

PROPERTY TAX LIMITATION

Adopted by Convention Delegates May 4, 1978

Reviewed by Board of Managers March 2013

- WHEREAS,** The California State PTA, in its Legislative Platform, states that PTA will support adequate financing of essential public services, including education; and
- WHEREAS,** Property taxes are a major source of income for such vital services as education, police and fire protection; and
- WHEREAS,** There is urgent need for property tax relief for homeowners and renters of this state; and
- WHEREAS,** Two-thirds of the total assessed valuation of property in the state is attributed to commercial and industrial property; and
- WHEREAS,** General property tax relief could cause a shift from business-paid property taxes to such alternative revenue sources as sales and personal income taxes, which impact disproportionately upon individuals; now, therefore, be it
- RESOLVED,** That the California State PTA oppose property tax relief measures which would provide most of the benefits to owners of commercial and industrial property; and
- RESOLVED,** That the California State PTA support legislation which would provide property tax relief for the benefit of homeowners and renters, with assurance of adequate replacement revenues for the support of quality public education and essential local government services; and
- RESOLVED,** That the California State PTA support a constitutional amendment which would permit a lower property tax rate for owner-occupied dwellings than for other property.

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BACKGROUND SUMMARY

California State PTA has played an active role in opposing previous attempts to restrict the sources of funds for local governmental services and public education in California. Proposition 14 of November 1972, and Proposition 1 of November 1973, actively opposed by PTA, were measures proposing to limit the revenues and expenditures of local and state government. Both were defeated.

A proposed property tax limitation initiative constitutional amendment, Proposition 13, appearing on the June 6, 1978, statewide ballot would:

1. Establish a property tax rate limit of 1% of full cash value, other than for bonded indebtedness approved by the voters prior to the time the initiative would take effect.

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2. Require a two-thirds vote of each house of the Legislature to increase state revenues to replace the funds lost to those entities currently receiving property taxes, including cities, counties, and school districts.
3. Also require a two-thirds vote of the qualified electors within a city, county, or school district wishing to levy a tax.
4. Go into effect on July 1, 1978, except for the two-thirds vote requirement for the Legislature to increase state revenues, which would go into effect immediately.

It has been estimated by the state Legislative Analyst that Proposition 13 would cut local property tax revenues by \$7 to \$8 billion. In the fiscal year 1976-77, combined state revenues from the sales and use tax and personal income tax amounted to just over \$8 billion. In that year, it would have been necessary to double both the sales and use tax and the state personal income tax to generate \$8 billion in replacement revenues. Because the revenue from these sources increases annually, it is currently projected that either a doubling of the sales tax rate or a 150% increase in the personal income tax would raise an estimated \$7.5 billion.

While some two-thirds of the property tax relief would go to owners of business, commercial and income property, replacement revenues could well impact the homeowners to a disproportionate degree, as would be the case with increases of the sales tax and/or personal income tax, the two largest sources of state revenues. Renters would have no assurance that any of the property tax relief would benefit them, as there is no requirement that the tax savings be passed on to tenants.

The property tax relief which is absolutely essential for homeowners can and must be achieved without depriving public education and other governmental services of vitally needed funding sources.

Because of the inadequate time to provide replacement revenues or plan budget cuts, the difficulty of achieving a two-thirds vote of each house of the Legislature to increase state revenues, the virtual impossibility of acquiring a two-thirds vote of all qualified electors to raise special local taxes, and the vital need for such property-tax-supported services as police and fire protection and public education, proposals such as Proposition 13 must be defeated.