



## **ACA 16 – Fact Sheet**

### **Split Roll Property Tax**

A split-roll property tax represents a massive increase in costs for businesses operating in California. This tax increase will result in costlier consumer products and a less-competitive business climate for California industries that we should encourage to expand and create jobs. A split roll tax policy would imperil the state's economy and would be the single most damaging tax increase that could occur in our state.

The split roll being proposed would deny inflation protection to business property assessments so that taxes on these properties are regularly increased based on paper gains in the value of the property. The split roll also transforms a stable and reliable source of revenue into one more susceptible to the boom and bust cycle of the economy that managed improperly will imperil public finances.

Consider the following:

- Even the most limited split roll will increase taxes by billions of dollars annually. The Governor's Office of Planning and Research (OPR), analyzing Proposition 167's split-roll scheme of 1992, said it would boost taxes by as much as \$2 billion a year, a figure that obviously would be higher today. More recent studies suggest a split roll could impose more than \$3 billion in added taxes on business in California.
- OPR also found that the Proposition 167 split roll property tax would reduce the number of jobs in California by nearly 75,000 within two years and cause personal income in the state to fall by \$11.4 billion. Voters rejected that initiative.
- The split roll adversely impacts large and small businesses alike because any business that leases real property will see the cost of their rent increase to meet the added costs of the split roll property tax assessments as most commercial leases allow for increases in rent to reflect increased property taxes.
- Split-roll property taxes are new hidden taxes on consumers, because businesses will be required to raise prices of their products and services to cover the higher tax. Higher prices make California industry less competitive in national and global markets.
- Retirees whose pension funds invest in California industries will see the value of their funds reduced as these businesses become less competitive and less profitable.
- Employees who desire to live and work in California will see other states, even other countries, try to entice business operations out of California. Canada, for example, has used tax incentives to lure considerable movie-making businesses away from California.

- A return to market value assessments shifts taxes from an objective standard (“sales price”) to a subjective one (“assessors’ opinion of value”), leading to unfair assessments and more appeals.
- Recent studies comparing actual market values to assessed values for property tax purposes show that assessed values for property tax purposes of business properties are far more closely aligned with actual market value than are residential dwellings.

**Administrative Consequences:**

- The split roll will result in huge increases in property tax administrative costs, as assessors must revalue property much more often requiring many more appraisers to do reassessments.
- The split roll creates more volatility of local property taxes, leading to boom and bust revenue streams (a big influx of revenue and additional spending, followed by a reduction as property values fall, forcing big cuts or increases in other taxes), which will cause problems similar to those caused by the volatility of the state’s tax structure.