

# Common Claims About Proposition 13



Presented to:

**California Society of Municipal  
Analysts**

**Legislative Analyst's Office**

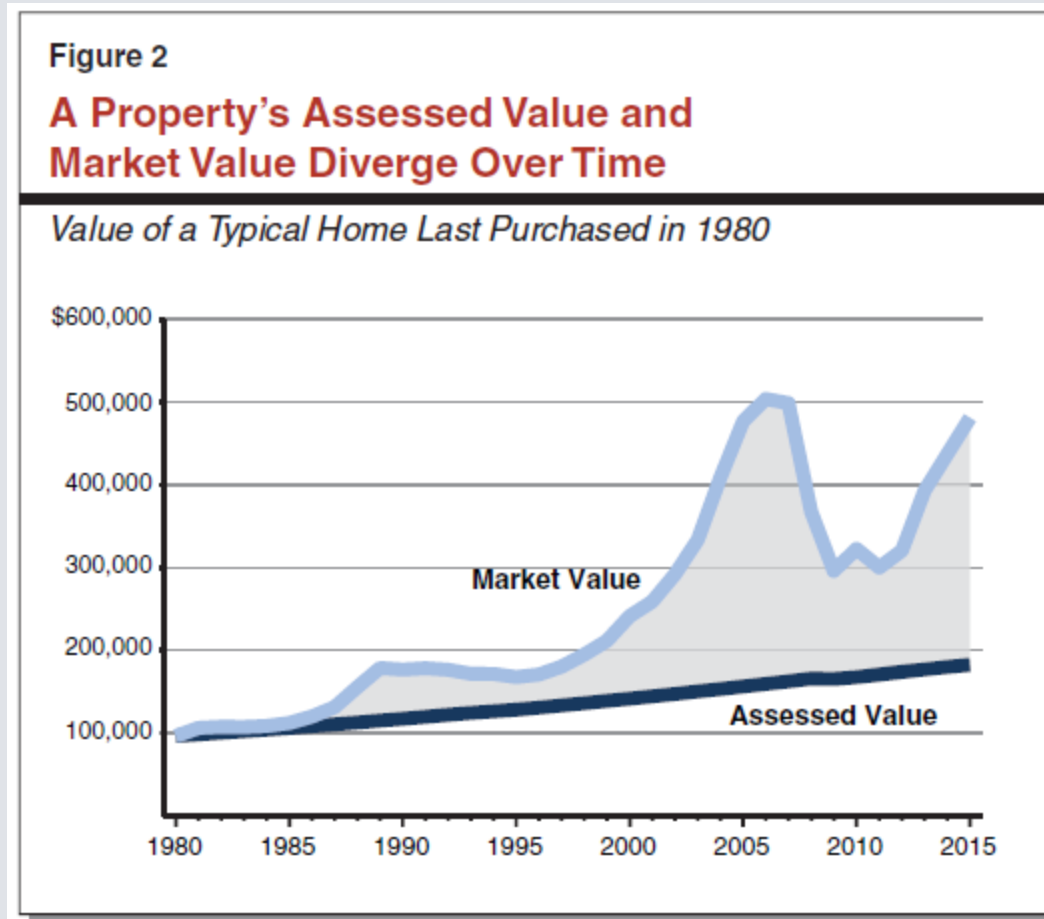
# Property Tax Basics

- **Second largest source of revenue in California after the personal income tax**
- **Raised over \$62 billion in 2016-17**
- **Taxable value and property tax rate determine tax bill**

# Proposition 13 Basics

- **Proposition 13 limits property tax rate to 1% (with some limited exceptions)**
- **Directs the Legislature to divide the 1% rate**
- **Taxable value based on the purchase price**
  - Increases annually by 2 percent or inflation, whichever is lower
  - When purchased, the property is taxed at its market value again

# Taxable Value and Market Value Diverge Over Time

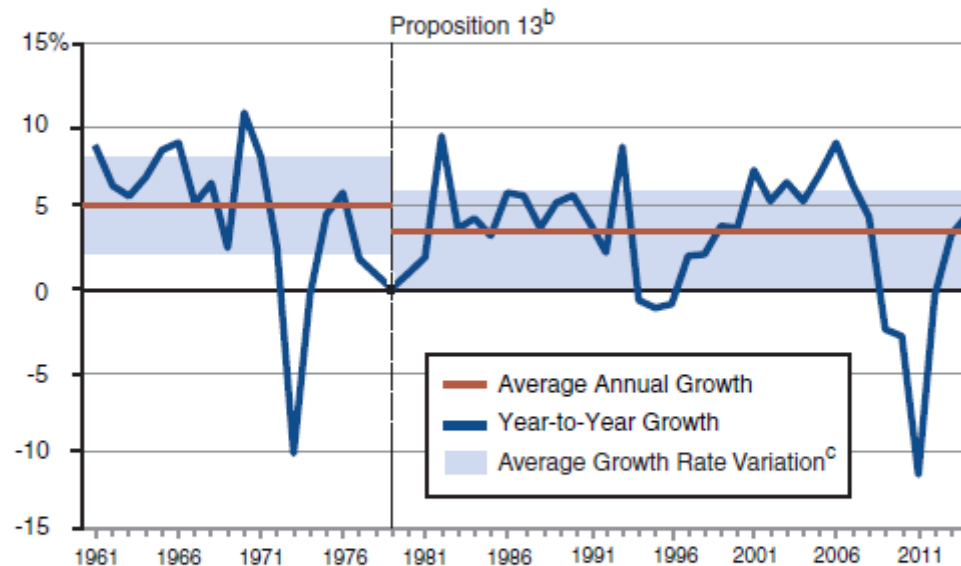


# Revenue Similarly Stable Before and After Proposition 13

Figure 13

## Property Tax Revenue Similarly Stable Before and After Proposition 13

*Percent Change Local Government Property Tax Revenue<sup>a</sup>*



<sup>a</sup> Growth rates calculated based on property tax revenue in 2014-15 dollars.

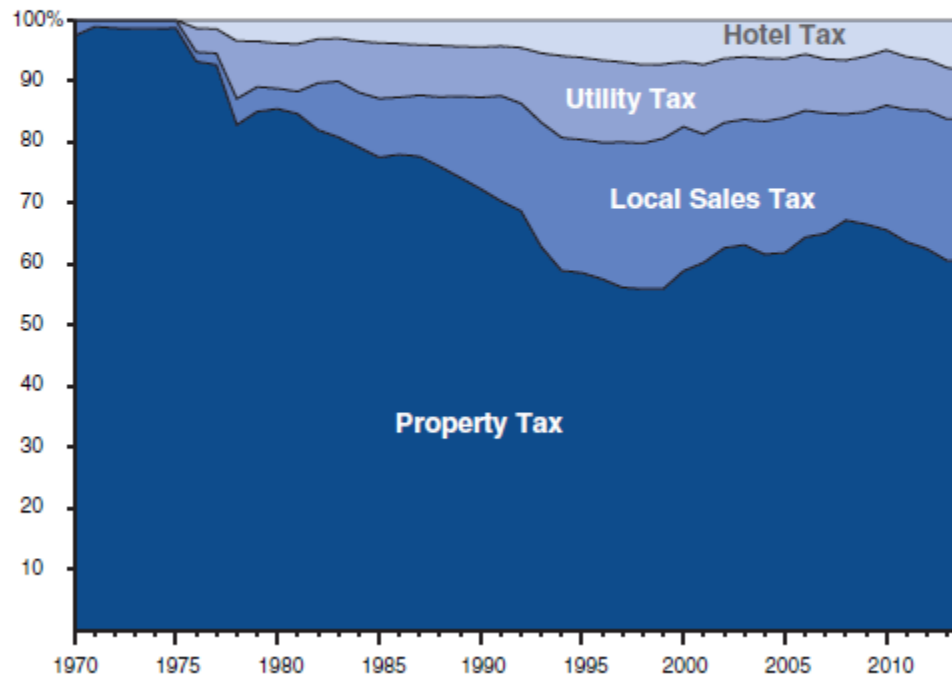
<sup>b</sup> Proposition 13 reduced property tax revenue by almost 60 percent in the first year. The decline in revenue due to Proposition 13 is removed from the figure to maintain the scale of year-to-year change before and after Proposition 13.

<sup>c</sup> The mean absolute deviation for the percent change in property tax revenue before and after Proposition 13 is 3 percent.

# Local Governments Increasingly Rely on Other Taxes

**Figure 15**  
**Cities and Counties**  
**Increasingly Rely on Other Taxes**

*Share of City and County Tax Revenue by Source*

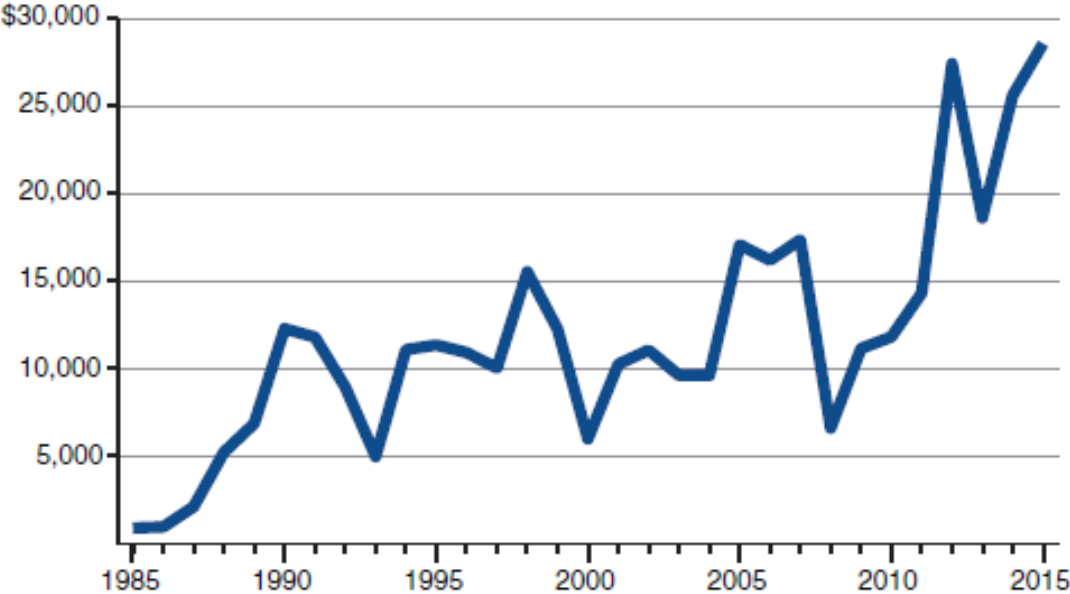


# Assessments for Development Also Increased

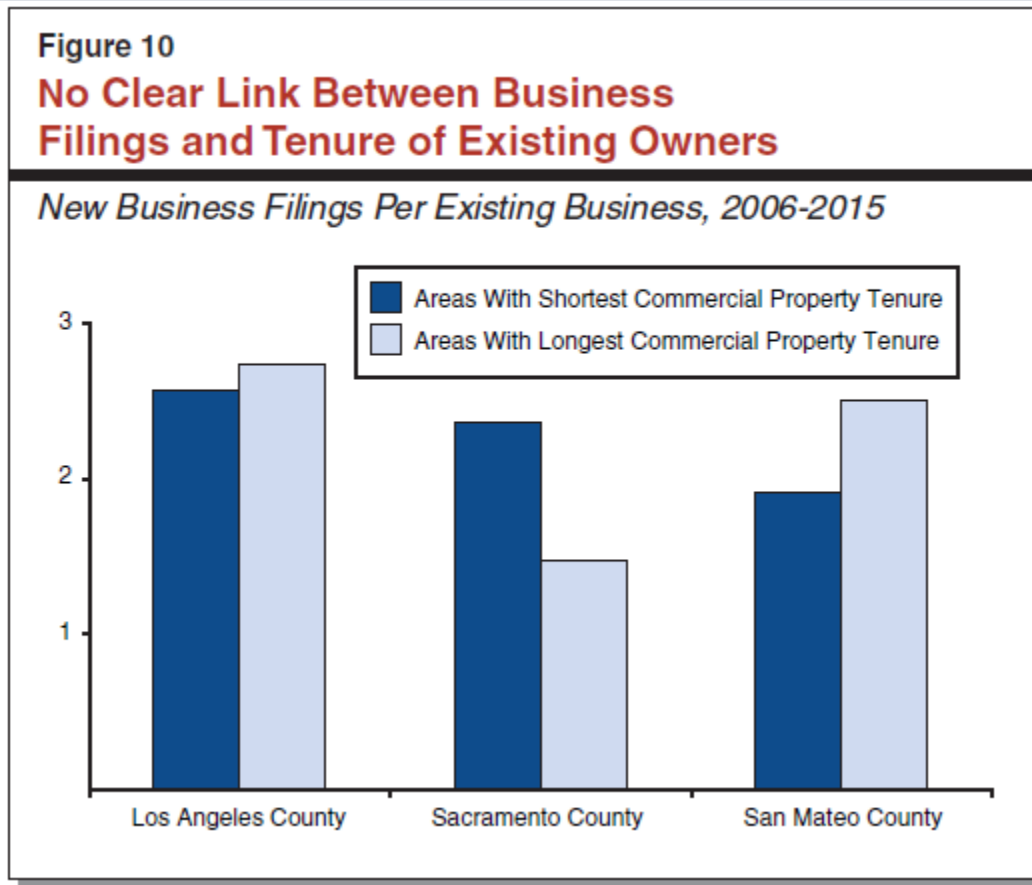
Figure 24

## New Development Assessments Increasing

*Mello-Roos Assessments Per Residential Building Permit (2014-15 Dollars)*



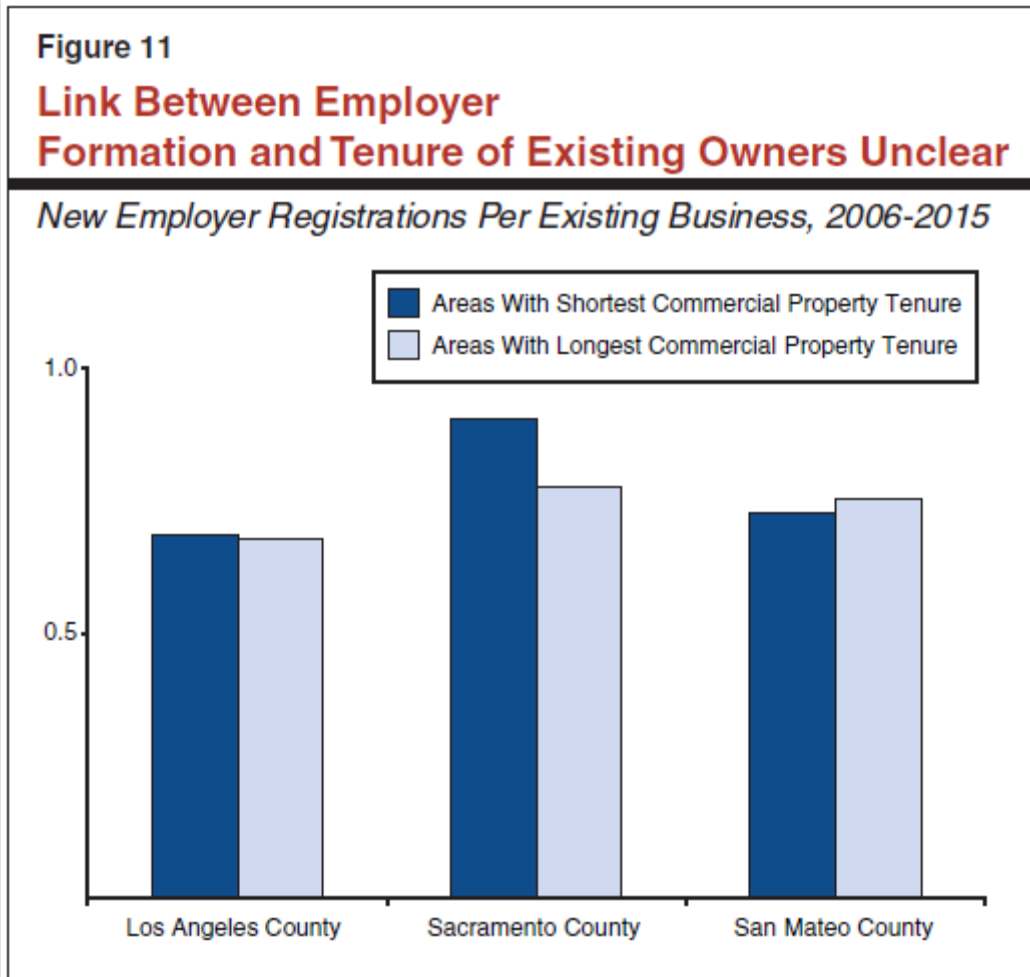
# Potential Effect on Business Formation Unclear





# Potential Effect on Business Formation Unclear

(Continued)



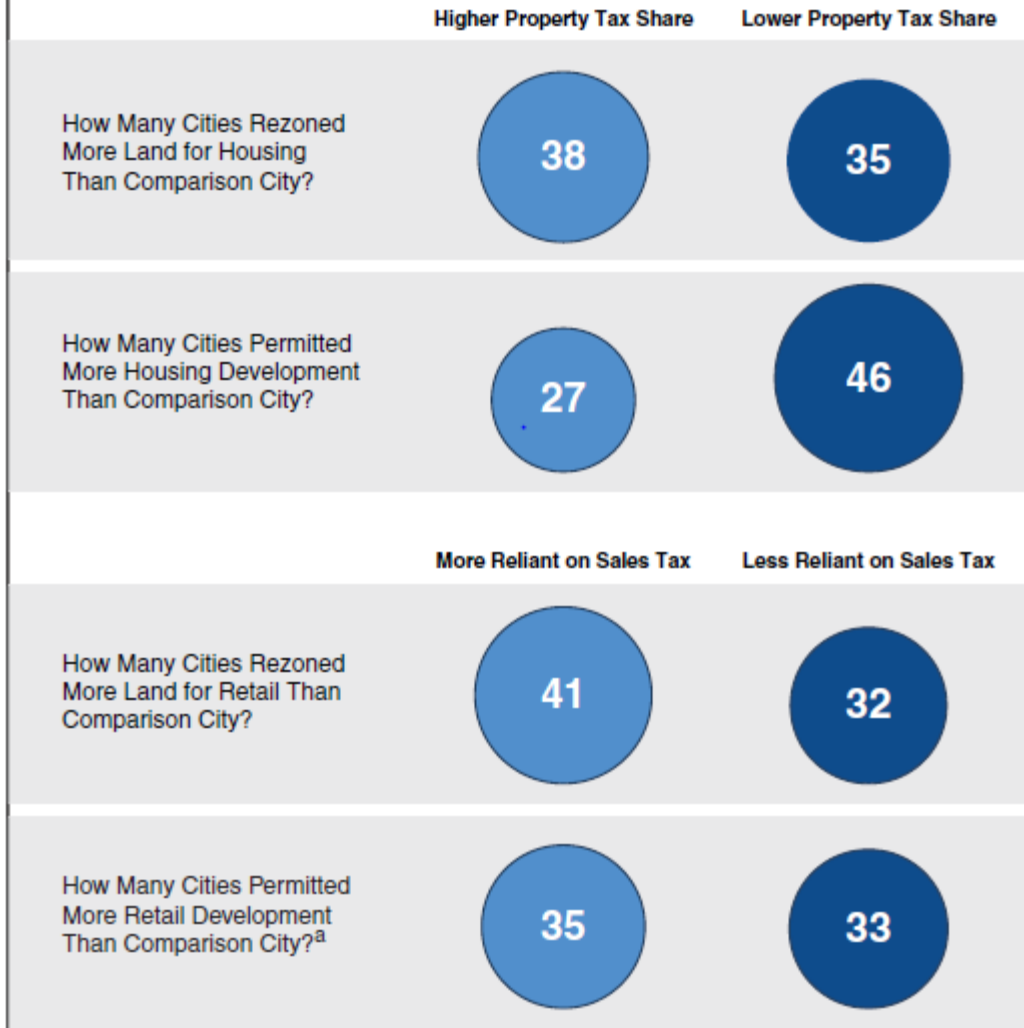
# Little Evidence Fiscal Incentives Drive Land Use Decisions

- **Compared land use decisions for similar cities (with different property tax shares)**
  - Little difference in *zoning* choices for housing
  - Cities with a lower property tax share *permitted* more housing
  - Cities more reliant on sales tax *zoned* more retail, but did not *permit* more retail

Figure 19

## Little Evidence That Fiscal Incentives Drive Land Use Decisions

*Comparison of Land Use Changes in 73 Pairs of Similar Cities, 2006-2015*



<sup>a</sup> Only covers the period 2013-2015. In five pairs of cities, neither city permitted any new retail.

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