000
CITY OF SAN BERNARDINO	11,477,000

Entity	Amount
CITY OF TWENTYNINE PALMS	1,162,000
CITY OF UPLAND	4,367,000
CITY OF VICTORVILLE	5,471,000
CITY OF YUCAIPA	2,101,000
TOWN OF YUCCA VALLEY	984,000
FONTANA FIRE PROTECTION DISTRICT	9,411,000
HESPERIA FIRE PROTECTION DISTRICT	1,293,000
RANCHO CUCAMONGA FIRE DISTRICT	5,090,000
SAN BDNO CNTY FIRE PROTECT DISTRICT	5,679,000
BARSTOW FIRE PROTECTION DISTRICT	844,000
APPLE VALLEY FIRE PROTECTION DIST	1,409,000
CHINO VALLEY INDEPENDENT FIRE DIST	3,851,000
CHINO BASIN WTR CONSERVATION DIST	836,000
INLAND EMPIRE UTILITIES AGENCY	9,782,000
SAN BERNARDINO VALLEY MUNI WATER	2,915,000
WATER DISTRICTS	1,747,000
CSAs	1,182,000
OTHER	3,946,000
TOTAL	**296,223,000**

Commercial Property Tax Reform

Estimated Allocation of Revenues 2021-22

San Francisco

Entity	Amount
GENERAL FUND	480,611,000
BAY AREA RAPID TRANSIT DISTRICT	4,434,000
BAY AREA AIR QUALITY MANAGEMENT DIST.	1,462,000
TOTAL	**486,507,000**

Commercial Property Tax Reform

Estimated Allocation of Revenues 2021-22

San Joaquin

Entity	Amount
COUNTY GENERAL	24,350,000
ROAD DISTRICTS	658,000
COUNTY LIBRARY	669,000
CEMETARY DISTRICTS	75,000
FIRE DISTRICTS	2,855,000
SJC FLOOD CONTROL	219,000
LIGHTING DISTRICTS	9,000
SJC MOSQUITO ABATEMENT	531,000
RECL.DISTRICTS	36,000
CSA/CSD	51,000
WATER DISTRICTS	113,000
IRRIGATION DISTRICTS	902,000
S J REGIONAL TRANSIT DISTRICT	126,000
CITY OF ESCALON	208,000
CITY OF LODI	1,850,000
CITY OF MANTECA	1,545,000
CITY OF RIPON	335,000
CITY OF STOCKTON	6,379,000
CITY OF TRACY	2,071,000
CITY OF LATHROP	847,000
OTHER	48,000
TOTAL	**43,877,000**

Commercial Property Tax Reform
Estimated Allocation of Revenues 2021-22

San Diego County

Entity	Amount
COUNTY GENERAL	147,281,000
COUNTY LIBRARY	3,642,000
COUNTY DISTRICTS - OTHER	66,000
PERMANENT ROAD DIVISION	10,000
COUNTY SERVICE AREA	255,000
SAN DIEGO COUNTY FLOOD CONTROL DISTRICT	214,000
ALPINE FIRE PROTECTION DISTRICT	120,000
FIRE PROTECTION DISTRICTS - OTHER	149,000
NORTH COUNTY FIRE PROTECTION DISTRICT OF SD COUNT	510,000
LAKESIDE FIRE PROTECTION DISTRICT	503,000
RANCHO SANTA FE FIRE PROTECTION DIST. OF SD COUNT	347,000
SAN MIGUEL CONSOL. FIRE PROTECTION DISTRICT	880,000
BORREGO SPRINGS FIRE PROTECTION DISTRICT	103,000
NORTH COUNTY CEMETERY	162,000
CEMETERY DISTRICTS - OTHER	88,000
CARLSBAD CITY	6,516,000
CARLSBAD CITY 1973 ANNEX ORD 1147	265,000
CHULA VISTA CITY	4,849,000
CHULA VISTA CITY - OTHER	829,000
CORONADO CITY	2,785,000
DEL MAR CITY	281,000
EL CAJON CITY	2,890,000
ENCINITAS CITY	3,175,000
ENCINITAS CITY - OTHER	64,000
ESCONDIDO CITY	3,692,000
IMPERIAL BEACH CITY	521,000
LA MESA CITY	1,554,000
LEMON GROVE CITY	615,000
NATIONAL CITY	2,477,000
OCEANSIDE CITY - DIST	5,531,000
POWAY CITY	1,209,000

Entity	Amount
POWAY CITY POWAY MUNICIPAL WATER DISTRICT	1,665,000
POWAY CITY - OTHER	203,000
SAN DIEGO CITY	79,741,000
SAN MARCOS CITY	1,835,000
SANTEE CITY	1,903,000
SOLANA BEACH CITY	879,000
SOLANA BEACH CITY - OTHER	54,000
VISTA CITY	3,674,000
GROSSMONT HEALTHCARE DISTRICT	684,000
PALOMAR HEALTH	2,092,000
TRI CITY HOSPITAL DISTRICT MAINT	1,078,000
SAN MARCOS FIRE PROTECTION DISTRICT	855,000
VISTA FIRE PROTECTION DISTRICT	140,000
FALLBROOK PUBLIC UTILITY DISTRICT	148,000
SANTA FE IRRIGATION LAN	122,000
VALLECITOS WATER DISTRICT	614,000
CARLSBAD MUNICIPAL WATER DISTRICT	428,000
OLIVENHAIN MUNICIPAL WATER DISTRICT	151,000
OTAY WATER IMP DIST B - WATER SERVICE	250,000
RAMONA MUNICIPAL WATER DISTRICT	417,000
RINCON DEL DIABLO MUNICIPAL WATER DISTRICT	124,000
PADRE DAM MUNICIPAL WATER DISTRICT	251,000
CWA CITY OF SAN DIEGO	1,203,000
CWA VISTA IRRIGATION	120,000
OTHER	543,000
Total	**290,757,000**

Commercial Property Tax Reform

Estimated Allocation of Revenues 2021-22

SANTA BARBARA

Entity	Amount
SANTA BARBARA COUNTY GENERAL	28,906,000
BUELLTON CITY PROPERTY TAX	359,000
CARP CITY	480,000
GOLETA CITY PROPERTY TAX	1,222,000
GUADALUPE CITY	145,000
LOMPOC CITY	883,000
SANTA BARBARA CITY	5,326,000
SANTA MARIA CITY	3,455,000
SOLVANG CITY	231,000
SB COUNTY FIRE PROTECTION DIST	4,973,000
SB COUNTY FLOOD CNTRL/WTR CNSRV	301,000
SANTA MARIA FLOOD ZN 3	218,000
SOUTH COAST FLOOD ZN 2	856,000
SANTA BARBARA COUNTY WTR AGENCY	387,000
SANTA MARIA PUBLIC AIRPORT DIST	273,000
SANTA MARIA CEMETERY DIST	134,000
CARP/SUMMERLAND FIRE DIST	867,000
MONTECITO FIRE DIST	377,000
SANTA BARBARA MET TRANSIT DIST	136,000
GOLETA WEST SAN RUNNING	395,000
OTHER	1,025,000
Total	**50,949,000**

Commercial Property Tax Reform

Estimated Allocation of Revenues 2021-22

Santa Clara

Entity	Amount
SANTA CLARA COUNTY	255,781,000
SANTA CLARA COUNTY LIBRARY	4,658,000
CAMPBELL	3,463,000
CUPERTINO	4,914,000
GILROY	2,891,000
LOS ALTOS	2,423,000
LOS ALTOS HILLS	341,000
LOS GATOS	2,932,000
MILPITAS	9,396,000
MONTE SERENO	111,000
MORGAN HILL	2,378,000
MOUNTAIN VIEW	18,624,000
PALO ALTO	20,940,000
SAN JOSE	76,867,000
SANTA CLARA	18,413,000
SARATOGA	1,272,000
SUNNYVALE	22,602,000
SARATOGA FIRE PROTECTION DISTRICT	318,000
CENTRAL FIRE PROTECTION DISTRICT	10,934,000
CENTRAL FIRE PROTECTION ZONE NO. 1	349,000
LOS ALTOS HILLS COUNTY FIRE DISTRICT	308,000
SOUTH SANTA CLARA COUNTY FIRE PROTECTION DISTRICT	303,000
MIDPENINSULA REGIONAL OPEN SPACE DISTRICT	9,146,000
SANTA CLARA VALLEY WATER DISTRICT	19,431,000
EL CAMINO HOSPITAL	4,832,000
BAY AREA AIR QUALITY MANAGEMENT DISTRICT	2,449,000
CAMPBELL MUNICIPAL LIGHTING DISTRICT	279,000
MOUNTAIN VIEW PARKING DISTRICT NO.02	548,000
SANTA CLARA COUNTY IMPORTATION WATER-MISC DISTRICT	6,473,000
OTHER	359,000
TOTAL	**503,735,000**

Commercial Property Tax Reform

Estimated Allocation of Revenues 2021-22

VENTURA

Entity	Amount
COUNTY GENERAL FUND	40,497,000
COUNTY LIBRARY	480,000
FIRE PROTECTION DIST	12,397,000
County Flood	2,878,000
CONEJO REC & PK	2,277,000
PL VLY REC & PK	607,000
SIMI REC & PK	976,000
WATER DISTRICTS	57,000
VENTURA PORT	217,000
UNITED WTR CONS DIST	399,000
CITY CAMARILLO	1,379,000
CITY FILLMORE	425,000
CITY OJAI	288,000
CITY OXNARD	8,567,000
CITY PORT HUENEME	414,000
CITY SANTA PAULA	831,000
CITY SIMI VALLEY	2,435,000
CITY SIMI VALLEY - DISTRICTS	965,000
CITY THOUSAND OAKS	3,657,000
THOUSAND OAKS VRSD	180,000
CITY SAN BUENAVENTURA	5,056,000
CITY OF MOORPARK	729,000
CITY OF MOORPARK - DISTRICTS	31,000
CAMARILLO SAN M & O	131,000
CALLEGUAS MUN WTR	1,047,000
CASITAS MUN WTR	326,000
CAM LTE MAINT	245,000
T O CITY WIDE LTE ZN 1	266,000
VTA CO MAINT #1 T O	141,000
CAMARILLO HEALTH CARE	248,000
OTHER	418,000
TOTAL	**88,564,000**

May 29, 2020

To: League of California Cities Policy Committee Members

From: **Rob Lapsley**, President, California Business Roundtable and Co-Chair, Californians to Save Prop 13 and Stop Higher Property Taxes
Rex Hime, President, California Business Properties Association, Co-Chair, Californians to Save Prop 13 and Stop Higher Property Taxes
Rob Gutierrez, President and CEO, California Taxpayers Association, Co-Chair, Californians to Save Prop 13 and Stop Higher Property Taxes
Allan Zaremberg, President and CEO, California Chamber of Commerce, Co-Chair, Californians to Save Prop 13 and Stop Higher Property Taxes

Dear Committee Members:

The last several months have seen tremendous and unprecedented challenges to our communities, and local governments have been on the front lines of response. Along with the rest of the state and nation, we commend your efforts to swiftly protect the health and safety of your residents to stop the spread of this deadly virus. While the ravages of COVID-19 continue, your decisive action has helped prevent a surge in cases. Your efforts are also a major reason businesses are able to re-open, often sooner than expected, to help re-start the economy and bring local residents back to work.

Unfortunately, the economic toll from this crisis is just starting to be realized. State and local revenue have taken a significant hit. While you continue to work hand-in-hand with your local businesses, our organizations continue to advocate for policies that can expedite the economic recovery and support reasonable revenue solutions that can help alleviate pressure for local governments. In fact, we strongly support appropriate federal relief in a fourth economic stimulus package and continue to work with our federal counterparts to ensure those funds are secured in a timely manner.

While we work with you to support and secure additional revenue to help mitigate the economic impacts of COVID-19 to your local budgets, we strongly believe that the split-roll property tax ballot measure is not a revenue solution. From increasing taxes on essential services like grocery stores and food production to imposing higher property taxes on small businesses trying to stay alive, this measure will have a significant impact on state and local economic recovery.

The split-roll property tax measure will remove Proposition 13's protections for commercial and industrial properties by requiring reassessment at current market value no less than every three years. In the current economic crisis, a tax of this scope and scale – the largest single property tax increase ever proposed in the history of California – should be a non-starter. The materials enclosed detail the measure's impacts on small businesses, on minority-, immigrant -and women-owned businesses, and a host of damaging unintended consequences.

For the purposes of your policy discussions at the League of California Cities, we want to also draw attention to the disastrously flawed and inequitable design of this proposal. Make no mistake, while this measure would raise up to $12.5 billion a year, the new tax revenue is not spread evenly across all communities in California. In fact, very specific communities will receive windfall revenues while others will receive little or no additional money, and in some cases lose revenue, even as their local businesses are subject to massive tax increases.

No property tax increase of this magnitude should allocate half its revenues to just two counties – San Francisco and Los Angeles – furthering the growing economic divide between inland and coastal communities. No tax increase should ever be so regressive as to actually harm some of our poorest counties. No so-called "reform" measure ought to create such egregious winners and losers.

Thank you again for your ongoing efforts to keep your communities safe. We look forward to continuing to work with you as we collectively navigate this "new normal." We hope you will join the California Assessors Association and more than 100+ local officials who are active members of our campaign in opposing the split-roll property tax proposal on the November ballot.

Sincerely,

Robert C. Lapsley
President
California Business Roundtable

Robert Gutierrez
President and CEO
California Taxpayers Association

Rex S. Hime
President and CEO
California Business Properties Association

Allan Zaremberg
President and CEO
California Chamber of Commerce

CALIFORNIANS TO SAVE PROP 13 and Stop Higher Property Taxes

www.StopHigherPropertyTaxes.org

Split Roll: Follow the Money. You Might Not Like What Your Agency Sees

The split-roll property tax measure on the November ballot is seriously flawed and rewards some California communities while punishing others. The measure increases taxes by $12.5 billion annually but distributes them under decades-old formulas – worsening inequality between low-income and wealthy communities while diverting funds from local governments in need.

Unless defeated by voters, many counties will pay far more than they receive, and some local governments <u>will actually lose money</u>. Meanwhile, wealthy coastal areas of California will receive a windfall.

Perpetuates Inequality in Property Tax Allocations

After Prop 13 was passed in 1978, each city and county's share of local property tax was in effect frozen under formulas established by the Legislature through laws such as Assembly Bill 8. The Legislature has modified these formulas over time, but cities which had historically low property taxes in the 1970s are stuck with that share today. The split-roll initiative does nothing to change this dynamic, meaning there are very clear – and substantial – winners and losers if the measure is enacted.

Based on these historical formulas, current low- and no-property-tax cities will receive exceptionally unequal benefits from a new split-roll tax, even as their local businesses are subject to massive tax increases that accrue to neighboring communities' benefit.

Punishes Poor, Rural Counties and Makes Coastal Counties Even Wealthier

The split-roll measure is a highly regressive tax, producing far more for high-income/high-property value coastal centers. San Francisco and Los Angeles counties alone will receive nearly half of the funds produced by this measure for counties, cities, and special districts.

On a per capita basis, the top three projected beneficiaries are all in the Bay Area – San Francisco, San Mateo and Napa. The lowest are all rural counties.

Raids Property Taxes from Local Communities and Sends Revenues to the State

For the first time in state history, the split-roll measure will transfer local property tax revenues to the state to redistribute to other counties.

Even worse, 17 counties will become "donor" counties, sending more local property tax revenue to schools in other counties than what they will receive back under this measure. Furthermore, many of the wealthiest counties will keep the bulk of their local government revenues because of existing and unchanged allocation formulas under the split-roll measure. San Francisco – by far the largest beneficiary of the split-roll measure on a per capita basis, will share only about 18% of its net revenues generated by the measure. Other counties will, on the other hand, be required to transfer up to half of their new net revenues to the state for distribution.

Many Communities Will Lose Money

Local governments in as many as 21 California counties will lose tax revenue unless voters defeat the split-roll measure, under the low case scenario. Because the measure includes a personal property exemption, this revenue loss from the exemption can exceed what will be gained from market assessment taxation. The Central Valley and rural areas of California will be hit especially hard by this provision. Stanislaus and Imperial counties both stand to lose more than an estimated $2 million annually, and counties including Shasta, Butte, Kings will all lose more than $1 million if the measure captures the low end of its projected revenue (see pages 2 and 3).

NOT A Solution for COVID-19 Economic Shortfalls

The split-roll property tax measure will not provide immediate economic relief to our communities that are suffering due as a result of the COVID-19 induced economic crisis. In fact, the measure will not begin allocating significant revenues until late 2023 and likely later if the administrative difficulties cannot be overcome.

Additionally, local governments will be responsible for paying the costs of implementing the property tax measure upfront, such as hiring additional assessors, appraisers, and hearings officers and installing technology upgrades, and then must wait for loans from the state.

Will Your Community Be a Winner or a Loser?

This projection was done through a cash flow analysis that assumes two scenarios. The first projection below assumes the measure generates $12.5 billion in additional revenues based on the Legislative Analyst's Office's (LAO) top-range estimate, and the second assumes $8 billion, the LAO's low-range estimate. The projections provide an estimate of the net revenues that local governments will receive within a particular county based on existing property tax allocation formulas, the fund allocations and timing in the measure, and a study published by the measure's proponents, "USC Dornslife, Getting Real about Reform II: Estimating Revenue Gains from Changes to California's System of Assessing Commercial Real Estate, February 2020."

Projected Local Government Revenue by County: Low Case Scenario of $8 Billion by 2024-25

County	Net Revenues to Counties, Cities & Special Districts	Share of Total	Per Capita Net Revenues
Los Angeles County	$1,443,917,000	37.71%	140
San Francisco County	342,575,000	8.95%	$377
Santa Clara County	321,335,000	8.39%	160
Alameda County	256,808,000	6.71%	148
Orange County	256,354,000	6.69%	78
San Mateo County	232,472,000	6.07%	295
San Bernardino County	178,317,000	4.66%	78
San Diego County	155,729,000	4.07%	45
Contra Costa County	137,784,000	3.60%	116
Riverside County	100,239,000	2.62%	39
Monterey County	59,690,000	1.56%	131
Ventura County	46,646,000	1.22%	55
Sonoma County	43,823,000	1.14%	89
Napa County	32,113,000	0.84%	230
Sacramento County	29,310,000	0.77%	18
Marin County	25,470,000	0.67%	98
Santa Barbara County	25,198,000	0.66%	54
Solano County	24,784,000	0.65%	55
Tulare County	21,441,000	0.56%	43
Placer County	19,853,000	0.52%	47
Fresno County	15,897,000	0.42%	15
Santa Cruz County	15,429,000	0.40%	56
San Luis Obispo County	9,865,000	0.26%	35
Yolo County	7,529,000	0.20%	33
Kern County	7,513,000	0.20%	8
Humboldt County	7,369,000	0.19%	56
Mendocino County	5,957,000	0.16%	68
San Joaquin County	4,999,000	0.13%	6
Nevada County	3,737,000	0.10%	38
Mono County	2,685,000	0.07%	189
Sutter County	2,356,000	0.06%	21
Inyo County	2,185,000	0.06%	119
Merced County	1,610,000	0.04%	5
Amador County	1,443,000	0.04%	37

Mariposa County	305,000	0.01%	17
Plumas County	113,000	0.00%	6
Colusa County	9,000	0.00%	0
Trinity County	-10,000	0.00%	-1
Sierra County	-22,000	0.00%	-7
Alpine County	-27,000	0.00%	-25
Calaveras County	-106,000	0.00%	-2
Modoc County	-125,000	0.00%	-13
Del Norte County	-126,000	0.00%	-5
Lassen County	-149,000	0.00%	-5
Lake County	-277,000	-0.01%	-4
Tuolumne County	-292,000	-0.01%	-6
Siskiyou County	-344,000	-0.01%	-8
Tehama County	-416,000	-0.01%	-6
San Benito County	-426,000	-0.01%	-6
Yuba County	-462,000	-0.01%	-6
Glenn County	-521,000	-0.01%	-17
Madera County	-848,000	-0.02%	-5
El Dorado County	-971,000	-0.03%	-5
Shasta County	-1,093,000	-0.03%	-6
Kings County	-1,099,000	-0.03%	-7
Butte County	-1,489,000	-0.04%	-7
Imperial County	-2,016,000	-0.05%	-10
Stanislaus County	-2,601,000	-0.07%	-5
Total	$3,829,439,000	100.00%	$94

Projected Local Government Revenue by County: High Case Scenario of $12.5 Billion by 2024-25

County	Net Revenues to Counties, Cities & Special Districts	Share of Total	Per Capita Net Revenues
Los Angeles County	$2,374,414,000	36.507%	231
San Francisco County	549,199,000	8.444%	$605
Santa Clara County	526,438,000	8.094%	263
Orange County	442,805,000	6.808%	135
Alameda County	419,285,000	6.447%	242
San Mateo County	358,132,000	5.506%	455
San Bernardino County	312,318,000	4.802%	137
San Diego County	294,777,000	4.532%	86
Contra Costa County	220,719,000	3.394%	186
Riverside County	188,344,000	2.896%	74
Monterey County	93,603,000	1.439%	205
Ventura County	84,452,000	1.298%	99
Sonoma County	73,893,000	1.136%	150
Sacramento County	69,613,000	1.070%	43
Napa County	50,214,000	0.772%	360
Santa Barbara County	46,989,000	0.722%	101
Solano County	45,795,000	0.704%	101
Marin County	41,929,000	0.645%	162
Fresno County	37,449,000	0.576%	35
Tulare County	37,372,000	0.575%	75
Placer County	35,314,000	0.543%	84
Kern County	34,336,000	0.528%	36
San Joaquin County	32,525,000	0.500%	40
Santa Cruz County	26,690,000	0.410%	98
San Luis Obispo County	19,208,000	0.295%	69
Yolo County	15,437,000	0.237%	68
Humboldt County	13,082,000	0.201%	99
Stanislaus County	11,639,000	0.179%	20
Mendocino County	10,697,000	0.164%	121
Merced County	8,692,000	0.134%	29
Nevada County	7,108,000	0.109%	72
Sutter County	4,991,000	0.077%	44
Mono County	4,885,000	0.075%	343
Inyo County	3,906,000	0.060%	213
Amador County	2,624,000	0.040%	67
Kings County	2,521,000	0.039%	16
Imperial County	1,949,000	0.030%	10
Colusa County	803,000	0.012%	35
San Benito County	667,000	0.010%	10
Yuba County	641,000	0.010%	8
Mariposa County	625,000	0.010%	36

Plumas County	612,000	0.009%	32
Madera County	607,000	0.009%	4
Tehama County	379,000	0.006%	6
Trinity County	227,000	0.003%	17
Lake County	52,000	0.001%	1
Sierra County	13,000	0.000%	4
Alpine County	-27,000	0.000%	-25
Calaveras County	-106,000	-0.002%	-2
Del Norte County	-125,000	-0.002%	-5
Modoc County	-125,000	-0.002%	-13
Lassen County	-149,000	-0.002%	-5
Butte County	-175,000	-0.003%	-1
Tuolumne County	-292,000	-0.004%	-6
Siskiyou County	-342,000	-0.005%	-8
Glenn County	-520,000	-0.008%	-17
El Dorado County	-968,000	-0.015%	-5
Shasta County	-1,089,000	-0.017%	-6
Total	$6,504,052,000	100.000%	$159

Split-Roll Property Tax Will Put Local Governments At Risk

Amid an unprecedented economic crisis, special interests submitted petitions to qualify a measure for the November 2020 statewide ballot that will destroy Prop 13's property tax protections and will be the largest property tax increase in California history. The measure will raise taxes on commercial and industrial property by requiring reassessment at current market value at least every three years. This type of property tax is known as a "split-roll tax" because it splits the property tax roll, assessing business property differently than residential property.

Makes Local Government Finance More Volatile

- According to the nonpartisan Legislative Analyst's Office, "the property tax is California's most stable major revenue source" and it was "more stable than other revenue sources during the recession." Changing Prop 13 and tying property tax revenue to current market value will make local government finance susceptible to the booms and busts of the real estate market.

Hurts Local Jobs, Small Businesses, Consumers and the Economy

- Small businesses are already struggling. This measure will make it even more difficult for them to reopen their doors or stay in business as a result of this economic crisis. Increasing property taxes on businesses by up to $12.5 billion a year will hurt female- and minority-owned businesses the most and 120,000 jobs will be lost, according to a Berkeley Research Group study. Voters are being asked to consider a measure that will only increase job losses at a time when millions of Californians are applying for unemployment benefits.
- Most small businesses rent the property on which they operate. The measure's higher property taxes will mean soaring rents at a time when the federal and state government is trying to provide small businesses with rent relief to keep their doors open. Ultimately, the measure's tax hike on businesses will get passed on to consumers in the form of increased costs on just about everything people buy and use, including groceries, fuel, utilities, day care and health care.
- California's cost of living is among the nation's highest. This measure will drive the cost of living even higher.

Allows State Government to Divert Funds Meant for Local Government

- The Legislature can divert the new local government tax money for other purposes that benefit special interests, just like they are trying to do with the gas tax.

Puts Local Government at Risk of Not Being Reimbursed for Administrative Costs

- The split-roll measure allows local government to recover "actual direct administrative costs." However, the Legislature has the power to define the term, putting local governments at risk of being shortchanged for the full cost of administering the split-roll property tax.
- An independent analysis prepared for the California Assessors Association found that a split-roll property tax will increase annual costs by $517 million to $639 million statewide for county assessors and other downstream agencies that will also experience an increased workload, including county finance agencies, county counsels and assessment appeals boards. We expect these administrative costs will actually be even higher due to additional burdens in the newer version of the split-roll measure, which were not factored into the analysis.
- The analysis also found that a split-roll measure will increase the number of property tax assessments 12-fold across all counties and estimates up to 900 new positions for highly trained and specialized appraisers and auditors will be needed to handle the increased workload. These positions already are difficult to fill, and it could take the assessors years to find and train staff.

Flawed Measure Undermines California's Renewable Energy Goals and Hurts Farmers

- The split-roll measure will reassess active solar energy systems at their market value, removing the protections that help California produce clean renewable energy and reduce its reliance on fossil fuels.
- Additionally, the measure will remove Prop 13's protections for California farmers, triggering annual reassessments at market value for all agriculture-related fixtures and improvements, including barns, dairies, processing plants, wineries, vineyards and even mature fruit and nut trees and vineyards.

Homeowners Are Under Attack

- If businesses lose their Prop 13 protections, homeowners will be next. Supporters of the measure even admitted that this initiative was the first step in a plan to end Prop 13, which could mean skyrocketing property tax increases for all California homeowners.

Senate Bill 1237 (Bates)
Date: February 15, 2018 (Introduced)
Program: Property Taxes
Sponsor: Author
Revenue and Taxation Code Sections 64, 480.1, 480.2, 480.9, 482, and 486
Effective: Upon Enactment

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Summary: Creates a new "change in ownership" event for real property owned by legal entities when 90 percent or more of direct or indirect ownership interests in that legal entity transfer or sell in a planned single transaction.

Specifically, this bill:

- Requires reassessment of a legal entity's real property holdings when 90 percent or more of its ownership interests are sold or transferred in a "single transaction," except when the sale or transfer qualifies for an exclusion from change in ownership. *Section 64(c)(1)(B)(i)*
- Defines "single transaction" to mean a plan consisting of one or more sales or transfers of ownership interests that occur on or after January 1, 2019. *Section 64(c)(1)(B)(ii)(IV)*
  - Creates a rebuttable presumption that sales or transfers are part of a single transaction when the transferees (buyer) are related persons/entities or fiduciaries per federal law,[1] thus effectively allowing counting of the cumulative ownership interests of all the related parties to reach the 90 percent or more threshold. *Section 64(c)(1)(B)(ii)(IV)(ia)*
  - Creates a rebuttable presumption that sales or transfers occurring within a 36-month period are part of a *single* transaction, thus allowing cumulative counting of ownership interest transfers to reach the 90 percent threshold. *Section 64(c)(1)(B)(ii)(IV)(ib)*
- Provides that "sold or transferred" does not include:
  - Certain transfers that occur upon death (i.e., inheritance). *Section 64(c)(1)(B)(ii)(V)(ia)*
  - Publicly traded corporate stock or partnership interest sales occurring in regular trading activity on an established securities market. *Section 64(c)(1)(B)(ii)(V)(ib)*
- Provides that indirect ownership or transfer of ownership interests is to be measured proportionately. *Section 64(c)(3)*
- Provides that once an ownership interest is counted to determine whether a change in control or ownership of a legal entity has occurred, that interest is not counted again in determining whether any other sale or transfer of ownership interests results in a change in ownership of the real property reassessed as a result of the change in control or ownership. *Section 64(f)*
- Authorizes the BOE to prescribe new regulations to carry out the purposes of this section. *Section 64(g)*

[1] 26 U.S.C. section 267(b).

- Requires the legal entity to report a change in ownership event pursuant to Section 64 to the Board of Equalization (BOE) within 90 days. *Sections 480.1, 480.2, 482*
- Increases the penalty from 10 percent to 15 percent for legal entities that do not report any reassessable event to the BOE. *Sections 480.1, 480.2, 482*
- Requires the BOE to notify assessors when legal entity reassessment events occur. *Section 480.9*
- Requires the BOE to report the reassessments occurring under the new CIO event and its economic impact by 2021. *Section 486*

Purpose: To trigger more frequent legal entity changes in ownership when a 90 percent or more ownership interests in a legal entity sell or transfer even though ownership control was not obtained by any person or legal entity.

Fiscal Impact Summary: The annual revenue gain could amount to about $269 million.

Existing Law: For property tax purposes, real property is reassessed from its Proposition 13 protected value (called a "base year value" (BYV)) to its current market value when real property undergoes a change in ownership.[2]

Change in Ownership. When a "change in ownership" occurs, the law requires the assessor to reassess the property to its current fair market value.[3] Different laws apply to a person who buys real estate and a person who obtains ownership interests in a legal entity that owns real estate.

Interests in Real Property. Revenue and Taxation Code (RTC) section 61(j) provides that a change in ownership includes the transfer of any interest in real property between a corporation, partnership, or other legal entity and a shareholder, partner or any other person. As a general rule, the law requires a reassessment equal to the percentage interest transferred.

Interests in Legal Entities. RTC section 64 sets forth the change in ownership provisions for the purchase or transfer of ownership interests in legal entities (e.g., stock in a corporation, interests in a limited liability company, or interests in a partnership) that own real property. As a general rule, under section 64(a), transfers of ownership interests in legal entities do *not* constitute a change in ownership (and, therefore, no reassessment) of the legal entity's real property. However, there are two exceptions wherein the transfer of ownership interests in a legal entity would trigger a change in ownership:

- **Change in Legal Entity Control.** Section 64(c)(1) requires reassessment when any person or entity obtains control through direct or indirect ownership or control, of more than 50 percent of corporation voting stock, or obtains more than a 50 percent ownership interest in any other type of legal entity. The reassessment covers all real property owned by the acquired legal entity (and any entity under its control).
- **Cumulative Transfers by "Original Co-owners**."[4] Section 64(d) requires reassessment when voting stock or other ownership interests representing cumulatively more than 50 percent of

[2] California Constitution, article XIII A, section 2; RTC section 110.1.
[3] California Constitution article XIII A, section 2; RTC sections 60 – 69.5.
[4] **Proportional Ownership Interests Exclusion Creates "Original Co-owner" Designation.** Under section 62(a)(2), a transfer of real property to a legal entity does not result in a reassessment if the transfer is merely a change in the method of holding title and the proportional ownership interests in the real property are *exactly* the same before and after the transfer. However,

the total interests in a legal entity are transferred by any of the "original co-owners" in one or more transactions. The reassessment covers the real property previously excluded from change in ownership under section 62(a)(2).

Indirect Ownership. Existing statutes do not specify the method of counting indirect ownership of legal entity ownership interests.

Counting Interest. Currently ownership interests of spouses are not counted together as a single unit, regardless of whether the ownership interests are separate property or community property. With respect to immediate families, parents, children, and siblings' interests are also counted separately for each person.

Self-Reporting Requirement. Existing law requires legal entities to file a change in ownership statement (LEOP COS)[5] with the BOE within 90 days of a change in control or change in ownership under section 64(c) or (d). In the case of a change in control under section 64(c), the person or legal entity that *acquired* control of the legal entity is responsible for filing the LEOP COS.

Requirement to File Upon Request. Despite the self-reporting requirement to file a LEOP COS, the BOE may send a LEOP COS to an entity to complete and file with the BOE. Annually, the BOE canvasses legal entities with a query on the state income tax return. Additionally, the BOE monitors business publications to identify mergers and acquisitions. Assessors and other interested parties also send referrals reporting possible changes. A legal entity that fails to respond to a BOE request may incur a penalty.

Penalty. A penalty applies if the LEOP COS is not filed within 90 days. The penalty amount is 10 percent of the taxes applicable to the new base year value reflecting the change in control or change in ownership of the real property owned by the legal entity. In cases where the legal entity fails to respond to BOE's request to file, the legal entity may incur a penalty. If a legal entity fails to timely file, but no change in control or change in ownership has occurred, the penalty is 10 percent of the current year's taxes.

Proposed Law:

Transfers of Ownership Interests in Legal Entities: Change in Ownership Trigger Event. This bill provides that when 90 percent or more of the direct or indirect ownership interests in a legal entity transfer in a single transaction, the transfer of the ownership interests is a change of ownership of the real property the legal entity owns, including the real property owned by a legal entity under its control. A change in ownership triggers reassessment. *Section 64(c)(1)(B)*

"**Single transaction**" means a plan consisting of one or more sales or transfers of ownership interests that occur on or after January 1, 2019. *Section 64(c)(1)(B)(ii)(IV)*

Rebuttable Presumption. There is a rebuttable presumption that a sale or transfer is part of a single transaction if *either* of the following occur:

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after a transfer of real property qualifies for this exclusion from reassessment, the persons holding ownership interests in the legal entity immediately after the transfer are considered "**original co-owners**" for purposes of tracking subsequent transfers by original co-owners of those interests. When such transfers cumulatively exceed 50 percent, the real property previously excluded from reassessment under section 62(a)(2), is deemed to undergo a change in ownership, and is, therefore, subject to reassessment under section 64(d).

[5] Legal Entity Ownership Program (LEOP) Change of Ownership (COS) is detailed on page 6 of this analysis.

- The transferees are persons described in section 267(b) of title 26 of the United States Code, which describes transactions between related taxpayers and fiduciaries. *Section 64(c)(1)(B)(ii)(IV)(ia)*

- The sales or transfers occur within a 36-month period, commencing on the date of the first sale or transfer of the ownership interests. *Section 64(c)(1)(B)(ii)(IV)(ib)*

"Control" means control as described in RTC section 64(c)(1)(A) – i.e., obtaining control through direct or indirect ownership or control of more than 50 percent of the ownership interests. *Section 64(c)(1)(B)(i)*

Double Counting. Once an ownership interest transfer counts towards a transaction that triggers reassessment, that interest may not be counted again. *Section 64(f)*

Indirect Ownership Measurement. For purposes of section 64(c), legal entity ownership interests owned by another legal entity will be considered as being owned by, or transferred to, its owners proportionately. *Section 64(c)(3)*

No Control Standard. Unlike existing law, under the proposed reassessment trigger it is immaterial whether or not any one legal entity or person acquires more than 50 percent of the ownership interests. *Section 64(c)(1)(B)(i)*

Securities Market Trades Excluded. A transfer does not include a sale of stock or interests in publicly traded corporations or publicly traded partnerships in the regular course of a trading activity on an established securities market. However, this exclusion is inapplicable if the shares are acquired as part of a merger, acquisition, private equity buyout, transfer of partnership shares, or any other means that otherwise triggers the new reassessment provision. *Section 64(c)(1)(B)(ii)(V)*

"**Legal entity**" means a corporation, a partnership, a limited liability company, or other legal entity. *Section 64(c)(1)(B)(ii)(II)*

"**Ownership interests**" means corporate voting stock, partnership capital and profits interests, limited liability company membership interests, and other ownership interests in legal entities. *Section 64(c)(1)(B)(ii)(III)*

Regulations. The BOE is authorized to prescribe any needed regulations. *Section 64(g)*

LEOP COS. Related to the LEOP COS required to be filed with the BOE, this bill:

- **Increases Penalty.** Increases the penalty from 10 percent to 15 percent for failure to file a LEOP COS with the BOE. *Section 480.1, 480.2, 482*

- **Franchise Tax Board (FTB) Questions**. Requires FTB to add a question on franchise income tax returns to address the new change in ownership event. *Section 64(e)*

- **Requires Assessor Notification.** Requires the BOE to notify assessors if a change in ownership occurs as described by new Section 64(c)(1)(B) or existing Section 64(c). *Section 480.9*

Effective Immediately. This bill takes immediate effect, but applies only to transfers that first occur on or after January 1, 2019.

In General: **Property Tax System.** In 1978, voters changed California's property tax system with the approval of Proposition 13. Under this system, a property's assessed value is based on its 1975 fair market value until the property changes ownership. Thereafter, annual assessed value increases are limited to 2 percent or the inflation rate, whichever is less. When the property changes ownership, it is reassessed to its current market value, which is generally the sales price, and annual future increases to that value are subject to the same limits.

Change in Ownership. While Proposition 13 provided a "change in ownership" reassessment trigger, it did not define this key phrase. The Assembly Revenue and Taxation Committee appointed a special Task Force to recommend the statutory implementation for Proposition 13 and define change in ownership. The Task Force consisted of 35 members, including legislative and BOE staff, county assessors, public and private sector attorneys, and trade associations.

The Task Force published its findings in **Report of the Task Force on Property Tax Administration,** California State Assembly Publication 723, January 22, 1979. The Assembly Revenue and Taxation Committee also published a report that contains additional background on defining change in ownership called **Implementation of Proposition 13, Volume 1, Property Tax Assessment,** California State Assembly Publication 748, October 29, 1979.

Property Owned by Legal Entities. One issue the Task Force faced was how to apply Proposition 13's change in ownership provisions to property owned by a legal entity. For instance, would a transfer of ownership interests in a legal entity that owns real property be considered a transfer of the real property interests and, thus, a change in ownership? The Task Force considered two alternatives: the "separate entity theory" and the "ultimate control theory."

- **Separate Entity Theory.** The separate entity theory respects the separate identity of the legal entity. Accordingly, as long as the legal entity owns the property it will not be reassessed, even if all of the ownership interests in the legal entity transfer.

- **Ultimate Control Theory.** The ultimate control theory looks through the legal entity to determine who holds the ownership interests and, thus, who has "ultimate control" of the legal entity. Under this theory, real property owned by the legal entity is reassessed only when a single holder of ownership interests gains control of the legal entity through the acquisition of a majority of the ownership interests.

The Task Force recommended the separate entity theory be adopted for two reasons (However, ultimately the hybrid system currently in place was enacted). The Report states:

> (a) The administrative and enforcement problems of the ultimate control approach are monumental. How is the assessor to learn when ultimate control of a corporation or partnership has changed? Moreover, when the rules are spelled out (and the Task Force actually drafted ultimate control statutes) it became apparent that, without trying to cheat, many taxpayers, as well as assessors, would simply not know that a change in ownership occurred. The separate entity approach is vastly simpler for taxpayers and assessors to understand, apply, and enforce. Transfers between individuals and entities, or among entities, will generally be recorded. Even if unrecorded the real property will have to be transferred (by unrecorded deed or contract of sale, for example). Taxpayers can justifiably be expected to understand that a transfer of real property is a change in ownership and must be reported to the assessor.

Tax Burden. The Task Force expressed concern that a tax burden shift to residential taxpayers could occur under its separate entity theory since commercial and industrial property changes ownership less frequently than residential property. The definitions originally proposed for legal entities using the separate entity theory were chosen to mitigate administrative difficulties. Because of this concern, the Task Force proposed that the Legislature study the idea of a constitutional amendment to periodically appraise commercial and industrial property at current market value noting:

> [s]uch a constitutional change would also result in far greater simplicity in the treatment of legal entities. If commercial and industrial properties were to be periodically reappraised for reasons other than change in ownership, the difficult and controversial policy issues in choosing between the 'ultimate control' approach or 'separate entity' approach, outlined previously, would largely be avoided. The Task Force commends the principle of such a change to the Legislature for additional study.

In 1979, the initially codified change in ownership definitions for ownership interests in legal entities were based on the separate entity theory, as recommended by the Task Force. However, thereafter, subdivision (c) of section 64 was added to provide that a change in ownership occurs whenever there is a change in control by a transfer (or transfers) of more than 50 percent of the total ownership interests to a single person or entity.

According to the Assembly Revenue and Taxation Committee's Implementation of Proposition 13, subdivision (c) of section 64, "the majority-takeover-of-corporate stock" provision was added "out of a concern that, given the lower turnover rate of corporate property, mergers or other transfer of majority controlling ownership should result in a reappraisal of the corporation's property - an effort to maintain some parity with the increasing relative tax burden of residential property statewide, due to more rapid turnover of homes. It was also a trade-off for exempting certain transfers among 100 percent wholly-owned corporations."[6]

Change in Ownership Tracking. RTC section 255.7 requires the county recorder to provide the assessor with a copy of an ownership transfer document as soon as possible when a change in ownership is recorded. Assessors discover most real property changes in ownership via grant deeds or other documents recorded with the county recorder. However, real property owned by a legal entity may undergo a "change in ownership" with no grant deed or other document recorded that could alert the assessor to a reassessment. These types of changes in ownership are self-reported directly to the BOE by the entity involved.

LEOP. As noted previously, it is difficult for property tax administrators to independently discover reassessable events involving legal entities because ordinarily there is no recorded deed or notice of a transfer of an ownership interest in a legal entity. Because of these difficulties, the law requires the BOE to participate in the discovery of changes in ownership and changes in control of legal entities under Section 64(c) – (d).[7]

The BOE participates in this discovery through a program called the Legal Entity Ownership Program (LEOP). Under the LEOP, which started in January 1983, the BOE:

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[6] Section 64(b) excludes transfers of ownership interests between affiliated corporations and section 62(a)(2) excludes transfers which result in a change in the method of holding title to real property while the proportional ownership interests remain unchanged.

[7] Chapter 1141 of the Statutes of 1981 (AB 152).

- Receives a list of legal entities from the Franchise Tax Board (FTB) that have reported a change in control or change in ownership on their income tax returns.
- Monitors business publications, such as *Mergers & Acquisitions* and the Wall Street Journal.
- Receives referrals from assessors as a result of information obtained in local publications or business property statement filings.
- Sends a LEOP COS called the "Statement of Change in Control or Ownership of Legal Entities" to each entity that might have experienced a change in control or ownership.
- Analyzes completed LEOP COS's to determine whether there has been a change in control or ownership.
- Notifies county assessors of changes in control and ownership.

Annual Canvassing. Section 64(e) requires an annual canvassing of legal entities via the state income tax return. The FTB transmits to the BOE the names and mailing addresses of the legal entities that report a change in control and/or a change in ownership on the income tax return for further investigation. The BOE makes a written request to the legal entity to file a LEOP COS to determine if it experienced a change in control or ownership or it obtained control of another entity that owned real property in California requiring reassessment.

The BOE also makes formal written requests to legal entities to investigate other possible changes in ownership based on information obtained from monitoring business publications and local assessors and interested parties' referrals. Additionally, at the local level, businesses are canvassed via the annual business property statement filed with the local assessor.

Consequences of Ultimate Discovery. Generally, the statute of limitations in section 532 limits escape assessments to either four or eight years for prior tax years. But due to concerns with intentional concealment of legal entity changes in ownership, provisions enacted in the late 1990's removed the statute of limitations to ensure there would be no financial advantage to concealing the event. Thus, section 532(b)(3) requires that an escape assessment be made for every tax year a legal entity fails to file the change in ownership statement required by section 480.1 for a section 64(c) change in control, or section 480.2 for a section 64(d) change in ownership.

Guide to Change in Ownership Reporting Statutes

RTC Section	Subject Click on link to view sample forms
64(e)	State Income Tax Return Questions • Corporate – Form 100 - Question C • Partnership – Form 565 - Question J • LLC – Form 568 - Question J • Filed with FTB • FTB transmits information to BOE
480	Change in Ownership Statement (COS) • Transfers of Real Property • Filed with local county assessor

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

RTC Section	Subject Click on link to view sample forms
480.1	LEOP COS • Transfers of Legal Entity Interests • Legal Entity Ownership Program (LEOP) • Change In Control under section 64(c) • Filed with BOE
480.2	LEOP COS • Transfers of Legal Entity Interests • Legal Entity Ownership Program (LEOP) • Change In Ownership under section 64(d) • Filed with BOE
481	COS and PCOR – Confidentiality
482	Failure to File Penalties • COS - section 482(a) [Penalties related to section 480] • LEOP COS section 482(b) [Penalties related to sections 480.1 and 480.2]
483	Failure to File Penalties – Penalty Abatement • COS section 483(a) and (b) [Penalties related to section 482(a)] • LEOP COS section 483(c) [Penalties related to section 482(b)]

Background: **Change in Ownership Legislation.** The following table summarizes efforts to trigger more frequent reassessments of legal entity owned property.

Year	Bill	Summary
2015	AB 1040 (Ting)	Reassess when an unspecified percentage of the direct or indirect ownership interests transfer in a single planned transaction in a 3-year period.
2015	SB 259 (Bates)	Reassess when 90 percent of direct or indirect ownership interests transfer in a single planned transaction in a 3-year period.
2014	AB 2372 (Ammiano)	Reassess when 90 percent of ownership interests cumulatively transfer.
2013	AB188 (Ammiano)	Reassess when 100 percent of ownership interests transfer in a single transaction in any rolling 3 year period.
2012	AB 2014 (Ammiano)	Convene legal entity task force to update the work done by the 1979 task force.
2011	AB 448 (Ammiano)	Reassess when 100 percent of ownership interests transfer in a single transaction in any rolling 3 year period.
2010	AB 2492 (Ammiano) 5/18/10 Version	Reassess when 100 percent of ownership interests transfer in a single transaction.
2010	AB 2492 (Ammiano) 4/8/10 Version	Reassess property owned by publicly traded companies every 3 years (rebuttable presumption). Property owned by other types of legal entities reassess in proportion to the percentage of ownership interests in the legal entity transferred.
2005	SB 17 (Escutia) As Amended 4/19/05	Reassess when more than 50 percent of the ownership interests transfer in a calendar year (excluding publicly traded companies).

2005	SB 17 (Escutia) As Introduced 12/06/04	Every 3 years reassess property owned by publicly traded companies (rebuttable presumption). Property owned by other types of legal entities reassessed in proportion to the percentage of ownership interests in the legal entity transferred.
2003	SB 17 (Escutia)	Legislative intent to redefine change in ownership for nonresidential commercial and industrial property.
2003	SBx1 3 (Escutia)	Legislative intent to redefine change in ownership for nonresidential commercial and industrial property.
2002	SB 1662 (Peace)	Reassess nonresidential property when cumulatively more than 50 percent of ownership interests transfer. Broaden the state and local sales and use tax base and reduce both the state and local sales and use tax rate. (Legislative intent)
2001	AB 1013 (Leonard)	Reassess when more than 50 percent of ownership interests transfer.
2000	AB 2288 (Dutra)	Every 3 years reassess legal entity owned property. (Rebuttable presumption change in ownership occurred.) Possible income tax credit to homeowners based on fair market value of homes from additional revenue. Reduce the sales and use tax rate by 0.25 percent.
1992 Prop. 167	Failed 41.16 percent - 58.84 percent	Among various tax related items, included a provision to modify legal entity change in ownership definitions. Proponent: California Tax Reform Association
1991	SB 82 (Kopp)	Reassess when cumulatively more than 50 percent of ownership interests transfer.

Commentary:

1. **Author's Statement.** Senate Bill 1237 proposes to create a new "change in ownership" event for legal entity owned real property that occurs when 90 percent or more of the direct or indirect ownership interests in that legal entity transfer in a planned single transaction. Excludes family transfers upon death and publicly traded stock transactions. Increases penalties from 10 percent to 15 percent of taxes due for failure to file a legal entity change in control statements with the BOE.[8]

2. **This bill requires assessors to reassess property following events that currently may not trigger a reassessment.** A new change in ownership triggering event is created to address cases in which the sellers of the legal entity transfer shares as part of a "single transaction" even if no one person or entity obtains control. Currently, "control" by one person is required to trigger reassessment. This bill primarily addresses the ability of persons to break up ownership into multiple legal entities to avoid reassessment (it also addresses the fact that married couples are not currently treated as a single unit). Two presumptions are created (discussed below) to help determine when shares have sold as part of a "single transaction."

3. **Reassessment examples.** Under this bill, reassessment may be required in the following situations where a company or business has real estate holdings:

[8] http://district36.cssrc.us/content/my-legislation

- A married couple buys a company with real estate holdings. (Under current law, ownership of the company is considered to be held 50/50 with neither spouse in control. Thus, this transfer does not meet the "change in control" test.)
- A company's current managers or employees buy the company from the retiring owners and no one person acquires control.
- A business (with no one in control) buys a competitor's business.
- A business (with no one in control) buys a supplier

4. **A "planned" transaction.** This bill appears more limited than similar legislation introduced in recent years in that the "single transaction" definition now requires the existence of a plan. (See section 64(c)(1)(B)(ii)(IV).) The plan requirement raises numerous uncertainties for tax practitioners and administrators. What conditions rise to the level of a plan?
    - Does a plan require a detailed written document (or oral guidance) developed by expert counsel hired by the buyer to structure a non-reassessable transaction?
    - Does a plan require the consensual agreement of both the buyer and the seller?
    - If there is no coordinated plan by the transferors to sell, is the definition met? For example, when two partners sell their interests to unrelated transferees over a 36-month period (one partner retires) and 24 months later the other needs to liquidate for an unrelated reason, is this reassessable?
5. **The rebuttable presumption.** This bill also differs from prior legislation in that it adds a rebuttable presumption element. (See section 64(c)(1)(B)(ii)(IV).) Generally, a rebuttable presumption is an inference that, in the absence of any evidence to the contrary, is to be made and accepted as an established fact. The presumption permits (but does not require) the BOE or county assessor to assume that certain sales or transfers are part of a single transaction when, in fact, they may not be. Usually presumptions are created for administrative convenience. However, if the BOE or county assessor chooses to investigate the transaction, the presumption may be rebutted by a review of other evidence. Where contradictory evidence exists the presumption may be overcome.
6. **Rebutting the presumption.** As noted above, the BOE or assessor could choose to assert single transaction status without further investigation when either of the two conditions is met. If the taxpayer challenged the presumption, what evidence must the taxpayer present? More important, what precisely is being rebutted? Will they rebut that any pre-conceived plan existed or was contemplated? How could the taxpayer rebut a negative? Do they rebut that multiple transfers occurring on different dates were not "part of a plan" or that they were not "transferred in a single transaction?" For example, if the taxpayer planned for two transfers that fell under the 90 percent threshold, and a third unexpected transfer occurred within 36 months pushing the transaction over the threshold, do they rebut by claiming that the third transfer was not part of the plan or not part of an original "single transaction?"
7. **Discretion.** The bill appears to give both BOE and the assessor substantial discretion in change in ownership findings, such as the discretion to assert that a plan existed, and with respect to the evidence necessary to rebut the presumption. Is a conversation with the buyer enough for the BOE or assessor to rebut the presumption? These ambiguities could lead to inconsistent

administration in the counties. What if the BOE and assessor disagreed over a LEOP CIO finding? Assessors can independently process a LEOP CIO.

8. **Related Transferees – Open Ended.** The related transferee provision does not have any time frame. (See section 64(c)(1)(B)(ii)(IV)(ia).) Is it intended to be open ended (more than 36 months), or, is it intended to be limited to a single, non-cumulative transaction? Would a parent's plan to transfer 5 percent a year to children over a long term trigger reassessment once the 90 percent or more threshold is reached?

9. **Spouses and Siblings – Single Unit.** Currently, interests owned by spouses are not treated as a single unit. This bill alters this longstanding rule. Furthermore, sibling interests would be treated as a single unit. Multiple generations would also be treated as a single unit: grandparent, parent, grandchild.

10. **Who are related transferees?** Under the federal law that this bill cross references, the following persons are considered related taxpayers. (26 U.S.C. section 267(b).)

    - Members of a family: the family of an individual shall include only his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants; and
    - An individual and a corporation of which more than 50 percent in value of the outstanding stock is owned, directly or indirectly, by or for such individual;
    - Two corporations that are members of the same controlled group
    - A grantor and a fiduciary of any trust;
    - A fiduciary of a trust and a fiduciary of another trust, if the same person is a grantor of both trusts;
    - A fiduciary of a trust and a beneficiary of such trust;
    - A fiduciary of a trust and a beneficiary of another trust, if the same person is a grantor of both trusts;
    - A fiduciary of a trust and a corporation of which more than 50 percent in value of the outstanding stock is owned, directly or indirectly, by or for the trust or by or for a person who is a grantor of the trust;
    - A person and an organization to which section 501 (relating to certain educational and charitable organizations which are exempt from tax) applies and which is controlled directly or indirectly by such person or (if such person is an individual) by members of the family of such individual;
    - A corporation and a partnership if the same persons own:
        - more than 50 percent in value of the outstanding stock of the corporation, and
        - more than 50 percent of the capital interest, or the profits interest, in the partnership;
    - An S corporation and another S corporation if the same persons own more than 50 percent in value of the outstanding stock of each corporation;
    - An S corporation and a C corporation, if the same persons own more than 50 percent in value of the outstanding stock of each corporation; or

- Except in the case of a sale or exchange in satisfaction of a pecuniary bequest, an executor of an estate and a beneficiary of such estate.

11. **Under current change in ownership definitions, when companies (i.e., legal entities) are purchased or otherwise acquired, whether their real property is reassessed to current market value generally depends on whether there is a change in control.**

    Scenario 1 (Control): If **one** legal entity or person buys 100 percent of the ownership interests in another legal entity, then absent an exclusion, the law requires a **reassessment** of all the real property owned by the acquired legal entity. Since the acquiring legal entity or person obtains more than 50 percent of the ownership interest in the acquired legal entity under Section 64(c), this is a "change in control."

    Scenario 2 (No Control): If three **different** legal entities or persons buy 100 percent of the ownership interests in that same legal entity in equal shares, there is **no reassessment.** In this scenario, each new buyer only has a 33 1/3 percent ownership interest in the acquired legal entity and no one entity or person has control.

    In both scenarios, the acquired legal entity has entirely new owners, but only Scenario 1 results in reassessment.

DATE	TRANSACTION	REASSESSMENT
5/1/16	**Scenario 1** Established Company (EC) **buys 100% of the ownership interests** in Startup Company (SC) SC owns 5 properties in various locations in California SC purchased properties in 2000, 2002, 2005, 2008, 2012	**EC Obtains Control of SC** **Reassess** all 5 properties to market value on May 1, 2016.
5/1/16	**Scenario 2** Three Venture Capitalists (VC_1, VC_2, VC_3) **buy 100% of the ownership interests** in SC in equal shares.	**Neither VC_1, VC_2, or VC_3 singularly control SC: each have 33 1/3%** **No Reassessment** of any SC-owned property The 5 properties retain the assessed value established at the time acquired by SC

12. **New Change in Ownership Trigger Point.** This bill adds a new reassessment trigger event with respect to transfers of ownership interests in legal entities. Properties will be reassessed whenever 90 percent or more of a legal entity's ownership interests are transferred. Currently, only if a transfer of ownership interests causes a "change in control" of the legal entity (i.e., pushing one person (or legal entity) up and over the 50 percent ownership interest threshold) is the property owned by that legal entity reassessed to its current value. This bill changes the law to require reassessment of Startup Company's five properties in the Scenario 2 transaction discussed above.

13. **This bill attempts to treat the transfer of ownership interests in legal entities more like the transfer of real property interests**. Any transfer of **real property interests** results in a change in ownership, absent an applicable exclusion, while transfers of **ownership interests in a legal entity** do not result in a change in ownership of property owned by the legal entity unless Section 64(c)(1) or (d) are triggered. (See section 64(a).) The following illustrates the disparate treatment:

    - **Transfer of Real Property Interest.** Four individuals each own a 25 percent interest in a property. Each sale of an individual's 25 percent interest in the property triggers a 25 percent reassessment. (ABCD to EFGH)
    - **Transfer of Ownership Interest in Legal Entity.** If the same property is *owned by a legal entity* in which the same four individuals each own a 25 percent interest, a sale of an individual's 25 percent interest in the legal entity will not cause a reassessment of the property owned by the legal entity. This is true even if there is a complete turnover of ownership interests in a single event. Only if one person obtains control (defined as ownership interests of more than 50 percent) of the legal entity is reassessment triggered. (ABCD to EFGH)

Progression of Transactions	Transfer Date	Owners After Transfer	Percent Reassessed if *Real Property Interests* Transfer Under Current Law	Percent Reassessed if *Legal Entity Ownership Interests* Transfer Under Current Law	Percent Reassessed if *Legal Entity Ownership Interests* Transfer Under SB 1237
A sells 25% to E **B sells 25% to F** **C sells 25% to G** **D sells 25% to H**	**01/01/19**	EFGH	**100%**	**0%**	**100%**[1]
E sells 25% to I	04/05/19	FGHI	25%	0%	
F buys G's 25% F buys H's 25%	09/10/20	FI 75%/25%	50%	**100%**[2]	**100%**[2]
F buys I's 25%	10/15/21	F	25%	0%[3]	
F sells 50% to J	12/30/22	FJ	50%	0%[4]	
F sells 50% to K	**01/30/23**	JK	**50%**	**0%**	**100%**[5]

1. *All New Owners – But No One in Control.* Transfer of 100 percent of ownership interests. This bill's new change in ownership trigger point results in reassessment. Property reassessed to its market value on January 1, 2019.
2. *Change in Control.* On September 10, 2020, F acquires "control" of the legal entity; F now owns 75 percent of the legal entity's ownership interests. Current law requires a 100 percent reassessment of the property to its value on September, 10, 2020.
3. *No Change in Control.* F owns 100 percent of the legal entity as of October 15, 2021. But, since F previously obtained control of the legal entity on September 10, 2020. No reassessment under current law.

4. *Loss of Control.* F owns 50 percent and J owns 50 percent. No one controls the legal entity. While F has lost control, no one gained control. No reassessment.
5. *Cumulative Transfer.* 100 percent of the ownership interests are cumulatively transferred. Property reassessed to its fair market value on January 30, 2023.

This bill provides that when 90 percent or more of the ownership interests in the legal entity transfer in a single transaction that occurs on or after January 1, 2019, a change in ownership of the legal entity will occur, resulting in reassessment of property owned by it.

The disparate treatment between ownership interests in real property and legal entities is illustrated in columns 4 & 5 of the table above. Column 6 shows this bill's reassessment consequences when legal entity ownership interests transfer. (Note: Only the first and last transfers that take place on January 1, 2019, and January 30, 2023, respectively, reflect the changes made by this bill. The other transfer examples reflect existing law.)

14. **Is the transfer of ownership interests in legal entities without reassessment consequences unintentional?** The Proposition 13 Task Force debated the issue of how to treat sales and transfers of legal entity ownership interests. The Task Force recognized the potential long term effect of the original definitions noting "(t)he Task Force admits that some of its own recommendations, such as those regarding legal entities, while the best of a seemingly 'no-win' choice of options and adopted to mitigate administrative difficulties, may, in the long run, further exacerbate this [tax burden] shift to residential property because it will result in fewer potential commercial and industrial property transfers being recognized for reappraisal purposes." Consequently, the Task Force proposed that the Legislature later consider a constitutional change to periodically reappraise commercial and industrial property. In 2012, Assembly Member Ammiano introduced AB 2014 to create a new task force to study this issue. After nearly 35 years, this bill seeks to add a new definition to those initially created to cause more frequent reassessment when property is owned by a legal entity.

15. **This bill addresses ownership interests in legal entities that are transferred indirectly to another legal entity or person.** With sufficient planning and legal advice under current law, it might have been possible to structure transactions that transfer property via a legal entity to new owners indirectly using multiple tiers of legal entities and minimize or preclude reassessment under the new change in ownership trigger. As such, this bill includes indirect ownership transfers and provides that indirect ownership interests should be proportionately counted.

    However, as currently written, there is a potential inconsistency surrounding the phrase "including the real property owned by legal entities under its control," in section 64(c)(1)(B)(i). For example, if Company A, which is owned 60 percent by Company B, purchases real property, and Company B undergoes a 95 percent transfer of ownership interests, section 64(c)(1)(B)(i) states that the real property owned by Company A, which was under the control of Company B pursuant to the definition of "control" in section 64(c)(1)(B)(ii)(I), would undergo a 100 percent change in ownership reassessment. However, under section 64(c)(3), only 60 percent of the property would be reassessed in this scenario because the indirect ownership interest would be measured proportionately.

16. **This bill affects all types of real property owned by a legal entity.** This bill does not differentiate between residential and commercial property. All types of real property owned by a legal entity (partnerships, limited liability companies, corporations, etc.) are subject to the new triggering

event. Thus, this bill could impact single family homes, multi-family properties (such as apartments, duplexes and mobilehome parks), agricultural property, family farms,[9] and small businesses.

17. **Counting Legal Entity Interest Transfers.**

18. **Change in Ownership Exclusions.** This bill provides that when 90 percent or more of the direct or indirect ownership interests in a legal entity are sold or transferred in a single transaction, the purchase or transfer of the ownership interests results in a change in ownership of the real property owned by the legal entity, including the real property owned by legal entities under its control, whether or not any one legal entity or person that is a party to the transaction obtains control, except when the sale or transfer qualifies for an exclusion from change in ownership under any other law or does not result in a change in ownership under any other law. Does the author intend to apply the change in ownership exclusions for transfers of real property to transfers of interests in legal entities? RTC section 63.1, which contains the parent-child and grandparent-to-grandchild exclusions, specifically provides in section 63.1(c)(8) that this exclusion does not apply to transfers of interests of legal entities, other than a transfer of an interest of a unit or lot within a cooperative housing corporation, a pro rata ownership interest in a tenant-owned mobilehome park, or a pro rata interest in a floating home marina.

19. **Williamson Act property.** In practical application, Williamson Act property and other property under contract and eligible for special assessment provisions (such as the Mills Act for historical property) will not be impacted *provided* the property remains under contract. The law requires these properties to be assessed at the *lowest* of three specified values. While a new base year value would be reset if a change in ownership occurs under the new trigger, this value would likely be greater and will not become the basis of assessed value.

20. **Floating Homes.** Manufactured homes that are not on permanent foundations are classified as personal property pursuant to section 5801(b)(2). However, they are treated as real property in that they are reassessed upon a change in ownership or completion of new construction and receive a base year value pursuant to section 5802. Floating homes are in a similar situation in that they are treated differently for property tax purposes. Section 229 provides that floating homes are not vessels, but are treated as real property for property tax assessment purposes. Under RTC section 480, whenever a change in ownership of real property, a manufactured home, or a floating home occurs, the transferee must file a change in ownership statement with the county assessor. When the assessor requests a transferee file a change in ownership statement and the statement is not filed timely, a penalty is imposed pursuant to section 482(a). This bill removes floating homes from this penalty requirement. This would create an inequity between sections 480 and 482 in that transferees of floating homes are required to file a change in ownership statement, but no penalty would be imposed if a transferee refuses to file upon an assessor's request. We recommend that the penalty requirement for floating homes remain in section 482(a).

21. **Regulations.** This bill requires the BOE to prescribe regulations as may be necessary to carry out the bill's purposes. The BOE already has this authority pursuant to Government Code section 15606(c). Property Tax Rule 462.180 clarifies changes in ownership of legal entities.

[9] The parent-child change in ownership exclusion does not apply to transfers of ownership interests in legal entities, except to the extent the uncodified note of Section 63.1 is followed [Section 2 of Stats. 1987, Ch. 48 (AB 47), as amended by Section 6 of Stats. 2006, Ch. 224 (SB 1607)].

22. **BOE implementation and revenue impact report to the Legislature.** This bill requires the BOE to report the revenue impact and frequency of reassessments resulting from the new change in ownership trigger by January 1, 2021. However, the BOE does not obtain assessed value changes of properties owned by legal entities. To gather this data, assessors must track and report to the BOE the necessary data once the assessor completes the reassessment of the properties owned by the legal entity.

    Additionally, the information obtained by January 1, 2021 will not reflect reassessments that occur in a 36 month period as set forth in section 64(c)(1)(B)(ii)(IV)(ib), because only 24 months will have transpired.

23. **What is a "split roll?"** Typically, the term "split roll" means taxing various property types (for example, residential v. commercial) according to a different tax rate or value standard. In the context of reassessment of legal entity owned property, some use the term to reference modifying the change in ownership provisions related to legal entity ownership interests to trigger more frequent reassessment, such as this bill proposes. A true "split roll" is not possible without a constitutional amendment.

24. **Modifying "Change in Ownership" provisions.** While Proposition 13 amended the Constitution to provide that a "change in ownership" triggers reassessment, it did not define the phrase. Statutory language defines the term and specifies transfers included or excluded from a change in ownership. Thus, statutory amendments modifying the original statutory definitions are permissible.

Costs: The BOE's cost to administer this bill is pending. Legal entity changes in ownership are complicated. This bill represents the first substantive change to legal entity change in ownership law since the initial definitions were crafted. This bill requires new regulations; changes to existing regulations, handbooks, taxpayer guidance materials, change in ownership reporting forms and instructions; and an additional question on the state income tax return. Furthermore, currently relied upon annotated letters on legal entity change in ownership law will not always be relevant. Additional resources will be needed to research, study, and answer new opinion requests from within the agency, the counties, and taxpayers. Under this bill, since an ownership interest is not counted again once it has been counted to determine whether a change in control or ownership of a legal entity has occurred, assessors and the BOE would be required to search for and identify all previous ownership transfers in order to verify whether the interest transferred had already been counted. Additionally, the existing LEOP database may need to be updated to track the percentage interested transferred in order to ensure the 90 percent threshold is enforced and double counting does not occur. For the Legislative report, the BOE would need to coordinate with each county assessor's office since the BOE does not currently obtain any value information on properties affected by a change in control or ownership, to track the bill's revenue impact as required.

Revenue Impact: **Background, Methodology, and Assumptions.** Existing property tax law specifies a change in ownership occurs when a legal entity or other person obtains a controlling or majority ownership interest in the legal entity. SB 1237 requires real property owned by a legal entity be reassessed whenever 90 percent or more of the ownership interests in that legal entity are sold or transferred in a single transaction. "Single transaction" means a plan consisting of one or more sales or transfers of ownership interests on or after January 1, 2019, including those that occur within a 36-month period, as defined. The bill subjects real property owned by legal entities to reassessment more often than under current law. The result is an increase in assessed value and an increase in property tax revenue.

Estimating the revenue increase is difficult, as we do not know how many times such transactions occur in California. However, based on a recent sample of county assessment roll data, staff estimates 2017-18 legal entity assessed values to be $1.052 trillion.

Each year, the Board conducts a study to determine the effective assessment level (i.e., the percentage difference between assessed value and market value) for commercial/industrial property in order to determine the assessment level for rail transportation property (the 4R Ratio). The latest study, based on the 2016-17 assessment roll, finds the effective assessment level is about 61 percent. Applying this ratio to the estimated legal entity-owned assessed value, we estimate current legal entity market value to be:

$1.052 trillion / 61 percent, or $1.725 trillion

While it is difficult to predict the annual number of legal entity property reassessments under SB 1237, staff used the aforementioned 4R Ratio study to determine the rate of transfer of all commercial property. Our study suggests four percent of commercial properties on average are subject to reassessment each year to current market value. Assuming legal entities track closely with the commercial property rate of transfer, the revenue impact at the basic one percent property tax rate is:

Estimated Legal Entity Assessed Value	**Estimated** 4R Ratio	**Estimated** Legal Entity Market Value	**Estimated** Increase in Assessed Value	**Estimated** Annual Rate of Transfer	**Estimated** Annual Revenue Gain at the Basic 1 percent Rate
$1.052 trillion	61 percent	$1.725 trillion	$673 billion	4 percent	$ 269 million

This bill would also increase the penalty from 10 percent to 15 percent of taxes due for failure to file legal entity change in control statements with the Board. According to the Board's County-Assessed Properties Division, transactions subject to this penalty are minimal, historically not more than 10 percent of all filings. Assuming an average assessed value for property owned by legal entities to be $300,000, we estimate the revenue impact of increasing the failure to file penalty to be less than $1 million annually. This amount may decrease over time as the increased penalty becomes a deterrent to late filing.

Revenue Summary: Based on the preceding assumptions, the annual revenue gain could amount to about $269 million.

Qualifying remarks: The revenue estimate is based on limited county roll data. It gives an indication of the order of magnitude of the revenue impact of SB 1237. The impact will vary from year to year depending upon the number of annual transactions and the value of properties owned by a legal entity.

This revenue estimate does not account for any changes in economic activity that may or may not result from enactment of the proposed law.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

HOME COALITION
FAIRNESS FOR SENIORS, FAMILIES, AND WILDFIRE VICTIMS

Get the Facts

The Family Home Protection and Fairness in Property Tax Act of 2020

FACT: This Measure Protects Homeownership and Provides Property Tax Savings for Families, Seniors, and Victims of Wildfires

- Allows homeowners who are 55 and older, people with severe disabilities, or victims of natural disasters and wildfires to transfer their property tax base to a replacement home that better meets their needs - such as closer to family or medical care.
- Opens housing inventory to make homes more readily available for first-time homeowners, families, and Californians throughout the state.
- Protects the right of grandparents and parents to pass the family home to their children so families can move into the home as their primary residence without paying big tax increases.
  [CAAG File No. 19-0003, Section 2, Page 1-2; 19-0003, Section 3, Page 2; 19-0003, Section 6, Pages 5-14]

FACT: This Measure Could Generate Hundreds of Millions for Local Schools, Cities, and Counties and close Budget Gaps Created by COVID-19 Shut Downs

- By closing tax loopholes, school districts, cities, and counties in California would likely gain hundreds of millions of dollars in needed revenue over time. That's hundreds of millions in revenue for schools and local government to balance local budgets and fund programs such as healthcare services, firefighters, emergency services, housing and homeless services.
  [LAO Fiscal Report, October 2017; LAO Fiscal Impact 8/22/19]

FACT: This Measure Closes Unfair Tax Loopholes Hurting Local Schools and Public Safety, and that Make Housing More Expensive and Less Accessible for Californians

- Stops tax schemes and deceptive practices that cost California's schools and local government up to $1.5 billion every year.
- Ends tax breaks used by out-of-state investors and non-California residents to improperly shield their vacation houses, second homes, and investment property to avoid paying their fair share of property taxes.
- Closes tax loopholes some corporations use to acquire business properties without paying property taxes on the real value of the business property when it was sold.
  [Los Angeles Times, 8/17/18, 8/24/18; San Diego Union Tribune, 8/17/18; LAO Fiscal Report, October 2017, LAO Fiscal Impact, 8/22/19; CA A.G. File No. 19-0003, Sections 2-3]

Frequently Asked Questions

HOME COALITION
FAIRNESS FOR SENIORS, FAMILIES, AND WILDFIRE VICTIMS

What will The Family Home Protection and Fairness in Property Tax Act do to benefit Californians?

- Protect homeowners' rights and provide property tax savings for families, homeowners 55 or older, people with severe disabilities, and victims of wildfires and natural disasters.
- Generate hundreds of millions in new funding for local schools and public safety programs like firefighters, emergency services, libraries, housing and homeless services. This funding will play a key role in our state's economic recovery from the pandemic.
- Protect the right for children and grandchildren to inherit and move into the family home without foregoing the benefits of the property tax base of the family home as intended under Prop 58 (intergenerational transfers).

How does the initiative provide housing relief?

The initiative would allow homeowners who are 55 and older and people with severe disabilities to transfer their current property tax base to a replacement home anywhere in California up to three times. Transfers due to natural disasters and wildfires are not counted against the limit. Additionally, the initiative will open housing inventory to make more homes available for new families and first-time homeowners.

How does the initiative benefit families?

The initiative would protect the right for a grandparent or parent to pass their family home onto their children and grandchildren so families can affordably move into the home as their primary residence, safeguarding family transfers which are currently under threat of removal or elimination.

How will the initiative benefit schools and local communities?

Local municipalities and school districts would likely gain tens of millions of dollars in the first few years, growing to hundreds of millions of dollars over time to help fund public safety and emergency response, county hospitals, health care, homeless services, and local housing programs.

What is the fiscal impact to cities and counties?

All cities and counties across California will benefit from this initiative. According to the title and summary prepared by the Attorney General and a fiscal analysis conducted by the Legislative Analyst's Office for this initiative, local governments could gain tens of millions of dollars of property tax revenue per year, likely growing over time to a few hundred million dollars per year. Schools could receive similar property tax revenue gains. Other local and state revenues each could increase by tens of millions of dollars per year.

In addition to expanding tax base portability, what is changed by the initiative?

The initiative closes unfair tax loopholes that cost local governments and schools up to $1.5 billion per year.

This initiative protects the original intent of voter approved Prop. 58 - to allow parents and grandparents to pass the family home to their children or grandchildren. The family home will not be reassessed as long as it is used as a primary residence.

With this change, vacation houses, investment property or second homes that are transferred or inherited will be reassessed. These properties will no longer be shielded from reassessment. This will generate hundreds of millions of dollars in property tax revenue for local government and schools.

Finally, this initiative will close a tax loophole used by corporations to acquire business properties without paying property taxes on the value of the property at the time it is sold. Now, business properties owned by a legal entity will be reassessed if 90 percent or more of the ownership of the legal entity is transferred, even if no single person or entity gains more than 50 percent ownership. According to the Board of Equalization, this change alone is likely to generate $269 million annually.

When will this initiative be on the ballot?

On April 22, 2020, The Family Home Protection and Fairness in Property Tax Act qualified for the November ballot. Polling completed after the pandemic began confirms that voters overwhelmingly support the ballot initiative after hearing the initiative's provisions.

HOME COALITION
FAIRNESS FOR SENIORS, FAMILIES, AND WILDFIRE VICTIMS

HOME Coalition: Ballot Initiative Frequently Asked Questions

What will The Family Home Protection and Fairness in Property Tax Act do to benefit California?

- **Generate hundreds of millions in new funding for local public schools and colleges, public safety programs like fire protection, emergency services, libraries, affordable housing, and homeless services. This funding will play a role in our state's economic recovery from the COVID-19 pandemic, with long-term revenue for years and decades to come**
- **Provide needed exemptions for our most vulnerable residents- seniors, people with severe disabilities, and victims of wildfires and natural disasters**
- **Eliminate tax loopholes on luxury vacation houses, second homes, investment property, and beachfront rentals used to avoid paying hundreds of millions in property taxes while protecting family homes so children and grandchildren can affordably inherit and move into their parent's or grandparent's home without a major tax increase**
- **Requires corporations to report ownership changes triggering business property reassessment**

How does the initiative provide housing relief for our most vulnerable?

The initiative would allow senior homeowners, victims of wildfires or natural disasters, and people with severe disabilities to transfer their current property tax base to another home in California that better meets their needs. Additionally, the initiative will open housing inventory to make more homes available for new owners or renters. The sale of the property would be assessed at the current tax base.

How does the initiative benefit families and support vital services in their community?

The initiative ends tax loopholes used to avoid paying hundreds of millions in annual property taxes, while preserving the ability of children and grandchildren to affordably inherit and move into the home of a parent or grandparent. By ending tax breaks used by wealthy out-of-state residents, investors, and celebrities to avoid paying their fair share of property taxes on luxury vacation houses, second homes, beachfront rentals, and income property will generate hundreds of millions for local communities throughout the state.

How will the initiative benefit local public schools and local communities?

According to the Legislative Analyst Office, school districts and local government would EACH gain tens of millions of dollars in the first few years, growing to hundreds of millions of dollars per year, to help fund public safety and emergency response, public schools, county hospitals, health care, homeless services, and local affordable housing programs. And while those sums are not enough to fully restore the impact of the COVID-19 pandemic, they are an important part of California's recovery.

How will the initiative affect commercial property?

The initiative eliminates loopholes that improperly allow corporations to acquire business and commercial property to avoid reassessment, and avoid paying property taxes based on the property's market value. It also requires corporations to disclose ownership changes that trigger business property reassessment. This provision does not affect or impact the Schools and Community First ballot measure, it simply broadens the definition of business ownership changes that trigger reassessment.