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Assessed Valuation. Replacement Dwellings.

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Official Title and Summary Prepared by the Attorney General

ASSESSED VALUATION. REPLACEMENT DWELLINGS. LEGISLATIVE CONSTITUTIONAL AMENDMENT. Currently, homeowners over the age of 55 may, under certain conditions, transfer the current assessed value of their home to a replacement dwelling of equal or lesser value located in the same county. This authorizes the Legislature to permit the transfer of assessed valuation to replacement dwellings located in different counties if the county of the replacement dwelling adopts an ordinance participating in the program. Applies to replacement dwellings acquired on or after a county ordinance is adopted, but not before November 9, 1988. Contains provisions concerning the effective date of amendments. Summary of Legislative Analyst's estimate of net state and local government fiscal impact: By itself, this measure would have no direct fiscal effect because it merely authorizes legislative action. If implemented, it would reduce property tax collections in an amount which would depend on the extent of county participation, number of qualifying homeowners, and value of dwellings involved. The property tax revenue loss would not exceed \$20 million in the first year if all counties participated and could be substantially less. The revenue loss would increase annually. Sixty percent of the loss would be borne by the cities, counties, and special districts. The remainder would affect school districts and community college districts. Under existing law, the State General Fund would offset the schools' losses beginning in 1989-90.

Final Vote Cast by the Legislature on ACA 1 (Proposition 90)

Assembly: Ayes 77
Noes 1

Senate: Ayes 36
Noes 0

Analysis by the Legislative Analyst

Background

Current law allows homeowners over the age of 55 to transfer the current assessed value of their present home to a replacement home located in the same county. This program provides qualified homeowners with an exemption from the increased property taxes they would otherwise pay.

To qualify for this special treatment:

- The homeowner must buy or build a replacement home within two years of selling his or her previous home;
- The replacement home must be of equal or lesser value than the home being replaced; and
- The homeowner must move within the same county.

Proposal

This constitutional amendment would authorize the Legislature to extend the existing special valuation program to homes located in *different* counties. If implemented by the Legislature, this proposal would allow a qualified homeowner (age 55 and over) to transfer the current assessed value of the original home to a replacement residence in another county, but only if the county in which the replacement home is located has agreed to participate in the program. In order to participate,

counties must adopt the special valuation program by ordinance. The program would apply only to replacement homes acquired on or after the date on which a county ordinance is adopted, but in no event earlier than November 9, 1988.

Fiscal Effect

This measure would have no direct state or local fiscal effect, because it merely authorizes the Legislature to adopt its provisions.

If implemented by the Legislature, the measure would reduce property tax collections. The amount of this revenue loss would depend on the number of counties that choose to participate in the program, the number of qualifying homeowners, and the value of the original and replacement homes owned by these individuals.

This property tax revenue loss would not exceed \$20 million in the first year if *all* counties choose to participate, and could be substantially less than that amount. The revenue loss from this program would increase annually.

Cities, counties and special districts would bear approximately 60 percent of the revenue loss. The remainder of the losses would affect school districts and community college districts. Under existing law, the State General Fund would offset the losses to the schools and colleges beginning in 1989-90.

Text of Proposed Law

This amendment proposed by Assembly Constitutional Amendment 1 (Statutes of 1988, Resolution Chapter 64) expressly amends the Constitution by amending sections thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE XIII A, SECTION 2

First—That the second paragraph of subdivision (a) of Section 2 of Article XIII A thereof is amended to read:

However, the Legislature may provide that under appropriate circumstances and pursuant to definitions and procedures established by the Legislature, any person over the age of 55 years who resides in property which is eligible for the homeowner's exemption under subdivision (k) of Section 3 of Article XIII and any implementing legislation may transfer the base year value of the property entitled to exemption, with the adjustments authorized by subdivision (b), to any replacement dwelling of equal or lesser value located within the same county and purchased or newly constructed by that person as his or her principal residence within two years ~~after~~ of the sale of the original property. For purposes of this section, "any person over the age of 55 years" includes a married couple one member of which is over the age of 55 years. For purposes of this section, "replacement dwelling" means a building, structure, or other shelter constituting a place of abode, whether real property or personal property, and any land which it may be situated. For purposes of this section, a two-dwelling unit shall be considered as two separate single-family dwellings. This paragraph shall ~~not~~ apply to any replacement dwelling which was purchased or newly

constructed ~~prior to the effective date of this paragraph on or after November 5, 1986.~~

Second—That a third paragraph is added to subdivision (a) of Section 2 of Article XIII A thereof, to read:

In addition, the Legislature may authorize each county board of supervisors, after consultation with the local affected agencies within the county's boundaries, to adopt an ordinance making the provisions of this subdivision relating to transfer of base year value also applicable to situations in which the replacement dwellings are located in that county and the original properties are located in another county within this state. For purposes of this paragraph, "local affected agency" means any city, special district, school district, or community college district which receives an annual property tax revenue allocation. This paragraph shall apply to any replacement dwelling which was purchased or newly constructed on or after the date the county adopted the provisions of this subdivision relating to transfer of base year value, but shall not apply to any replacement dwelling which was purchased or newly constructed before November 9, 1988.

Third—That subdivision (i) of Section 2 of Article XIII A thereof is amended to read:

(i) Unless specifically provided otherwise, amendments to this section *adopted prior to November 1, 1988,* shall be effective for ~~change of ownerships~~ *changes in ownership* which occur, and new construction which is completed, after the effective date of the amendment. *Unless specifically provided otherwise, amendments to this section adopted after November 1, 1988, shall be effective for changes in ownership which occur, and new construction which is completed, on or after the effective date of the amendment.*

Argument in Favor of Proposition 90

This is an important tax relief and housing measure for California senior citizens. Why should seniors who wish to take advantage of Proposition 60, which passed on the November 1986 ballot with 77 percent of the vote, be prevented from moving to another California county? If voters approve Proposition 90 they will ease this restriction by permitting counties, at their option, to accept Proposition 60 transfers from other counties.

As you may recall, to qualify for Proposition 60, the property must be:

- Purchased by either (a) a person over the age of 55 years or (b) a married couple if one spouse is over the age of 55 years.
- Eligible for the homeowners' exemption.
- Purchased within two years of the sale of the original property.

With the passage of Proposition 60, California created new housing opportunities for senior citizens by easing a property tax burden that prevented many of them from finding affordable housing. Older homeowners are protected from huge property tax increases when they choose to sell their larger family homes and move into smaller replacement residences. At the same time, it helps many growing families find the larger homes they need.

As a result, more seniors are able to enjoy the rewards of years of hard work, and new buyers, many of whom are young families, are able to enjoy the home that served the seniors so well for so many years.

Unfortunately, because some local governments feared a loss in revenue they were able to remove the provision in Proposition 60 which would have authorized seniors to transfer their lower property tax assessments *across county lines*, or, in other words, from one county to another. However, many seniors have since indicated

interest in moving to other counties in California so that they can be close to their children, grandchildren or other friends and relatives.

Accordingly, Proposition 90 does two things:

- Allows senior citizens, 55 years of age and older, the opportunity to take their lower property tax assessments to replacement homes in other California counties if those counties have agreed to accept such transfers, and
- Gives counties the option of accepting transfers by seniors from other counties. Further, Proposition 90 calls upon county boards of supervisors to consult with other affected local government agencies, such as cities, within the counties' boundaries before deciding to accept transfers.

Such consultations would no doubt include a determination if any tax revenues are likely to be lost. But they should also include an examination of the benefits that seniors can bring to their communities. For example, since seniors rarely have school-age children, their arrival does not contribute to further school overcrowding that many communities are now facing.

By approving Proposition 90, we can help increase our senior citizens' freedom to live where they choose and at the same time help more young families have the opportunity to achieve the American dream of homeownership.

DAVE ELDER

Member of the Assembly, 57th District

CECIL GREEN

State Senator, 33rd District

JOSEPHINE D. BARBANO

*Chair, California State Legislative Committee
American Association of Retired Persons*

Rebuttals to Argument in Favor of Proposition 90

The Legislature should offer voters a comprehensive amendment to Proposition 13. Here are some possibilities:

(1) Reduce the assessed value of all property to the 1975 levels established for some owners under Proposition 13. Homes built since 1975, for example, would be taxed at a level reflective of the area's lower property values in 1975.

(2) Periodically reassess all property *but* provide for an automatic reduction in the tax *rate* so that government does not get more money just because overall property values go up.

For other ideas, I assign the remainder of the rebuttal to a group with which I have no affiliation.

GARY B. WESLEY

Attorney at Law

Proposition 13 gave longtime homeowners lower taxes than new homeowners with equal property. That's discrimination—unfair and irrational.

But when they move, they become *new* homeowners,

with normal tax rates, based on current values.

Imagine if income taxes used that principle.

You'd pay based on your income when you started your present job. Every April 15th, you'd file your 1975 tax over again—*unless you changed jobs* (then you'd pay based on current income).

That's how Proposition 13 handles property taxes!

Proposition 60 expanded this, letting homeowners over 55 move within county without losing "seniority."

Proposition 90 goes further, allowing moves to other counties.

"Affordable housing??"

No, a scam letting a fortunate few avoid normal taxes. **THE WEALTHIEST BENEFIT MOST; THE POOR NOT AT ALL.**

Instead: base all taxes on realistic, current values. **OVERALL TAXES COULD THEN BE LOWERED PROPORTIONALLY.**

If we lower taxes, shouldn't *everyone* benefit?

Vote NO.

PEBBLES TRIPPET

San Francisco Grassroots

Argument Against Proposition 90

This measure is another proposal by the Legislature to amend Proposition 13, a constitutional limitation on property taxes approved by voters in 1978.

Under Proposition 13 (now Article XIII A of the California Constitution), assessed property values generally are frozen at their 1975 levels; however, property is reassessed and higher property taxes are imposed each time the property is "*purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.*"

As a result of this reassessment each time property changes hands, new owners are required to pay far more in property taxes than do their neighbors whose property has the same value but was purchased earlier when property values were lower.

In addition, this automatic reassessment provision has caused a gradual but massive shift of the overall property tax burden *from* owners of commercial and industrial property (which is often leased but seldom sold) *to* owners (and renters) of residential property.

Instead of offering voters an amendment to Proposition 13 which would correct these inequities, the Legislature proposes in this measure to retain the basic flaw but permit counties to exempt a relatively small number of persons from the unfair tax burden the automatic reassessment provision places upon new owners and renters of residential property.

Specifically, this measure would permit counties to persons over the age of 55 to bring their old

assessments with them when they have purchased a dwelling in one county (on or after November 5, 1986) within 2 years of having sold a dwelling in another county of equal or greater value. A 1986 amendment to Proposition 13 only allowed such persons to retain their old assessments if the replacement dwellings purchased were in the same county.

Surely, it is unfair to impose higher taxes on persons (of any age) when all they are doing is moving to more suitable quarters.

At least persons who sell one home and buy another of equal or lesser value have the money to buy the new home. *Consider the plight of first-time homebuyers.* They must pay the sky-high current price for a home in California by mortgaging their futures and committing most of their monthly income to pay the mortgage. It is the height of unfairness that these persons should suffer the additional penalty of paying sky-high property taxes based on a brand-new assessment of the property.

A "no" vote on Proposition 90 may send a message to the Legislature (and Governor) that voters want to be offered a comprehensive amendment to Proposition 13 which would eliminate the unfairness to all new owners and renters created by the automatic reassessment provision.

Let's stop tinkering with Proposition 13 and get on with correcting the basic flaw.

GARY B. WESLEY
Attorney at Law

Rebuttal to Argument Against Proposition 90

The opponent of Proposition 90 is right on one count. Proposition 90 will *not* make major changes in the voter-approved measure known as Proposition 13. Proposition 90, like Propositions 13 and 60, helps ease the property tax burden for senior citizens by permitting them to transfer their lower property tax assessments to other counties.

Republicans and Democrats agree that Proposition 90 encourages the transfer of underused, larger homes to younger, growing families.

- Not one taxpayer association has opposed Proposition 90 because it, like Proposition 60, will help senior citizens to improve their housing without being penalized by excessive taxation and allow them to take their lower property tax assessments to other counties if those counties agree to accept transfers.
- Proposition 90 will allow older Californians the freedom to sell their homes in one county and move to another county, without paying excessive property taxes so they might live near family members or

friends.

- Republican and Democratic legislative leaders back Proposition 90 because it helps correct unfairness in our current property tax laws while maintaining the tax relief provided by Proposition 13.

By voting for Proposition 90 we can help give senior citizens freedom to live where they choose.

Please remember that Proposition 90 stands for fairness. Proposition 90 helps our seniors and at the same time it helps young families by increasing the supply of larger homes available for purchase. We urge you to support Proposition 90. On November 8 vote "yes" on 90.

HENRY J. MELLO
*State Senator, 17th District
Chairman, Senate Subcommittee on Aging*

WILLIAM CAMPBELL
*State Senator, 31st District
Chairman, Joint Legislative Budget Committee*

PHILLIP ISENBERG
Member of the Assembly, 10th District