

## **Economic Implications of Splitting California's Property Tax Rolls**

*Highlights of An Analysis of Split Roll Property Tax Issues and Impacts,*  
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## **Split Roll Would Raise Taxes on Businesses \$4 billion – \$8 billion per Year**

### **TWO EFFECTS:**

- 1. Immediate increase for properties not currently at FMV (initially big)**
- 2. Long-term faster increase in property tax increases because of elimination of Prop 13's 2 percent valuation growth cap**

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## Economic Impacts of a Split Roll Property Tax Are Huge

- Property values for commercial and industrial properties would be undermined
- Increase in \$6 billion in annual property tax payments means (initial five-year totals):
  - **396,345 jobs lost**
  - **\$71.8 billion in lost economic output**

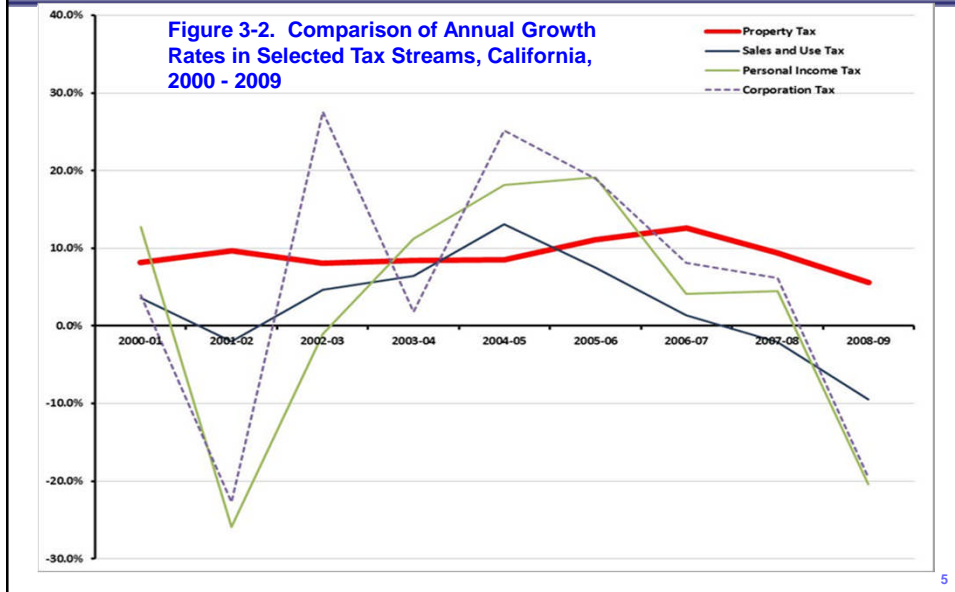
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## There Are a Lot of Unknowns in Estimating These Impacts, But Effects Are Significant

SCENARIO	First 5 Year Totals	
	Jobs Lost	Economic Output Lost (\$billions)
<b>Baseline</b>	<b>396,345</b>	<b>71.751</b>
Initial Difference between AV and FMV		
Small difference	272,606	49.375
Large difference	643,823	116.505
Using Historical Growth Rates	459,251	83.331
Sector Bearing New Burden		
Service and Trade	450,700	74.831
Mfg, Transp, Util, Constr	363,092	69.929

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**Because of Proposition 13 Property Taxes Are Currently a Very Stable Revenue Stream**



**Without It the Fiscal Problems of the Recession Would Have Multiplied**

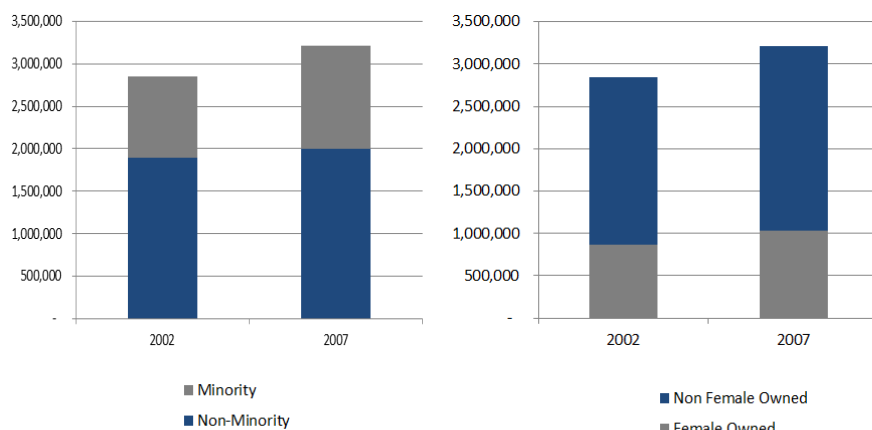


## Small Firms Would Be Hit the Hardest

- Smaller, less diverse real estate portfolios
- Lower cash reserves
- Service-driven businesses
- Newest businesses
- Much higher incidence of leases
  - Triple-net passthrough

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## And it Could Impact Newer Minority- and Female-owned Firms Disproportionately



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## **A Split Roll Property Tax, No Matter How It Is Constructed**

- **Costs jobs**
  - More likely female-owned
  - More likely minority-owned
- **Costs economic activity**
- **Weakens commercial and industrial real estate markets**
- **Directly increases volatility of public revenues and budgets**

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