

BROAD-BASED TAX MEASURES PROPOSED FOR NOVEMBER 2012

| Initiative | Subject | Overview of Key Provisions | Sponsor |
|---|--|---|--|
| Government Spending Limit Act of 2012 (11-0092) | Spending Reform | <ul style="list-style-type: none"> • Updates the Base Year of the Gann Spending Limit. Changes the base year from 1986-87 to 2010-11 to make the limit effective. • Changes How Proceeds Above the Limit Are Treated. Under current law, amounts in excess of the limit are to be refunded 50 percent to schools and 50 percent to taxpayers. The proposed limit is: If the debt service exceeds 5 percent of the limit, all funds in excess of the limit are to be used to pay down debt service. If debt service is less than 5 percent of the limit, 50 percent of the excess between \$0 and \$2 billion will go to schools (but will not be added to the Proposition 98 base) and 50 percent will go to a prudent reserve. If the excess is more than \$2 billion, it all will be returned to taxpayers by a reduction of tax rates or fees. • Strengthens Proposition 26, Clarifies Proposition 25. Clarifies that legislation resulting in a tax increase requires a two-thirds vote, including legislation that authorizes local governments to impose such taxes. | California Taxpayers Association, Small Business Action Committee, Howard Jarvis Taxpayers Association |
| Governor's Tax Increase (12-0001) | Sales and Use Tax, Personal Income Tax | <ul style="list-style-type: none"> • Personal Income Tax Increase. Increases the personal income tax rate 1 percent for individual filers with taxable income above \$250,000 (\$340,000 for HOH), 1.5 percent for taxable income above \$300,000 (\$408,000 for HOH), and 2 percent for taxable income above \$500,000 (\$680,000 for HOH). Amounts for joint filers would be double the amounts for single filers. Takes effect for the 2012 tax year and expires after five years. • Sales & Use Tax Increase. Increases the state sales and use tax by 0.5 percent from January 1, 2013 through January 1, 2017. • Realignment of State/Local Service Responsibilities. Freezes the governor's realignment funding into the constitution for state/local prison funding. Voids a challenge currently being litigated by schools. • Continuously Appropriates Revenue to Schools. Earmarks additional revenue for K-14 schools, generally in proportion to revenue limits. The appropriation is self-executing, and funds will be allocated even if no state budget is passed. | Governor Jerry Brown |
| Tax the Rich, Fund Higher Education (11-0091) | Personal Income Tax | <ul style="list-style-type: none"> • Adds Surcharge to Existing Personal Income Taxes. Adds an income tax surcharge to the existing PIT and the 1 percent "millionaire's tax." A 3 percent tax would be imposed on taxpayers with a taxable income of \$1 million to \$2 million; a 5 percent tax would be imposed on taxpayers with a taxable income of \$2 million or more. • Money for Schools. Revenue would help fund the California Community Colleges, the California State University and the University of California systems. | California Federation of Teachers |
| Tax the Rich, Fund K-12 Education (11-0100) | Personal Income Tax | <ul style="list-style-type: none"> • Adds Surcharge to Existing Personal Income Taxes. Adds an income tax surcharge to the existing PIT and the 1 percent "millionaire's tax." Taxes would be graduated. A single filer would pay 0.4 percent on income between \$7,316 and \$17,346; \$368 plus 1.6 percent for income between \$48,029 and \$100,000; \$18,649 plus 2.1 percent for income between \$1 million and \$2.5 million; and \$50,149 plus 2.2 percent for income above \$2.5 million. • Money for Schools. Revenue would be spent on various education-related costs and the revenue would be exempted from the state constitution's appropriations limit, and from the Proposition 98 formula for establishing the minimum general fund spending for schools. • Sunset Provision. The taxes would expire December 31, 2024, unless the voters re-approve an extension of the act. | Molly Munger |

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| Split Roll (11-0087) | Property Tax | <ul style="list-style-type: none"> • Re-assesses Property at "Current Fair Market Value." Requires California's 58 county assessors to re-assess non-residential property based on the property's "fair market value" <i>at least</i> every three years. • Exempts Residential Property. Residential property would remain under Proposition 13 acquisition value assessments. • Creates Exemption for Personal Property. Exempts the first \$1 million of business personal property from property taxation. • Increases the Homeowners' Exemption/Renters' Credit. Starting in 2015-16, homeowners would receive a homeowners' exemption in the amount of \$14,000 (currently, the exemption is \$7,000). (The value of this change is \$70 per homeowner.) Renters also would receive a higher credit (joint filers with AGI of \$50,000 or less would receive \$240, single filers with AGI of \$25,000 or less would receive \$120). | Remcho, Johansen, and Purcell |
| Effectively Prohibits Tax Reductions (11-0068) | Budget Changes | <ul style="list-style-type: none"> • Effectively Prohibits a Tax Reduction. Effectively prohibits legislation (including the Governor's budget) that reduces taxes by \$25 million or more, unless another tax is increased or funding for an existing program is reduced or eliminated. • Stops Last-Minute Legislation. Requires legislation to be available to the public for at least three days before it can be acted on. • Prohibits the Legislature From Re-introducing Failed Legislation. In the second year of the legislative session, no legislator would be allowed to introduce legislation that contains similar content of a bill that did not pass the house of origin during the first year. • Authorizes Governor to Reduce Spending During Budget Deadlock. If the Legislature and governor are unable to come to a budget agreement by June 15, the state deadline for passing a budget, the governor – by executive order – would be authorized to reduce general fund expenditures necessary to avert deficit spending. The Legislature could override the executive order with a two-thirds vote. • Other Budget Changes. This initiative includes a number of other budget changes, including requiring the state budget to be on a two-year cycle, re-establishing a committee approach to budgeting, requiring local government to base budgets on performance standards, and redirecting the sales and use tax to local governments. | California Forward, Nicolas Berggruen |
| Mandatory Single Sales Factor (11-0080) | Corporate Income Tax | <ul style="list-style-type: none"> • Requires Use of Single Sales Factor. Requires businesses to calculate corporate taxes by using the single sales factor apportionment formula. • Funds for Green Projects and Education. Raises an estimated \$1 billion annually to fund energy efficiency projects for public and private buildings, job training programs, and K-12 schools and community colleges. | Joseph Caves, Thomas Steyer |
| Repeals Prop. 26 (11-0078 and 11-0079) | Definition of Taxes & Fees | <ul style="list-style-type: none"> • Repeals Proposition 26 for Certain Businesses. Repeals provisions of Proposition 26 by authorizing the state to impose charges and fees by a majority vote on a business whose activities cause an environmental impact (11-0078), or on "any activity" that causes an environmental impact (11-0079). | Joseph Caves |