

Split-Roll Measure Comparison

Special interests already qualified one measure for the November 2020 statewide ballot that would dismantle Proposition 13’s property tax protections ([Initiative 17-0055](#)) and now they are gathering signatures to qualify a second version ([Initiative 19-0008](#)). Both measures would raise taxes on commercial and industrial property by requiring reassessment at current market value at least every three years. This type of property tax is known as a “split-roll tax” because it splits the property tax roll, assessing business property differently than residential property. Below is a detailed comparison of both split-roll measures.

	Initiative 17-0055 (Qualified)	Initiative 19-0008 (Signature Gathering)
Partial Repeal of Prop 13	<ul style="list-style-type: none"> Removes the two percent annual cap on property tax assessment increases for commercial and industrial property not constitutionally exempt or zoned for commercial agricultural production and assesses such property on its current fair market value Regularly reassesses commercial and industrial property at least every three years after phase-in period Keeps the one percent general property tax rate cap 	<ul style="list-style-type: none"> Removes the two percent annual cap on property tax assessment increases for commercial and industrial property not constitutionally exempt and assesses such property on its current fair market value Regularly reassesses commercial and industrial property at least every three years after phase-in period Keeps the one percent general property tax rate cap
Exclusions from Prop 13 Repeal	<ul style="list-style-type: none"> Commercial and industrial property owned by a taxpayer: <ol style="list-style-type: none"> Who operates on a majority of the property, and; Whose total property holdings in California have a fair market value of \$2 million or less Commercial and industrial real property that is zoned for commercial agricultural production Real property (land only) used or zoned for commercial agricultural production Residential property, vacant land zoned for residential use and residential portion of mixed-use property 	<ul style="list-style-type: none"> Commercial and industrial property where none of the owners also own other California commercial or industrial property with a fair market value in excess of \$3 million (including the subject property) Temporary deferral until 2025 of new assessment provisions for commercial and industrial real property where 50% or more of the occupied square footage is occupied by “small business” as defined* Land used for producing commercial agricultural commodities Residential property, vacant land zoned for residential use and residential portion of mixed-use property
Exemptions	<ul style="list-style-type: none"> First \$500,000 of business personal property for all businesses Complete exemption of business personal property owned by a “small business” as defined* <p><i>*Owner must apply annually for the exemption with the county assessor’s office under penalty of perjury</i></p>	<ul style="list-style-type: none"> First \$500,000 of business personal property for all businesses Complete exemption of business personal property owned by a “small business” as defined* <p><i>*Owner must apply annually for the exemption with the county assessor’s office under penalty of perjury</i></p>

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Phase-In	<ul style="list-style-type: none"> Prop 13 repeal effective January 1, 2020, phased-in over two or more years by statute passed by the Legislature* Exemptions for business personal property effective January 1, 2021 <p><i>*The measure would not go for a vote until November 3, 2020, so this would be a retroactive property tax increase</i></p>	<ul style="list-style-type: none"> Prop 13 repeal effective January 1, 2022, phased-in over two or more years by statute passed by the Legislature* Taxpayers afforded a “reasonable timeframe” to pay increased taxes as determined by the Legislature Reassessment deferred until 2025 for commercial and industrial property occupied by small businesses
Revenue Allocation	<p>Revenue is allocated in the order listed below:</p> <ol style="list-style-type: none"> Reimbursement of General Fund and administrative costs off the top 60 percent to local governments 40 percent to schools 	<p>Revenue is allocated in the order listed below:</p> <ol style="list-style-type: none"> Reimbursement of General Fund, administrative costs, prior year refunds and possibly repayment of start-up loans from General Fund off the top 60 percent to local governments 40 percent to schools <ul style="list-style-type: none"> 89 percent to K-12 public schools 11 percent to community colleges
Small Business Definition	<ul style="list-style-type: none"> 50 or fewer employees 	<ul style="list-style-type: none"> 50 or fewer annual full-time equivalent employees in California Independently owned and operated, defined as, “the business ownership interests, management and operation are not subject to control, restriction, modification or limitation by an outside source, individual or another business.” Must own California real property
Legislative Requirements	<p>Upon passage, the Legislature must provide by statute:</p> <ul style="list-style-type: none"> The phase-in and implementation That any property zoned as commercial or industrial but used as long term residential property shall be classified as residential A methodology for determining the additional revenue generated in each county each fiscal year 	<p>Upon passage, the Legislature must provide by statute:</p> <ul style="list-style-type: none"> The phase-in and implementation That any property zoned as commercial or industrial but used as long term residential property shall be classified as residential A methodology for determining the additional revenue generated in each county each fiscal year Define home offices, home-based businesses or short-term rentals, shall be classified as residential In conjunction with county assessors, develop an expedited process for hearing appeals resulting from the reassessment of properties that deprives taxpayers of current protections. That all related entities, including but not limited to any subsidiaries, holding companies, or parent corporations, are considered one "taxpayer"

<p>Fiscal Analysis</p>	<p>According to the Legislative Analyst's Office and the Department of Finance:</p> <ul style="list-style-type: none"> • Upon full implementation, the measure's shift of most commercial and industrial properties to market value assessment would increase annual property taxes paid for these properties by <u>\$7 billion to \$11 billion</u> in most years • Net increase in annual property tax revenues of \$6.5 billion to \$10.5 billion in most years, depending on the strength of real estate markets • After paying for county administrative costs and backfilling state income tax losses related to the measure, the remaining \$6 billion to \$10 billion would be allocated to schools (40 percent) and other local governments (60 percent) 	<p>According to the Legislative Analyst's Office and the Department of Finance:</p> <ul style="list-style-type: none"> • Upon full implementation, the measure's shift of most commercial and industrial properties to market value assessment would increase annual property taxes paid for these properties by <u>\$8 billion to \$12.5 billion</u> in most years. • Net increase in annual property tax revenues of \$7.5 billion to \$12 billion in most years, depending on the strength of real estate markets • After backfilling state income tax losses related to the measure and paying for county administrative costs, the remaining \$6.5 billion to \$11.5 billion would be allocated to schools (40 percent) and other local governments (60 percent)
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