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## **Los Angeles Mayor Urges End to Tax Limits for Businesses**

By TAMARA AUDI

Calling California's law limiting property taxes "a corporate tax giveaway," Los Angeles Mayor Antonio Villaraigosa said Tuesday he wanted businesses removed from the protections of the measure, known as Proposition 13.

Mr. Villaraigosa, a Democrat and president of the U.S. Conference of Mayors, said the law—which limits annual property-tax increases to no more than 2%—should apply to homeowners but not corporations.

That change would generate an estimated \$2.1 billion to \$8 billion annually in funds for the cash-strapped state, he said.

"We could take half the money we generate to fund schools and use the other half to cut taxes for homeowners," Mr. Villaraigosa said during a speech in Sacramento. "We can spur the housing market in the process. Phase it in over time to soften the impact on business."

Supporters of the law rejected Mr. Villaraigosa's suggestion.

"It's the single most devastating policy decision that California can make to adversely affect our economic rebound," said Teresa Casazza, president of the California Taxpayers Association, an advocacy group that represents businesses in the state. "It will significantly increase taxes on small businesses that are trying to create jobs."

Proposition 13, passed in 1978, transformed California property-tax law and set off a national tax-overhaul movement. It was passed by a majority of voters as a reaction to property taxes that were rising sharply and in some cases, forcing residents out of homes when they could no longer afford their tax bills.

Under the law, the state's property-tax rate is fixed at 1% of a home's current assessed value and annual increases are limited unless the property is sold.

According to the California Taxpayers Association, which opposes the change, homeowners pay around 40% of the property-tax burden, while "non-homeowners" including businesses and owners of rental properties, pay 60%.

Critics of Proposition 13 have said it unfairly burdens homeowners, while letting corporations get around triggering a tax increase when companies change hands or take on new partners.

Still, attempts to change the law, which enjoys wide support among California voters, haven't succeeded. But there has been some support for taxing businesses separately, known as a "split roll." Mr. Villaraigosa's speech reignited the debate over such a change.

"I think it's a step in the right direction," said Lanny Ebenstein, president of the California Center for Public Policy, which supports the mayor's idea.

"This issue comes up every once in a while. It's like a recurring nightmare," said Jon Coupal, president of the Howard Jarvis Taxpayers Association, which pushed for Proposition 13 and is against a split roll. Mr. Coupal says if the mayor's plan moves forward, "we will do what we've done for 30 years which is to defend Prop. 13."

Both critics and supporters of making such a change said they were unsure if Mr. Villaraigosa's decision to weigh in on the matter would have an impact.

Others wondered at the timing of the speech. The mayor's term ends in 2013, and his political future is unclear.

"I think the mayor is positioning himself to the left of Jerry Brown for governor or for Senate or he wants to go out in 2013 in a blaze of glory saying I was the real Democrat in the state," said Jessica Levinson, a Loyola Law School professor and expert in California politics.