



A Discussion of Parcel Taxes: SB 592 of 2003 (Santa Clara Countywide Parcel Tax)

Parcel Taxes are Regressive and Inefficient. With subdivided residential land, parcels tend to correlate more closely to ownership than with business property, open space or agricultural land. For residences, one single family dwelling tends to represent a single parcel. In multi-family dwellings, time-shares, commercial property, agriculture land and open space, parcels do not necessarily reflect a single ownership. One integrated tract of property may have multiple parcels or one parcel may reflect a very large and valuable tract of land. For example, a single condominium unit may have many parcels and a time share may have separate parcels for each share owner producing multiple parcel taxes on a single plot of land. What's more, with parcel taxes, there is no correlation to value (the million dollar home pays the same as the hundred thousand dollar home, condominium or business parcel). These problems have been illustrated in administering the statewide parcel tax for state responsibility areas for fire suppression adopted last year. SB 592 would be significantly more complicated because of the urban areas not covered by the statewide parcel tax.

SB 592 Disproportionately Burdens Residential Property Owners. Parcel taxes tend either to disproportionately burden business property (producing a de facto split of the property tax roll) or residential property. In Santa Clara County, more than 92% of the parcels are residential properties. The tax authorized by SB 592 would therefore fall significantly onto the backs of homeowners. Some policy makers have advocated splitting the property tax roll to increase taxes on business properties because, they have argued, the property tax has been shifting onto residential property owners since the passage of Prop. 13. While we would dispute that assertion, SB 592 would expressly shift this property tax obligation onto residential landowners thus exacerbating what is already perceived to be a problem of property tax burdens in California. Although SB 592 is limited in its authorization to Santa Clara County, like most limited authorizations to tax, they are no sooner passed than measures are proposed to expand them.

Because districts already have the authority to impose a parcel tax (and many in Santa Clara County have adopted them) SB 592 adds little other than to potentially force new and higher taxes on districts whose voters believe these taxes are not necessary for their district. Coupled with the inefficiency of parcel taxes generally and their disproportionate burden on residential land owners and we think SB 592 should be reconsidered.