



For Immediate Release – May 8, 2002
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Split-Roll Property Tax Would Kill Thousands of California Jobs

Larry McCarthy, president of the California Taxpayers' Association (Cal-Tax), issued the following statement upon Senate approval today of SB 1662 (Peace):

“It is a huge disappointment that the California Senate would threaten this state’s economy at this time with passage of legislation that could lead to a split-roll property tax.

“Even though SB 1662 is described as intent legislation that attempts to balance a massive tax increase with other favorable tax changes, the imposition of additional property taxes on owners of commercial property, as suggested in SB 1662, would be one of the most damaging tax policy changes that could occur in California. It has been proposed in the past and rejected by voters as a destructive, ill-advised idea.

“Furthermore, the timing of this measure could not be worse. The state’s economy is struggling to recover from a serious downturn, and this measure would discourage investment and creation of jobs in California by making this state’s consumer products more expensive and less competitive in the market place.”

The legislation is intended to force a property tax reassessment for companies with publicly traded stock when 50 percent of the shares change hands. This provision is contained in an omnibus tax restructuring bill.

Facts About a Split-Roll Property Tax in California

- Even the most limited split roll will increase taxes billions of dollars annually. The 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. Voters rejected that initiative. The fiscal impact would be higher today.
- OPR also found that a split roll 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. This 1992 estimate of impact would be higher now.
- Split-roll property taxes are new hidden taxes on consumers, because businesses will raise prices of products to cover the higher tax.

- Higher prices on products and services will make California industry less competitive in national and global markets, further reducing viability of private-sector jobs in California.
- Hidden taxes from a split roll will result in larger, more expensive government that is less accountable.
- 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 business away from California.
- A return to market value assessments will return to the evils of the assessment theory of “highest and best use.” Assessors will value many properties on the basis of higher use, with higher taxes forcing the taxpayer to move on.
- A return to market-value assessments will shift taxes from an objective standard (“sales price”) to a subjective one (“assessors’ opinion of value”), leading to unfair assessments and more appeals.

(Note: SB 1662 will next be considered in the Assembly. McCarthy is available for interviews. Contact Ron Roach – 930-3104)