

PIECING TOGETHER CALIFORNIA'S PARCEL TAXES

An In-Depth Survey of Local Special Taxes on Property



ABOUT THE CALIFORNIA TAX FOUNDATION

The California Taxpayers Association (CalTax) is widely praised for the quality of its advocacy and research. In an effort to elevate public discourse on tax policy, CalTax established the California Tax Foundation as its research and education arm. The Foundation bolsters CalTax's efforts to promote sound tax policy by engaging in nonpartisan research and thoughtful policy work.

Over the years, the Foundation has won several national research excellence awards, and has had a positive impact on the development of public policy. The Foundation has developed a reputation for factual, objective research, advancing discussions on important public policy issues.

The Foundation has undertaken research of critical importance, including publishing in-depth studies, policy papers and fact sheets on important tax topics to educate taxpayers about sound tax policy and government efficiency. While the California Tax Foundation serves as the research arm for CalTax, it is a separate entity.

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EXECUTIVE SUMMARY

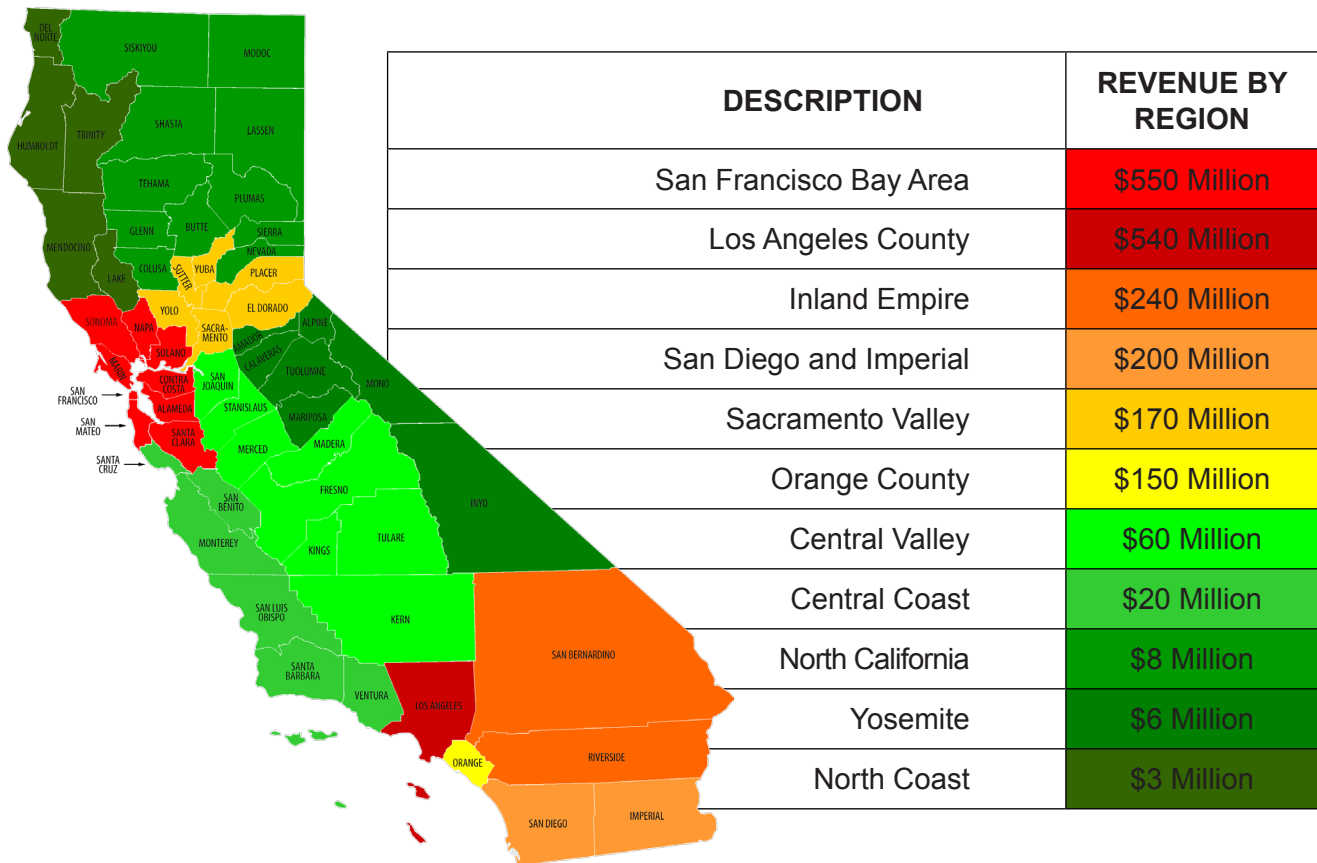
For more than 35 years, local governments in California have had the power to tax property owners through the parcel tax. During this time, the parcel tax has become a fragmented source of revenue, with no centralized structure, marginal oversight, and little, if any, accountability. There are few rules by which local governments must abide when drafting local tax proposals. Extreme variations exist among local government parcel taxes, in terms of rates, exemptions, effective dates, and uniformity standards. Despite these problems, the parcel tax is one of the most widely used sources of revenue among the Golden State's local governments. In

fiscal year 2013-14, California property owners paid more than \$1.9 billion in parcel taxes. Until now, no comprehensive data on the parcel tax has existed.

This study marks the first comprehensive review of California's parcel tax structure, and the parcel taxes currently levied by local government. After reviewing the data, the California Tax Foundation believes that major reforms are needed if the parcel tax continues to be used as a source of revenue for local governments.

In October 2013, the California Tax Foundation launched this study to obtain data on parcel taxes. We contacted every local entity that levies a

**FIGURE 1:
PARCEL TAXES BY REGION**

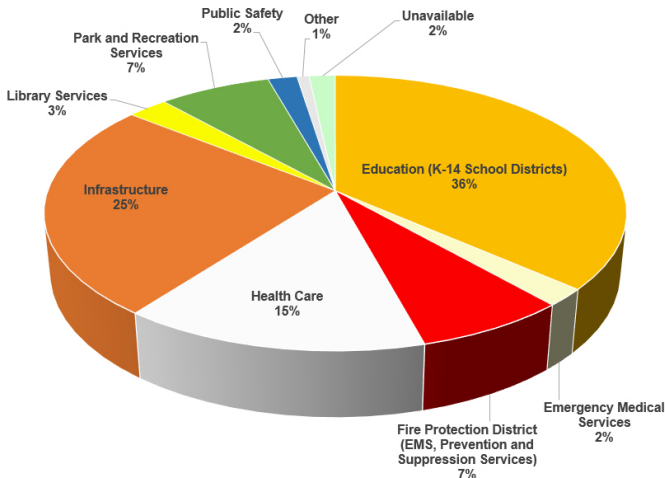


Source: www.caltaxfoundation.org/reports/ParcelTaxReport-Appendix2.pdf

EXECUTIVE SUMMARY

**FIGURE 2:
REVENUE FROM PARCEL TAXES**

Parcel taxes identified in this report generated \$1,985,575,620.36, for the services identified below:



Source: www.caltaxfoundation.org/reports/ParcelTaxReport-Appendix2.pdf

parcel tax, submitted hundreds of California Public Records Act requests to local governments, and spent countless hours discussing parcel taxes with representatives of local government. While information obtained from local governments after June 15, 2014 was not able to be included in this report, the California Tax Foundation plans to identify these taxes online at www.caltaxfoundation.org/center-for-special-taxes. After collecting and analyzing more than 11,000 documents, we concluded that the parcel tax is far more complicated than anyone ever imagined.

The purpose of this study is to provide an overview on parcel tax trends, to better understand how the tax works, and where the tax can be improved. Among the Foundation's findings:

- California property owners paid more than \$1.9 billion in parcel taxes in 2013-14.
- There were 1,790 parcel taxes imposed by 754 local governments, as identified in this study.
- The largest single parcel tax, in terms of cumulative cost to property owners, was

levied in Los Angeles County to fund the county's medical emergency and trauma care system. In 2013-14, the tax was levied at \$0.0424 per square foot of building improvements, generating approximately \$270.7 million.

- Parcel taxes imposed in Los Angeles County and the nine-county San Francisco Bay Area accounted for 55.1 percent of all parcel tax revenue statewide, while the Inland Empire (Riverside and San Bernardino counties) imposed more parcel taxes numerically than any other region (see Figure 1).
- Of the parcel taxes identified, K-14 school parcel taxes generated 36 percent of the overall revenue. (see Figure 2).
- Of the parcel taxes identified, 64 percent were imposed under the Mello-Roos Act. Generally, Mello-Roos parcel taxes are approved by landowners to fund new development, and, once debt payments on development are repaid, the taxes expire. However, approximately 12.7 percent of Mello-Roos parcel taxes are levied indefinitely to fund police services, fire services, public transit, education, or other services, without ever being approved by the general electorate – and almost all include an annual increase to adjust for inflation.
- Approximately 26 percent of the parcel taxes identified do not contain a sunset date, and, thus, will be imposed indefinitely (unless modified by voters or local officials).
- Of the 1,790 levies identified, 117 were Proposition 218 assessments.

The parcel tax is a major source of revenue for many communities. Voters – regardless of income level or political ideology – have approved parcel taxes in virtually every community throughout the state, rural, urban and suburban. However, our study found that the parcel tax contains numerous policy concerns, as there are no common standards, practices or equalization to ensure that the tax is applied fairly and transparently.

THE EVOLUTION OF PARCEL TAXES

THE EVOLUTION OF PARCEL TAXES

Parcel taxes are imposed on parcels of property – sections of land identified by number by the assessor of each county. A parcel tax is different from a traditional *ad valorem* property tax, in that it is imposed on a per-parcel basis, and is not based on the value of the property.¹ In California, parcel taxes are imposed locally, and are classified as “special taxes” under Proposition 13.

Proposition 13, the People’s Initiative to Limit Property Taxation, was an initiative overwhelmingly approved by California voters on June 6, 1978. The initiative limits taxation by requiring less frequent property reassessments, establishes vote thresholds for new and higher taxes approved by the Legislature, and sets vote thresholds for local taxes. While Proposition 13 was designed to protect taxpayers from higher taxes and to limit the imposition of local property taxes, much of local government’s modern taxing authority has been expanded by the courts.

Proposition 13’s Article XIII A, Section 4, reads: “*Cities, counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except *ad valorem* taxes on real property or a transaction tax or sales tax on the sale of real property within such City, County or special district.*”² Special taxes include transient (hotel/motel) occupancy taxes, utility user taxes, and local sales taxes, to name a few. Parcel taxes, however, are the most frequently imposed special tax.

Given that Proposition 13 is strongly associated with tax limitation, it is hard to believe that Howard Jarvis or Paul Gann, the authors of Proposition 13, intended to expand local taxing authority. However, that is exactly what happened as California’s tax system evolved after the initiative was approved.

Evolving Power of Local Taxing Authority

Long before passage of Proposition 13, property-related assessments had been used widely in California. Until the Great Depression, property-related assessments were a key revenue source for municipalities. Many of these assessments were designed similarly to what later would be known as a Proposition 218 benefit assessment, rather than as a special tax.

However, during the Great Depression of the 1930s, many property owners defaulted on these benefit assessments. The defaults made it difficult for local governments to repay debt, thus damaging municipal credit. As a result, property-related assessments were used sparingly by local governments after the Depression, until passage of Proposition 13 in 1978. Property-related assessments in the 1960s and 1970s generated \$20 million to \$50 million annually.³ By 1985, property-related assessments generated more than \$700 million annually.⁴

Despite the intent of Proposition 13’s sponsors, the Legislature’s chief counsel suggested a different interpretation of how Proposition 13’s tax limitations applied to local taxes. The legislative counsel opined that the term “special taxes” is determined by the purpose of the tax, rather than the type or structure of the tax. In 1982, the California Supreme Court upheld this interpretation.⁵

In 1986, voters approved Proposition 62, the Voter Approval of Taxes Act, which established new requirements for the adoption of new or higher general and special taxes by local agencies. Proposition 62 restated that taxes to be used for special purposes must receive a two-thirds vote of



1 “The Other Property Tax: An Overview of Parcel Taxes in California,” California Taxpayers Association, March 2013.

2 California Constitution, Article XIII A, Section 4.

3 Governor’s Office of Planning and Research. “A Planner’s Guide to Financing Public Improvements.” June 1997.

4 Ibid.

5 *City and County of San Francisco v. Farrell* (1982) 32 Cal.3d 47.

THE EVOLUTION OF PARCEL TAXES

the electorate, but added a requirement that general taxes must receive a majority vote from local voters. Local governments turned to property-assessment financing to avoid the voter-approval requirements of Proposition 13 and Proposition 62.

Defining Special Taxes

Proposition 62 was approved on the heels of the California Supreme Court's *Farrell* decision, which said a "special tax" that required voter approval under Proposition 13 is a tax imposed for a "specific purpose," thereby giving a more restrictive reading to the phrase "special tax" than the drafters of Proposition 13 had intended. But a definition of "general tax" was needed. Proposition 62 declared that all taxes are "either general or special," and then defined "general tax" to be a tax imposed for "general governmental purposes."

Lawsuits from government entities tied up Proposition 62 for years, but in 1995, in *Santa Clara County Local Transportation Authority v. Guardino*⁶, the California Supreme Court declared Proposition 62 to be constitutional. Provisions of Proposition 62 were further strengthened by Proposition 218, the Right to Vote on Taxes Act, which was approved by voters in 1996 to protect taxpayers by limiting the methods by which local governments can create or increase taxes, fees and charges without taxpayer consent; and to require voter approval prior to imposition or increases of general taxes, assessments, and certain user fees.

Proposition 218 made additional changes and further defined the terms "general tax" and "special tax." The initiative added Articles XIIIC and XIID to the state constitution to specify that property-related levies that provide a general benefit to the public are actually taxes, rather than assessments that provide a specific and proportional benefit to the property owner.

Generally, property assessments had been used to pay for services or property-related benefits, such as sidewalk maintenance, street lighting,

roads, sewage disposal, trash, and water service. After passage of Proposition 218, many of these assessments that had been in existence prior to 1996 were made exempt from the initiative. Specifically, any assessment imposed prior to July 1, 1997, was exempt from Proposition 218 if the assessment funded capital costs, maintenance or operation expenses for "sidewalks, streets, sewers, water, flood control, drainage systems or vector control"; or "any assessment imposed pursuant to a petition signed by the persons owning all of the parcels subject to the assessment at the time the assessment is initially imposed." However, if any of the pre-existing assessments were increased after July 1, 1997, the increase must comply with the provisions of Proposition 218.

After Proposition 13, the Legislature expanded local governments' authority to impose property-related assessments to finance indirect benefits, such as fire-suppression services and park and recreation programs. Property assessments and service charges were used excessively by local governments and, in response, Proposition 218 provided that if local governments impose property-related assessments, the revenue must provide a proportional and specific benefit to the property owners who pay the assessment. If an assessment fails to provide such a benefit, the assessment is a special tax, and cannot be imposed unless it is approved by a two-thirds vote of the electorate. This vote requirement ensures that local governments justify a clear need for more taxpayer dollars.

In 2010, voters again upheld the distinction between property-related assessments and taxes with passage of Proposition 26, the Stop Hidden Taxes Act, an initiative co-sponsored by the California Taxpayers Association.

Distinctions Between Special and General Benefits

Determining whether a property-related levy is a "special tax," fee, or assessment can be complicated. In *Fenton v. City of Delano*, the Court of Appeal determined that special taxes and property assessments have different purposes. The court stated: "Taxes,' as the term is generally used, are public burdens imposed generally upon the

6 *Santa Clara County Local Transportation Authority v. Guardino* (1995) 11 Cal.4th 220.

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inhabitants of the whole state, or upon some civil division thereof, for governmental purposes, without reference to peculiar benefits to particular individuals or property. ‘Assessments’ have reference to impositions for improvements which are specifically beneficial to particular individuals or property, and which are imposed in proportion to the particular benefits supposed to be conferred.”⁷

Taking into account court rulings and voter-approved initiatives, for purposes of the parcel tax, some distinctions have been made between special taxes and general taxes:

- **Special Tax.** A parcel tax is a special tax imposed on real property on a non-*ad valorem* basis to fund a specific government program or service (such as education, public parks, or public safety) that provides a “general benefit.”
- **Property Assessments and Property Fees.** Parcel taxes may include property-related assessments or fees that are not specifically labeled “taxes.” A true property assessment or property charge provides a “special benefit” to property owners (programs or services, such as pest abatement, trash service, street lighting or sidewalk repair, that specifically benefit the property). If an assessment or fee actually provides a “general benefit,” then it is legally a tax. Prior to passage of Proposition 218, some local governments imposed property assessments to provide “general benefits.”

Proposition 218 requires local governments to produce detailed engineers’ reports to analyze an assessment. In *Silicon Valley Taxpayers Association v. Santa Clara County Open Space Authority*, the court ruled that an engineer’s report must demonstrate that the assessment is imposed only for a special benefit, and noted that not all benefits can be considered special. The court opined: “If

everything is special, then nothing is special.”⁸

The engineer’s report plays a critical role in determining whether a property assessment or property fee/charge is a tax. A thorough report generally includes:

- A detailed description of both general and special benefits provided by the assessment.
- Demonstration of both proportional and special benefits provided.
- Quantification of general or special benefits.
- Established zones of benefit, with comparisons of benefits provided in each zone.
- Analysis of the degree of special benefit provided to a property based upon the proximity to various improvements, or other factors.
- Identification of costs associated with benefits.
- Consistent application of assessment methodology.

Authorization to Impose Parcel Taxes

Proposition 13 authorizes local governments to impose parcel taxes, but the legal relationship between municipalities and the State of California is influenced by “Dillon’s Rule.”

In 1868, Iowa State Judge John F. Dillon wrote an opinion, later upheld by the U.S. Supreme Court, which determined that municipalities obtain their authority from state government. Judge Dillon wrote: “It is a general and undisputed proposition of law that a municipal corporation possesses, and can exercise, the following powers, and no other: First, those granted in express words; second, those necessarily or fairly implied in, or incident to, the powers expressly granted; third, those essential to

7 *Fenton v. City of Delano* (1984) 162 Cal.App.3d. 400.

8 *Silicon Valley Taxpayers Association v. County of Santa Clara Open Space Authority* (2008) 44 Cal.4th. 432.

THE EVOLUTION OF PARCEL TAXES

the declared objects and purposes of the corporation not simply convenient, but indispensable. Any fair, reasonable doubt concerning the existence of power is resolved by the courts against the corporation, and the power is denied.”⁹ In California, “Dillon’s Rule” applies to counties, general law cities and special districts. Charter cities are considered “home rule” municipalities, so a charter city has powers that are not expressly granted to it.

The significance of “Dillon’s Rule” in relationship to parcel taxes is that unless California’s Legislature authorizes a local government (with the exception of a charter city) to impose a special tax, that local government cannot do so.

Shortly after passage of Proposition 13, a number of local governments sought legislative authority to impose special taxes, and the Legislature authorized general law cities and counties to impose taxes that could be imposed by charter cities. For a complete list of legislative authority expressly granting local governments to impose parcel taxes, see Appendix I.

9 *City of Clinton v. Cedar Rapids and Missouri River Railroad Company*, 24 Iowa 455 (1868).

PARCEL TAX ISSUES – PUZZLING PROBLEMS

Before reviewing California’s parcel tax trends and policy issues, the question remains whether parcel taxes are even legitimate under the state constitution.

Article XIII, Section 1 of the California Constitution states: “Unless otherwise provided by this Constitution or the laws of the United States: (a) All property is taxable and shall be assessed at the same percentage of fair market value. When a value standard other than fair market value is prescribed by this Constitution or by statute authorized by this Constitution, the same

percentage shall be applied to determine the assessed value. The value to which the percentage is applied, whether it be the fair market value or not, shall be known for property tax purposes as the full value. (b) All property so assessed shall be taxed in proportion to its full value.”¹⁰

Since Proposition 13 (Article XIII A, Section 4)

10

California Constitution, Article XIII, Section 1.

**FIGURE 3:
Sample Property Tax Bill**

Secured Property Tax for Fiscal Year July 1, 2013 to June 30, 2014

PROPERTY OWNER INFORMATION

Property ID: 1234567

Mailing Address:

John Sutter
1844 Micheltorena Parkway
Sacramento, CA 95864

PROPERTY VALUATION -- 1/1/2013

2013-14 Roll	Assessed Value
A Land	\$113,000.00
Improvements	\$224,000.00
Total	\$337,000.00
Less Exemptions	\$7,000.00
Net Assessed Value	\$330,000.00

In this sample tax bill, “Box A” identifies the “Net Assessed Value.” “Box B” shows the property’s tax levies calculated on the “Net Assessed Value” (which are known as ad valorem taxes). “Box C” identifies other levies that may appear on the property tax bill, but are not “property taxes.” “Box D” calculates the total tax amount due, and divides the amount into two amounts (the first installment is due December 10 and the second is due April 10).

DETAIL OF TAXES DUES

AGENCY	RATE	AMOUNT
General Tax Levy	1.0000	\$3,300.00
Voter-Approved Debt Rates		B
County (Road Improvement)	0.0200	\$66.00
River Water District	0.0015	\$4.95
Tevis Unified School District	0.1018	\$335.94
Haggin Community College	0.0170	\$56.10
Direct Levies		C
CFD 1993-1 (Sewer/Drainage)		\$897.89
CFD 1993-2 (Public Safety)		\$218.27
Clean Creeks & Rivers Tax		\$89.50
Rancho Del Paso Cemetery		\$66.66
Lighting and Landscaping		\$10.63
Sac. Co. FPD (PCLTX-H)		\$128.44
Tevis USD (SPTAX-1999)		\$379.34
Total Taxes Due		D \$5,553.72
1st Installment		\$2,776.86
2nd Installment		\$2,776.86

PARCEL TAX ISSUES

prohibits special taxes from being based on the value of property, a literal reading of both sections of the constitution would conclude that special taxes may not be imposed on parcels, since a tax based on value is the only form of taxation on property that may exist. At the very least, Article XIII, Section 1 requires all property to be taxed in a uniform manner.

We have not located any instance in which the courts have been asked to review the legality of parcel taxes under Article XIII, Section 1 of the California Constitution.

When surveying California's parcel taxes, there are a number of trends and policy issues.

Oversight and Accountability

California has nearly 4,000 eligible taxing jurisdictions, and there is little oversight or accountability. Parcel taxes lack sufficient transparency. And, with the exception of this study, little data currently exists about parcel taxes.

One of the principles of good tax policy is that taxpayers should understand how taxes are assessed and collected, and how the funds are used. Typically, the only information taxpayers receive about parcel taxes comes via a line item with a phone number on their property tax bill, which may not provide sufficient information about the tax (for an example of a property tax bill identifying parcel taxes, see Figure 3).

Two-Thirds-Vote Requirement Not a Barrier

The California Constitution provides that a special tax cannot be imposed, extended or increased without a two-thirds vote of the "electorate."¹¹ The courts have defined "qualified electors" and the "electorate" as the registered voters of a given jurisdiction.¹²

The two-thirds-vote requirement does not appear to be a barrier for passage of parcel taxes. Excluding Mello-Roos parcel taxes (which often are approved

by 100 percent of the voters), on average, parcel taxes in effect prior to July 1, 2013, were approved by 75.3 percent of voters. Even with the two-thirds vote requirement, parcel taxes generally are approved, and with overwhelming support.

Most parcel taxes are submitted to the electorate of a local government. A parcel tax election may coincide with a primary or general statewide election or a municipal election, or a special election may be called by the district, often using a vote-by-mail system. Some local governments hire third-party consultants to oversee the election results and balloting procedures.

If a parcel tax is imposed to finance a community facilities district under the Mello-Roos Act, voting procedures generally have been different. The Mello-Roos Act specifies that rather than a vote of the registered voters, only a vote of the landowners is necessary to approve a Mello-Roos parcel tax.¹³ However, a recent court decision may change this approach.¹⁴ In most cases, 100 percent of the voters approve Mello-Roos parcel taxes, as the voter is a property owner working with a local community to bring capital improvements to a development prior to beginning new construction.

Administration of the Parcel Tax

Parcel taxes are collected by county treasurer/tax collectors in the same manner, and at the same time, as the *ad valorem* property tax. Similar penalty and interest provisions apply if parcel taxes go unpaid.

Procedures for administering the tax vary. Some local governments authorize clerks, public works departments, budget/fiscal staff, or community volunteers to oversee parcel taxes. Parcel taxes also are commonly administered by third-party contractors. These firms may provide administrative services, and some consulting firms assist local governments in conducting public-opinion polling and campaign efforts before a levy is imposed.

11 California Constitution, Article XIII A, Section 4; California Constitution, Article XIII C Section 2(d).

12 *Neilson v. City of California City* (2005) 133 Cal.App.4th 1296.

13 Government Code Section 53326(c).

14 *City of San Diego v. Melvin Shapiro* (August 1, 2014) Fourth District Court of Appeals, Division One Case No. D063997.

Challenging a Parcel Tax

Some local governments specifically authorize property owners to file an appeal to challenge the levy and imposition of a special tax. A city council or a special district's governing board may act as the appeals board for the special tax, and will conduct hearings during public meetings. If the local government determines that the special tax was imposed erroneously, the local government may be authorized to refund excess amounts collected.

Other parcel tax ordinances and resolutions may authorize taxpayers to seek a refund of any tax paid if a taxpayer seeks to challenge the county assessor's classification of a property pursuant to Section 4876.5 of the California Revenue and Taxation Code. However, not every parcel tax measure outlines a process for appealing or challenging the levy or imposition of the tax.

Under Government Code Section 50077.5, many parcel taxes (those approved by voters before January 1, 1986) may not be challenged in court. For parcel taxes approved by voters on or after January 1, 1986, a taxpayer has only 60 days after the election to seek judicial actions or a proceeding to "validate, attack, review, set aside, void, or annul an ordinance or resolution," pursuant to the Code of Civil Procedure.¹⁵

Many parcel taxes include cost-of-living escalators to ensure that parcel taxes levied in perpetuity will keep up with inflation. Taxpayers may challenge such automatic increases under Government Code Section 50077.5, which states: "If an ordinance or resolution adopted pursuant to this article on or after January 1, 1986, provides for an automatic adjustment in the rate or amount of any special tax approved by the voters pursuant to this article, and the automatic adjustment increases the amount of the tax, any action or proceeding to attack, review, set aside, void, or annul the increase shall be commenced within 60 days of the effective date of the increase." If successful challenges were made under this section, over time, inflation eventually would reduce the burden of taxes levied in perpetuity.

Exemption Trends

While not always the case, parcel taxes typically are levied on parcels that also are subject to *ad valorem* property taxes. However, some local governments impose parcel taxes on church and charitable organization properties that are owned by nonprofits and are not subject to *ad valorem* taxes. For example, the city of Dublin imposes an Emergency Medical Services Tax of \$40 per parcel on churches (and other rates on other types of property). Such impositions occur infrequently. More common exemptions from parcel taxes include:

- **Senior Exemption.** Properties owned and occupied by people age 65 years or older often may obtain an exemption.
- **Disability Exemption.** Properties owned and occupied by people who receive Supplemental Security Income for a disability, regardless of age, often may obtain an exemption from parcel taxes. Other parcel tax ordinances/resolutions may offer an exemption for properties owned and occupied by those who receive Social Security Disability Insurance benefits, regardless of age, as long as the person's annual income does not exceed a certain threshold.
- **Contiguous Parcel Exemption.** Multiple parcels that are contiguous, and are owned by one owner, may receive an exemption in which the contiguous parcels are treated as one for tax purposes. Some local governments apply the contiguous rule only to parcels owned by homeowners, and only if the homeowner lives on the property.

Property owners may have to apply annually for exemptions by submitting forms to the city, county, special district, or other entity administering the tax. Some local governments that offer exemptions automatically grant an exemption to property owners who previously submitted an application. Applications for an exemption typically are available on a local government's website, where finance information is maintained.

15 California Code of Civil Procedure Section 860.

PARCEL TAX ISSUES

A Parcel Tax Is Forever

Local governments are not required to include sunset dates in a parcel tax ordinance/resolution, and while many parcel taxes do include sunset provisions, about one-third of the parcel taxes identified in the Foundation's survey will be imposed in perpetuity, with no sunset date. With annual cost-of-living adjustments according to the Consumer Price Index, and annual adjustments to a local government's Gann Spending Limit, as authorized by voters, local government parcel taxes may be imposed and increased annually.

Under the Gann Spending Limit (California Constitution, Article XIII B), every local government must set an annual appropriations limit by resolution each year. The voter-approved initiative prohibits local governments from spending revenue obtained from special taxes (called "proceeds of taxes" in the initiative) that are in excess of special tax revenue spent by the local entity in the prior year, plus inflation.

The method used by local government to

calculate inflation has an impact on taxpayers. Many rural governments utilize an urban Consumer Price Index in which the stated cost of living is much higher than it actually may be in a rural community.

Types of Parcel Taxes

The most common types of parcel taxes include a flat per-parcel levy based on the existence of a parcel within the boundaries of a county, city or special district; a flat levy based on the square footage of land or improvements located on a parcel; a per-acre tax; or a complex calculation that determines a property's "single-family equivalent" or "benefit unit." Some parcel taxes are even more complex, combining the methods above to determine a property owner's tax liability.

Flat levies are fairly straightforward. For every parcel located in a taxing jurisdiction, a levy is imposed.

Square-footage parcel taxes come in three varieties: taxes imposed on the square footage of the land; taxes imposed on the square footage

FIGURE 4: SINGLE-FAMILY EQUIVALENT TAX FORMULA

Assessment calculation for an owner of a commercial parcel in the city of East Palo Alto with a frontage of 160 feet and an area of 12,800 square feet:

Step 1 – Calculate Frontage SFE:

Frontage – 160 feet: $160 \text{ ft.} / 80 \text{ ft.} = 2 \text{ SFE.}$

Step 2 – Calculate Area SFE:

Area – 12,800 sq. ft.: $12,800 \text{ sq. ft.} / 6,400 \text{ sq. ft.} = 2 \text{ SFE}$

Step 3 – Calculate Total SFE:

Add Single-Family Equivalents From Frontage and Area: $2 \text{ SFE} + 2 \text{ SFE} = 4 \text{ SFE}$

Step 4 – Calculate Total Parcel Tax Liability:

Taxes Owed = Annual Parcel Tax Rate (\$50.00) Multiplied by Total SFE

$\$50 \times 4 \text{ SFE} = \200 Parcel Tax

of the improvements on a parcel; or some combination of these two factors. Parcel taxes levied on improvements may be inaccurate. Local governments obtain square footage information from the county assessor's office, but because assessors do not require accurate square footage data to assess property (since a locally assessed property's value is derived from the purchase price of the property, or acquisition value), it is not uncommon for square footage data to be inaccurate. Improvement data is difficult to maintain, because structural modifications and new construction are reported by property owners, and may not be accurate. In contrast, county assessors *do* have accurate data on the square footage of land. Assessors dedicate staff and resources to maintain and update parcel maps, which include the land square footage for parcels.

"Single-family equivalent" and "benefit unit" parcel taxes are perhaps the most complex forms of parcel taxation. Rates vary significantly, and are highly specific to a property.

Figure 4 is one example of how more complicated parcel taxes are structured. The city of East Palo Alto levies a special tax on non-residential parcels utilizing a "single-family equivalent" formula. The city's measure reads: "The tax for a Non-Residential Parcels is calculated using both frontage and square footage measurements to determine total Single Family Residential Unit Equivalents. A frontage of 80 feet for a commercial/industrial parcel, for example, is equal to one (1) single family resident unit equivalent. An area of 6,400 square feet for the commercial industrial parcel is equal to one (1) single-family resident unit equivalent. The tax is the annual rate (\$50.00) multiplied by the total number of Single Family Equivalents, or SFEs (determined by the frontage and square footage)."

Calculations such as this are being used less frequently, but for parcel taxes based on various units or equivalent calculations, the above example is a good portrayal of how such a tax may be determined.

A few local governments impose parcel taxes on a per-bed, per-room or per-employee basis. For example, the Broadmoor Police Protection District

(in San Mateo County) imposes a per-bed parcel tax on residential board-and-care facilities; and the Isla Vista Recreation and Park District, located near the University of California at Santa Barbara, imposes a per-bedroom parcel tax, defining a "bedroom" as "a room available for sleeping within a Dwelling Unit," which includes "fraternities, sororities, dormitories, rooming houses and other congregate living facilities"; and the city of Davis' parcel tax to fund park maintenance is imposed at a rate of \$12.80 per employee for industrial parcels.

Taxes on hotel/motel properties also may be an issue for some local governments. Several parcel taxes are based on occupancy rates or the number of rooms at hotels/motels. For example, the Salida Fire Protection District (in Stanislaus County) imposes a \$12-per-room parcel tax on hotels and motels. Some hotel/motel properties have permanent residents, and local governments may choose to account for permanent guests

FIGURE 5: ASSESSOR USE CODES

The Santa Clara County Assessor's Office has approximately 100 use codes that are assigned to parcels within the county, depending how the property is used. For residential parcels, the following codes are used:

- 01) Single-family
- 02) Two-family
- 03) Three- and four-family
- 04) Five or more family (including apartments, mixed-use projects, retirement complexes, lifecare facilities, mobile home parks, etc.)
- 05) Farm labor camp in urban location
- 06) Condominium/townhouse
- 07) Fraternity, sorority, boarding house
- 08) Mobile home, not in a park
- 09) Summer cabins

PARCEL TAX ISSUES

by levying a multi-family residential parcel rate (which may be lower than a commercial parcel tax rate) on some hotel/motel parcels. Another option some local governments have chosen is to levy a multi-family residential parcel rate on rooms occupied by guests during more than 80 percent of the fiscal year.

Parcel taxes that take into account how a property is used typically obtain such information from a county assessor, who assigns a use code to each property. As seen in Figure 5, assessor use codes help provide distinctions between different types of property.

Mello-Roos

Mello-Roos Act levies are a common type of parcel tax. Under the Mello-Roos Act, cities, counties and special districts may form a community facilities district (CFD) to finance facilities or services. Typically, a CFD is authorized to issue bonds to pay for capital improvements or maintenance. Once bonds are issued, debt payments are made by levying a parcel tax that is approved in a vote of the property owners or electorate when the CFD is formed. Most CFD parcel taxes sunset once the debt payments are complete, but some CFD parcel taxes continue in perpetuity to provide continual funding for services within the district.

Tax-Like “Assessments”

Proposition 218 prohibits local governments from imposing assessments to provide services to the general public. In *Silicon Valley Taxpayers Association v. Santa Clara County Open Space Authority* (2008) 44 Cal.4th 431, the California Supreme Court wrote: “Proposition 218 restricts government’s ability to impose assessments in several important ways. First, it tightens the definition of the two key findings necessary to support an assessment: special benefit and proportionality. An assessment can be imposed only for a ‘special benefit’ conferred on a particular property. A special benefit is ‘a particular and distinct benefit over and above

general benefits conferred on real property located in the district or to the public at large.’ ... Further, an assessment on any given parcel must be in proportion to the special benefit conferred on that parcel: ‘No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel.’”

Despite this ruling, some local governments impose assessments that provide general benefits. The drafters of Proposition 218 have stated that certain “assessments” – such as fire suppression and park “assessments” – are special taxes under Proposition 218.¹⁶ Additionally, in the Official Voter Guide presented to voters for the election in which Proposition 218 was approved, the legislative analyst explained: “Typical assessments that provide general benefits include fire, park, ambulance, and mosquito control assessments.”

Some of the tax-like “assessments” identified by the Foundation’s survey include:

- **Fire Suppression “Assessments.”** Many local fire protection districts impose a fire suppression “assessment” pursuant to Government Code Section 50078, which was authorized by legislation enacted in 1986 – prior to passage of Proposition 218. Districts imposing such “assessments” include the East Davis County Fire Protection District, Shasta County, and the City of Santa Barbara Fire Department.
- **Park “Assessments.”** Several park and recreation districts impose tax-like “assessments” to fund district services. In Sacramento County alone, these districts include the Arden Park Recreation and Park District, the Cordova Recreation and Park District, the Fair Oaks Recreation and Park District, the Mission Oaks Recreation and

16 Krause, Kalfayan, Benink & Slavens. “Proposed Carmichael Park Property Assessment.” May 7, 2014; Howard Jarvis Taxpayers Association. “Special Board Meeting on Proposed Fire Assessment.” April 2, 2014.

Park District, the Orangevale Recreation and Park District, the Southgate Recreation and Park District, and the Sunrise Recreation and Park District. Some of the “assessments” were approved without a two-thirds vote, and will be imposed in perpetuity. In total, for fiscal year 2013-14, these “assessments” generated more than \$4 million.

Regressivity

Parcel taxes are generally regressive, and impose inequitable burdens. Proposition 13 prohibits local governments from imposing special taxes based on property value, and parcel taxes, therefore, must be imposed in a manner that disregards the value of a property.

For purposes of parcel taxes imposed by school districts, the tax must be uniform. This uniformity results in regressivity, but ensures compliance with an important court ruling. In 1971, the California Supreme Court held in the first *Serrano v. Priest* decision that school funding based on revenue from *ad valorem* taxes was unconstitutional, stating: “So long as the assessed value within a district’s boundaries is a major determinant of how much it can spend for its schools, only a district with a large tax base will be truly able to decide how much it really cares about education. The poor district cannot freely choose to tax itself into excellence which its tax rolls cannot provide.”¹⁷ In 1977, in a second *Serrano v. Priest* decision, the Supreme Court again ruled against a property-tax-based school finance system.¹⁸ An attempt by the Legislature to address the court decision was headed to court in 1978, when Proposition 13 solved the problem by limiting the property tax to 1 percent, and by not allowing school districts to have *ad valorem* property tax overrides. Because low-wealth school districts are less likely

to get voter approval to increase taxes, *Serrano* and Proposition 13 brought equity to California’s school financing system through equalization of per-pupil spending. Any parcel tax that takes into consideration the value of a property would undermine the *Serrano* decisions, as low-wealth districts would be able to raise only a fraction of the money that high-wealth districts would be able to raise.

Another consideration is the issue of extremely small parcels. Property owners with extremely small parcels, regardless of whether improvements exist, may have a parcel tax liability that exceeds the value of the parcel. In some cases, development may not be feasible or legally possible. Despite the problems associated with extremely small parcels, such parcels are treated the same as other parcels.



Uniformity Trends

Under Article XIII, Section 1 of the California Constitution, all property taxes must be uniform. The constitution states: “All property is taxable and shall be assessed at the same percentage of fair market value.” This addresses the *ad valorem*, or acquisition-value, property tax assessments. That section goes on to say: “When a value standard other than fair market value is prescribed by this Constitution or by statute authorized by this Constitution, the same percentage shall be applied to determine the assessed value.” But what exactly does uniformity mean?

Black’s Law Dictionary defines “uniform” as “characterized by a lack of variation; identical or consistent.”¹⁹ Under this definition, many parcel taxes are not uniform. Of the parcel taxes in existence, there are many exceptions and exemptions, and some taxes have different rates for different types of property, depending on a property’s classification, or “use code.” Each of California’s 58 county assessors utilizes a use code system to track how a property is used. Use codes identify whether a property is

17 *Serrano v. Priest* (1971) 5 Cal.3d 584 (*Serrano I*).

18 *Serrano v. Priest* (1976) 18 Cal.3d 728 (*Serrano II*).

19 Black’s Law Dictionary, 2009.

PARCEL TAX ISSUES

used for residential, commercial, agriculture, etc. The codes vary by county. Parcel taxes that are based on use codes are not uniform.

Most parcel taxes imposed by school districts are uniform, as they are statutorily required to be under Government Code Section 50079. That section states, “As used in this section, ‘qualified special taxes’ means special taxes that apply uniformly to all taxpayers or all real property within the school district” In *Borikas v. Alameda Unified School District*, the court held that a school district’s parcel tax must be uniform under California state statutes.²⁰ However, there have been several legislative efforts to override this uniformity requirement.²¹

Parcel Taxes May Not Be Tax-Deductible

To be deductible for both state and federal income tax purposes, real property taxes must be levied for the general public welfare “at a like rate against all property” in the taxing authority’s jurisdiction, under Treas. Regs. Sec. 1.164-4(a). The IRS considers California’s property tax to be uniform, even though there are a number of exemptions.²² For example, not all real property in the state is subject to an *ad valorem* property tax. Homeowners generally get a \$7,000 homeowner’s exemption, and there are other property tax exemptions. Similarly, some local governments exempt various parcels from taxation, but the properties still are considered to be taxed uniformly.

IRS Information Letter 2012-0018A (March 30, 2012) states that non-*ad valorem* assessments may be deductible under certain circumstances: Real estate taxes that are not based on value are deductible only if they “are levied for the general public welfare by a proper taxing authority at a like rate on owners of all properties in the taxing authority’s jurisdiction, and if the assessments are not

for local benefits (unless for maintenance or interest charges).”

Local governments that impose a higher parcel tax rate on one property classification over another could cause all property owners, including homeowners, in the taxing jurisdiction to lose their income tax deduction for the parcel tax. In 2012, the Franchise Tax Board considered adopting an audit program to disallow taxpayers from deducting parcel taxes, but later abandoned the effort. Should future audit programs be launched, taxpayers could be audited for deducting non-uniform parcel taxes.

For purposes of *ad valorem* property taxation, the IRS allows a deduction for California’s property tax – even though California’s property’s tax includes various exemptions and exceptions. Again, to be deductible, the IRS requires the tax to be levied at a like-rate against all real property within the taxing jurisdiction if it is levied for the general public welfare.

Deductible real estate taxes generally do not include taxes levied for local benefits and improvements increasing the value of property. These include assessments for streets, sidewalks, water mains, sewer lines, public parking facilities, and similar improvements. Property owners who pay these assessments may increase the basis of the property by the amount of the assessment. Local benefit taxes are deductible only if they are for maintenance, repair, or interest charges related to those benefits.

The Parcel Tax and “Single Tax” Theory

“Single tax” theory supporters believe that a tax on land should be the only form of property taxation. The theory originally was promoted by political economist Henry George, and others have continued promoting it in recent years, emphasizing their desire for higher taxes on the value of land. Typically, the parcel tax ignores single tax theory by focusing on improvements. Parcels may be taxed at various rates, depending upon how property is used, but vacant land and unimproved land almost always is taxed at much lower rate, and often is exempt from taxation under various parcel tax ordinances/resolutions.

20 *Borikas, et al. v. Alameda Unified School Dist.* (2013) 214 Cal. App.4th 135.

21 AB 59 (Bonta), amended January 6, 2014; SB 1021 (Wolk), amended June 2, 2014.

22 California Constitution Article XIII, Sections 3-8.

RECOMMENDATIONS – PUTTING THE PIECES TOGETHER

The constitutionality of the parcel tax under Article XIII, Section 1 of the California Constitution is a legal question that should be explored. However, if the parcel tax is to remain a source of revenue for local governments, comprehensive reform is necessary.

The parcel tax structure should be standardized to provide consistency, certainty, simplicity and transparency to promote complementary tax bases among all local governments. Marginal reform can occur at the local level. Taxpayers can draft local initiatives or referendums to repeal, revise or reform their parcel taxes. Local governments also could take a proactive approach to develop best practices in implementing parcel taxes.

For comprehensive reform to occur, however, legislative action or a statewide initiative is necessary to address all the deficiencies of the parcel tax.

Election Procedures

Reforms to special tax election procedures are needed, including how parcel tax elections are conducted, when the elections occur, and what information is provided to voters.

All special tax elections should be consolidated with statewide elections, at the same time that an initiative or proposed legislative amendment to the state constitution appears on the ballot. Currently, legislative constitutional amendments may appear on the ballot only during a primary or general election, while initiative or referendum measures may appear only on a general election ballot in California. Requiring parcel taxes to be placed on either a primary or general election ballot ensures that the measure goes before voters during elections that typically have the highest voter turnout. Conversely, conducting all-mail-ballot special elections, as

FIGURE 6: PARCEL TAX BALLOT LANGUAGE

A ballot title and summary should be impartial and contain neutral language. The El Medio Fire Protection District passed a parcel tax in 2008 that did not contain neutral ballot language.

MEASURE A

EL MEDIO EMERGENCY RESPONSE AND FIRE PROTECTION SERVICES MEASURE

To provide local fire protection and rapid emergency response services for the El Medio community, so victims of heart attacks, strokes, car accidents and other medical emergencies can receive rapid response care, to protect our homes and businesses from fire, to receive matching state funds, and to keep insurance rates manageable, shall an annual special property tax be authorized with all revenue staying in our community for local fire protection and emergency medical response services? (75 words out of 75 word maximum)

RECOMMENDATIONS

local jurisdictions often do for parcel taxes, puts the measures before voters in elections that typically have the lowest turnout.

Additionally, the ballot title and summary for a parcel tax measure should be written by an impartial entity. Currently, local governments often use their in-house lawyers to draft the ballot language and title, or elected officials write the ballot title and summary themselves. Having an impartial entity write the title and summary of a measure would ensure that voters receive more factual, unbiased information that summarizes the potential impacts of the measure in neutral language.

Inflation

Incorporating an inflation or cost-of-living adjustment into a parcel tax resolution or ordinance is not unreasonable. However, local governments should calculate these annual adjustments based on comparable indexes for their communities. For example, a rural community in the Central Valley should not use the San Francisco Bay Area Consumer Price Index to calculate inflation. Further, when a parcel tax is increased annually, it should not be increased more than the cost-of-living increase.

Oversight

Since the parcel tax is a form of taxation on property, it would make sense for the State Board of Equalization, which was established expressly to equalize property taxes from county to county, to provide oversight of parcel taxes. The state board's oversight would improve local governments' accountability, and would promote equalization of the tax.

While some local governments currently require citizens' oversight committees to review parcel taxes, such oversight should be more firmly established at the local level until oversight can be established at the state level.

Further, if exemptions are available, local governments should ensure that all eligible property owners are obtaining an exemption.

Standardized Tax Base

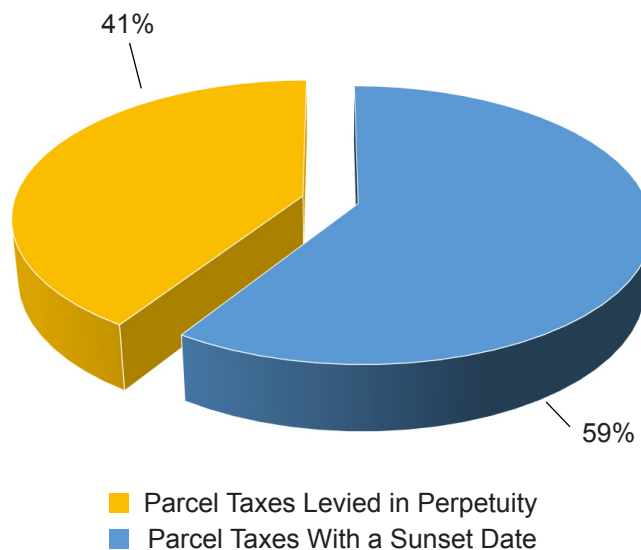
All parcels subject to *ad valorem* property taxes should be subject to tax under parcel tax ordinances/resolutions. To ensure that a parcel tax's structure contains the broadest possible base and the lowest rate, few, if any, exemptions or exceptions should be available. Limiting or eliminating exemptions and exceptions also ensures that a parcel tax will be deductible for federal income tax purposes.

Sunsets

As seen in Figure 7, approximately 74 percent of all parcel taxes are levied without a sunset date. Every parcel tax should include a sunset provision

FIGURE 7: NUMBER OF TAXES LEVIED IN PERPETUITY

Of the 1,138 parcel taxes identified with effective dates listed, 41 percent were levied in perpetuity and 59 percent contain a sunset date.



Source: www.caltaxfoundation.org/parceltaxreport/appendix2

RECOMMENDATIONS

that automatically expires the tax after a certain amount of time, unless it is renewed by voters. Local governments must have a stable revenue stream, so the sunsets could be tailored to ensure that revenue does not fluctuate – for example, a parcel tax does not need to be resubmitted to voters every two years, as this would be inefficient and costly. But property owners should have an ability to occasionally ascertain and determine whether a parcel tax and the programs supported by the tax continue to be necessary. Existing parcel taxes that do not have expiration dates should be resubmitted to voters with sunset provisions.

Tax Cap

No property owner should pay more in parcel taxes and assessments than he or she pays in *ad valorem* property taxes. The Legislature or voters could prohibit any property owner from being assessed more than 1.2 percent of the property's assessed value, which includes the 1 percent *ad valorem* tax, voter-approved debt levies, property assessments, and parcel taxes.

Transparency

An annual report on taxes being levied in each county, city and special district would provide consistent information on parcel taxes, and would improve the transparency of the tax. Such a report should include:

- Name and location of taxing entity.
- Type of parcel tax.
- Rate of parcel tax.
- Number of parcels subject to tax.
- Number of parcels exempt from tax.
- Number of parcels eligible for exemption, but did not apply.
- Sunset date.
- Amount of revenue received.
- Data on accounts receivable.

Uniformity

Taxing authorities should not utilize county assessors' use codes when levying a parcel tax, since parcel taxes based on this data are non-uniform taxes that create market distortions and discriminate against certain property classifications. A parcel tax should not contain any complex calculation based on a "benefit unit" or "single-family equivalent." Local governments must understand that a parcel tax is not an *ad valorem* property tax, and thus a parcel tax will be regressive.

Local governments can impose uniform parcel taxes through a simple levy on every parcel that exists within the taxing jurisdiction. Such a levy should be limited to a flat, fixed amount for every parcel. Parcel taxes imposed on any other basis could be characterized more as an *ad valorem* tax, as value, improvements, property size and other factors are taken into consideration.

Validation

Taxpayers should be authorized to challenge the validity of a parcel tax, and to seek refunds for illegal taxes. Taxpayers should be able to challenge a tax after the current 60-day limit, which often expires before a taxpayer even pays the tax.

Mello-Roos Taxes

Mello-Roos parcel taxes should be viewed differently than other parcel taxes. Mello-Roos taxes generally are imposed for a limited time period to encourage new development and/or redevelopment. Landowners and developers generally work with local governments to provide the infrastructure (such as roads, sewers, drainage facilities, and water facilities) and facilities (such as police and fire stations and schools) that are necessary to establish new communities.

Of the 1,147 Mello-Roos taxes identified in the Foundation's survey, about 12.5 percent are being imposed without a sunset date, and six will expire between 2069 and 2108. Mello-Roos taxes should be used only for the construction of infrastructure and facilities. No Mello-Roos taxes should provide

RECOMMENDATIONS

indefinite funding for government services. Mello-Roos taxes should be employed only under these conditions:

- Financing other than by bond is not a reasonable option.
- The project to be financed is a capital facility or infrastructure project and the bond funding will pay for land acquisition and capital costs, not for maintenance, operations, non-construction salaries or wages, or ongoing costs.
- Every Mello-Roos tax should expire once the project and debt payments have been completed.
- Mello-Roos taxes should only cover funding for the life or usefulness of the facility or capital cost. For example, a facility or capital expenditure with an expected usefulness of 30 years should not be financed by a 50-year or 100-year bond.

CONCLUSION

Data obtained for this study underscores the importance of reforming California's parcel tax structure. As a major source of revenue that supplements many local government budgets, the parcel tax needs consistency, and local governments need oversight and greater accountability to taxpayers.

In 1964, the Assembly Revenue and Taxation Committee analyzed local government revenue sources and concluded: "Local government in California is big government – in every sense except the way we usually see it."¹⁷ With more than 750 local governments imposing parcel taxes, the same could be said today. California's Legislature has given local governments blanket authority to draft, levy and implement parcel taxes, with little oversight beyond a

few state statutes put in law more than 20 years ago. This authority should be reviewed and reformed.

California must establish common standards, practices and equalization among cities, counties and special districts that impose parcel taxes. As the body responsible for shaping California's state and local tax structure, the Legislature has the opportunity to significantly improve parcel tax administration by adopting much-needed reforms. Further, the State Board of Equalization, constitutionally established expressly to equalize property taxes, should provide oversight to improve accountability and promote equalization of parcel taxes.

Some taxpayers have voiced support for repealing the parcel tax and banning it from the authority of local governments. Indeed, prohibiting the imposition of special taxes on any form of real or intangible property is an option for eliminating inequities. However, if the parcel tax is to remain, significant reforms are needed.

17 California State Assembly Revenue and Taxation Committee, *Major Tax Study – Part VI: Financing Local Government in California* (1964, p.7).



APPENDIX I: STATUTES AUTHORIZING PARCEL TAXES

LOCAL GOVERNMENT	PURPOSE	AUTHORITY	NOTES
Any County	Any Purpose	GC §23027	Special tax to fund any program or service.
Any County or Special District	Airports	GC §26020; PUC §22909	Counties and airport districts may impose a special tax.
Any City or County	Ambulance, Emergency Medical Services, Fire Protection and Suppression, and/or Paramedic	GC §53313(b)	Mello-Roos special tax.
San Bernardino County	Ambulance, Emergency Medical Services, and/or Paramedic	GC §53971.4; GC §53978	San Bernardino County may levy a special tax for fire protection and emergency medical services.
Special District	Cemeteries	HSC §9081	Any public cemetery district may impose a special tax.
Any City, County or Special District	Child Care Facility and Child Care Facility Insurance	GC §53313.5(d)	Mello-Roos special tax.
Any County	County Airports	GC §26020	Proceeds of taxes may be accumulated for no more than five years, as specified.
County Service Areas	County Service Areas	GC §25215.2	Contains uniformity clause and exception for unimproved parcels.
Special District	Community Service Districts	GC §61121	Contains uniformity clause and exception for unimproved parcels.
Special District	Community College Districts	GC §50079.1	Contains uniformity clause and exception for unimproved parcels.
Any City, County or Special District	Facilities	GC §53313.5	Mello-Roos special tax to finance various facility improvements and capital projects.
Special District	Fire Protection and Prevention	HSC §13911	Any fire protection district may impose a special tax.
Any City, County or Special District	Fire Protection and Prevention Services	GC §53978	Any local agency which provides fire protection or prevention services, directly or by contract, may impose a special tax.
Any City, County or Special District	Flood and Storm Water Services	GC §53313(e)	Mello-Roos special tax.
Special District	Harbor Improvement or Development	HNC §6092.5	Any harbor district may impose a special tax.
Any City, County or Special District	Hazardous Substance Cleanup Services	GC §53313(f)	Mello-Roos special tax.
Special District	Health Care	GC §53730.01	Any local health care district may impose a special tax.
Any City	Hospitals	GC §37617	Special tax to fund maintenance and land purchases for municipal hospitals.

APPENDIX I: STATUTES AUTHORIZING PARCEL TAXES

LOCAL GOVERNMENT	PURPOSE	AUTHORITY	NOTES
Any County	Library Contracts	ED §19109	The board of supervisors of any county may enter into a contract with the board of supervisors of another county to obtain joint library services. The contract may be funded by a special tax.
Any City, County or Special District	Library Services and Facilities	GC §53313; GC §53313.5(c)	Mello-Roos special tax.
Any City, County or Special District	Library Services and Facilities	GC §53717	Special tax to fund libraries.
Any City, County or Special District	Lighting	GC §53313(d)	Mello-Roos special tax to fund lighting of parks, parkways, streets, roads and open space.
San Mateo County	Maintenance	SHC §5832.8	Special tax to maintain improvements in maintenance districts located in Portola Valley.
Special District	Memorial Halls, Buildings, or Meeting Places	MVC §1192.5	Any memorial district may impose a special tax. Special taxes must be uniform, except that unimproved property may be taxed at a lower rate.
Any County or Special District	Mosquito Abatement	GC §25842.5; HSC §2081	County may levy a special tax in incorporated areas, with city consent. Special districts also may levy a special tax.
Any Charter City or Any General Law City	Municipal Affairs	California Constitution Article XI, §5; GC §37100.5	A charter city or general law city may levy a special tax for "municipal affairs."
Any City or County	Museum and Cultural Facilities, Operation and Maintenance	GC §53313(c)	Mello-Roos special tax.
Any County	Musical Performances	GC §25558	Funds musical performances presented free of charge.
Special District	Parks and Recreation Programs	PRC §5789.1	Park and recreation districts may impose a uniform special tax or a Mello-Roos special tax.
Any City or County	Parks, Parkways, and Open Space Facilities and Maintenance Services	GC §53313.5(a); GC §53313(d)	Mello-Roos special tax.

APPENDIX I: STATUTES AUTHORIZING PARCEL TAXES

LOCAL GOVERNMENT	PURPOSE	AUTHORITY	NOTES
Any City or County	Pension, Retirement and Benefits	GC §31200; GC §32211; GC §33017	Special tax to fund pensions/ annuities for county employees, judicial district employees, county foresters, fire wardens, firefighters, peace officers, and fire service employees. A city may levy this tax only if it is included in its county's pension plan.
Special District	Pest Abatement	HSC §2871.8	Pest abatement districts may impose a special tax.
Any City, County or Special District	Fire and Police Services	GC §53978; HSC §20110	Special tax to fund fire protection or prevention services, or police protection services.
Any City or Special District	Police Protection and Criminal Justice Services	GC §53313(a)	Mello-Roos special tax.
Special District	Port Operation and Maintenance	HNC §6364	Any port district may impose a special tax.
Any City or County	Recreation Program Services	GC §53313(c)	Mello-Roos special tax.
Special District	Resort Improvement Districts	PRC §13161.5	Special taxes must apply uniformly to all taxpayers, except unimproved property.
Special District	Resource Conservation	PRC §9513	Any resource conservation district may impose a special tax.
Special District	Regional Parks and Open Space Preservation	PRC §5566	District may impose special taxes and establish tax rate zones. Taxes within each zone must be uniform.
Any County	Road Maintenance	SHC §1550.2	Special tax for road work in a county's special road maintenance district.
Any County	Sanitation and Health	HSC §101350	Any county may impose a special tax on all property within the unincorporated areas for the purpose of "eradicating dangerous, infectious, communicable diseases, and for general sanitation purposes."
Special District	Schools	GC §50079	School districts may impose a special tax. Special taxes must be uniform and may contain specified exemptions.

APPENDIX I: STATUTES AUTHORIZING PARCEL TAXES

LOCAL GOVERNMENT	PURPOSE	AUTHORITY	NOTES
Any City, County or Special District	School Facilities and Maintenance Services	GC §53313(b); GC §53313(c)	Mello-Roos special tax.
Any City, County or Special District	Seismic Safety Work on Buildings and Real Property	GC §53313.5(i)	Mello-Roos special tax.
Any City, County or Special District	Snow Plowing and Removal	GC §53313(e)	Mello-Roos special tax.
Any City, County or Special District	Soil Deterioration Repair and Abatement	GC §53313.5(j)	Mello-Roos special tax.
Any City, County or Special District	Street and Road Maintenance	GC §53313(d)	Mello-Roos special tax.
Any County	Trade, Commerce, and Immigration	GC §25904; GC §26100	Special tax to fund promotion of immigration, trade, and industrial/agriculture enterprises at fairs and expositions.
Alameda-Contra Costa Transit District	Transit	PUC §25892.1	The Alameda-Contra Costa Transit District may impose a special tax.
Special District	Utilities	PUC §12891.5; PUC §16641.5	Any municipal utility district or public utility district may impose a special tax.
Any City or County	Utility Undergrounding	GC §53313.5(e)	Mello-Roos special tax.
Any County or Special District	Vector Control	GC §25842.5	A county may impose a special tax in incorporated areas, with city consent. Special districts also may impose a special tax.
Any County	Veterans Buildings, Memorials and Cemeteries	MVC §1262	Any county may impose a special tax for veteran buildings, memorials, halls, meeting spaces or veteran cemeteries.
Any County	Veterans Homes	MVC §1121	Any county may impose a special tax for the purpose of providing and/or maintaining a home for veterans.
Any County or Special District	Water	GC §25694; WC §22078.5; WC §31653; WC §72090.5	Any county, county water district, irrigation district or municipal water district may impose a special tax to fund acquisition, development, distribution and sale of water.

Source: California State Senate Committee on Local Government. "Revenues and Responsibilities – An Inventory of Local Tax Powers." Second Edition. December 2010.

APPENDIX II: CALIFORNIA'S PARCEL TAXES

For detailed information on California's parcel taxes identified in this report, visit www.caltaxfoundation.org/parceltaxreport/appendix2. The California Tax Foundation also has up-to-date information on parcel taxes levied throughout California at www.caltaxfoundation.org/center-for-special-taxes.org.

