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## With 2.1 Million Californians Out of Work, a Property Tax Increase Is the Last Thing We Need



By Gina Rodriguez

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As we approach the 33<sup>rd</sup> anniversary of the voters' approval of Proposition 13, efforts to undo the initiative's property tax protections are getting more attention.

The biggest threat is AB 448, by Assemblyman Tom Ammiano, who announced last year that he would like to "nuke" Proposition 13 in its entirety. His legislation would take a big step toward this goal by repealing Proposition 13 protections for employers, even as the state struggles with a 12 percent unemployment rate.

Under Proposition 13, property is assessed based on the acquisition value, and this value cannot increase more than 2 percent in any given year, unless there is new construction or a change in ownership. When property changes ownership, it is reassessed based on the purchase price.

AB 448 would trigger frequent reassessments of property owned by legal entities (incorporated businesses, partnerships, trusts, etc.) by requiring a "change in ownership" reassessment even when there is no actual change in ownership. For example, it would require reassessment of property at current market value based on changes in a publicly traded company's stock, even when no change of control takes place.

The measure goes out of its way to try to raise taxes on employers. While it states that it would apply "when 100 percent of the ownership interests in a legal entity ... are sold or transferred in a single transaction," it defines a "single transaction" as not just a single transaction! Indeed, a "single transaction" would include cumulative transactions in a three-year period, and sales of a single share of stock, transferred many times, could trigger a property reassessment.

Most importantly, a split roll would devastate California's already ailing economy, and would put more people in the unemployment line. With more than 2.1 million people looking for jobs, this is the last thing we need.

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By drastically increasing property taxes on business owners, a split roll would lead to higher product prices, reduction in employee salaries, and a reduction in overall economic activity. The property tax increases would hit small businesses hard, because they typically are less likely to be able to absorb large, unforeseen increases in costs. Even business owners who lease space would be impacted, as rental costs would increase along with the property taxes.

A split roll would do all of this significant damage to the economy, but wouldn't help solve the current budget crisis, because it would not yield a penny in revenue this fiscal year. A reassessment could occur only on the next lien date (January 1) - assuming that the county assessors would be able to quickly hire a large number of new workers to get all of their work done by then - and the property taxes would not be due until December 2012, long after the 2011-12 fiscal year has ended.

As recent state tax collections have shown, economic growth is the best source of new revenue. Anything that jeopardizes growth is a recipe for fiscal problems. The Legislature should focus on fostering more growth and more jobs, and should reject AB 448 as a step in precisely the wrong direction.

*Gina Rodriquez is vice president of state tax policy for the California Taxpayers Association, a non-partisan, non-profit organization formed in 1926 to support good tax policy, oppose unnecessary taxes and promote government efficiency. CalTax is online at [www.caltax.org](http://www.caltax.org) .*

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