Economic Implications of Splitting California’s Property Tax Rolls

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
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

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

<table>
<thead>
<tr>
<th>SCENARIO</th>
<th>First 5 Year Totals</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Jobs Lost</td>
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<tr>
<td>Baseline</td>
<td></td>
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<tr>
<td>Initial Difference between AV and FMV</td>
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<tr>
<td>Small difference</td>
<td>272,606</td>
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<tr>
<td>Large difference</td>
<td>643,823</td>
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<tr>
<td>Using Historical Growth Rates</td>
<td>459,251</td>
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<td>Sector Bearing New Burden</td>
<td></td>
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<tr>
<td>Service and Trade</td>
<td>450,700</td>
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<tr>
<td>Mfg, Transp, Util, Constr</td>
<td>363,092</td>
</tr>
</tbody>
</table>
Because of Proposition 13 Property Taxes Are Currently a Very Stable Revenue Stream

Figure 3-2. Comparison of Annual Growth Rates in Selected Tax Streams, California, 2000 - 2009

Without It the Fiscal Problems of the Recession Would Have Multiplied

Market Value Annual Growth

Assessed Value Annual Growth
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

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