



## **SPLIT ROLL WOULD DEVASTATE CALIFORNIA'S ECONOMY**

A recently filed "split roll" property tax initiative would undo Proposition 13 protections for businesses in California, bringing back an unpredictable method of assessing property taxes and dramatically raising taxes on employers, making it even harder for small businesses to survive.

CalTax opposes this measure, noting that it would make it even harder for 2.1 million out-of-work Californians to find jobs. The best way to increase state revenue is to improve private-sector job creation, CalTax notes.

The major provisions of the property tax increase initiative:

**Revives Flawed Assessment Method.** The measure would require all of California's 58 county assessors to assess most non-residential property, including most business property, based on the property's "fair market value" – as subjectively determined by elected officials, rather than the actual market – at least once every three years. Property used for commercial agricultural purposes and currently exempt property are excluded from these reassessment provisions. This would return the state to a flawed method of assessing property used prior to the property tax reform of 1978.

**Exempts Most Residential Property.** Most residential property – including multi-family units intended to be used as a permanent residence – would remain under Proposition 13's acquisition-value assessments.

**Creates Exemption for Personal Property.** The measure exempts the first \$1 million of tangible personal property from taxation. (In California, businesses pay an annual property tax on computers, machinery, furniture and other "business personal property.")

**Negligible Increase in the Homeowners' Exemption.** Starting in 2015-16, homeowners would receive a homeowners' exemption in the amount of \$14,000, up from the current \$7,000. While this sounds impressive, the actual value of the change is a mere \$70 per homeowner, per year – a savings of less than \$6 per month that would be far outpaced by the higher cost of living consumers would face when business owners raised prices to cover out-of-control property tax increases.

**Negligible Increase in Renters' Credit for Those Who Qualify.** The initiative includes an income tax change as well as property tax increases. For those who qualify, the renters' credit (an income tax credit) would increase slightly. For example, a single taxpayer with adjusted gross income less than \$25,000 could file for a credit of \$120, up from the current \$60. This \$5-a-month savings would be far outpaced by the higher cost of living caused by the initiative.

**Use of Revenue.** A portion of the revenue would go to counties for administration, some to local government, and the rest to the state.