1968

TAXATION, LIMITATIONS ON PROPERTY TAX RATE

9 **TAXATION. LIMITATIONS ON PROPERTY TAX RATE. Initiative Constitutional Amendment.** Provides that total ad valorem tax burden on all property limited after July 1, 1969, to 1 percent of market value for property related services (all costs except for education and welfare) plus 80 percent of base cost of people related services (costs for education and welfare); percentage of base cost for people related services reduced 20 percent annually and eliminated after July 1, 1973. Limitations may be exceeded to extent specified to pay existing and future bonded indebtedness.	**YES**	
	NO	

(For Full Text of Measure, See Page 32, Part II)

General Analysis by the Legislative Counsel

A "Yes" vote on this measure is a vote to reduce, in stages, the amount of ad valorem taxes on property for any given year to an amount which, when added to ad valorem special assessments for the immediately preceding year, does not exceed 1 percent of the market value of the property.

A "No" vote is a vote against so limiting ad valorem taxes on property.

For further details see below.

Detailed Analysis by the Legislative Counsel

This initiative measure would add Section 30 to Article XIII of the California Constitution to establish a limitation on ad valorem taxes on property. For the purpose of the measure, all such taxes are divided into two classes: (a) those levied to pay the "cost of *people* related services," defined as including any costs for education and welfare, and such other costs as the Legislature may specify, and (b) those levied to pay the "cost of *property* related services," defined as including all costs other than the "cost of *people* related services." It would be applicable to all "revenue districts," which would include the state or any county, city and county, municipality, district or other political division of the state that levies ad valorem taxes or special assessments.

Annual taxes on property levied to pay the "cost of *people* related services" would be reduced at the rate of 20 percent per year of the "base cost" of such services, commencing in the 1969–70 fiscal year, and thus taxes for such *people* related services would be eliminated after July 1, 1973. ("Base cost" would be the total amount of property tax revenues allocated in each revenue district for education and welfare purposes between July 1, 1968, and June 30, 1969.)

On and after July 1, 1969, the total annual taxes levied on property for any fiscal year, when added to ad valorem special assessments for the immediately prior fiscal year, could not exceed 1 percent of the market value of the property to provide for the total "cost of *property* related services," except for payment of bonds.

The term "bonds" (as used in the measure) would be defined to include bonds and debts for amounts loaned to any government taxing agency having the power to tax, as well as debts incurred under leases running for a period of five years or more and under other long-term obligations for capital improvements.

The limitations on taxes could be exceeded to the extent necessary to make payments on bonds issued and outstanding on the effective date of the measure. The limitations could be further exceeded for bonds issued after the effective date of the measure by a "revenue district," provided that the total bonding for each revenue district, including bonds issued before and after the effective date of the measure, could not exceed 5 percent of the assessed value of property within the revenue district, and the total bonding of all revenue districts in which tax property is located, including bonds iss before and after the effective date of the measure, could not exceed 20 percent of the assessed value or 5 percent of the market value of all the taxable property in the districts.

Any tax of a type similar to that imposed pursuant to the Documentary Transfer Tax Act, such a tax being a local tax on instruments conveying real property, would be included as taxes in determining the amount of taxes levied on the value of property under the measure.

Argument in Favor of Proposition No. 9

Vote <u>YES</u> on Proposition 9.

You can force government to lower your property taxes so you can afford to live in your home.

Property taxes have more than doubled in the last 15 years and threaten to double again by 1980 unless this Proposition passes.

Your <u>YES</u> vote on Proposition 9 will . . .

- —Reduce your property taxes an average of 50 percent.
- —Restrict your property tax to financing "property-related services" such as police, fire, sanitation, water, and other services provided by counties, cities and special districts.
- —Place an overall maximum tax of percent of your property to pay for these services—about one-half of the amount you are paying now.

—Remove school and welfare costs (people-related services) from your property tax at 20 percent a year. After 1973, your property tax can only be used for financing property-related services plus bond and long-term lease charges.

—Protect you against long-term obligations which have raised your taxes in the past (many times after you have voted against such financing). You can vote special assessment bonds directly against your property for necessary improvements.

The property tax today is a bad tax. It falls hardest on the small homeowner least able to pay.

The property tax can be a good tax if it is restricted to financing those government services which enhance and maintain the value of property. Schools and welfare must be financed by better, more broadly-based taxes.

Proposition 9 is a soundly-conceived, fiscally-responsible start at reforming our state and local tax system. It begins where the need is the greatest—with tax relief for the overburdened homeowner. It has the support of homeowner associations, realtors, apartment house owners and thousands of just p[illegible] citizens who are tired of being squeezed [illegible] their homes by tax bills that go higher and higher every year and are tired of patiently waiting for the tax relief they have been promised by their elected officials. They can no longer pay their tax bills with broken promises.

Don't be fooled by the scare tactics of the opposition. They have their own selfish reasons for wanting to maintain the status quo.

Here are the facts:

— Proposition 9 strengthens your control over public spending.

— Proposition 9 gives immediate relief for the property owner and yet allows our elected legislators five years to find ways to provide taxes for essential services. A vote for this proposition is a vote for efficiency in government and fiscal responsibility.

— Proposition 9 will benefit not only property owners, but tenants as well. Don't forget—high property taxes mean higher rents.

— Proposition 9 will remove the unfair tax burden on property. When your property tax bill comes due, you must pay it—or lose your property.

This proposition may be your last chance to lower the taxes on your home. It is your insurance policy against the tax bill we receive every November 1—the tax bill that is taxing us out of our homes.

PHILIP E. WATSON
Assessor, Los Angeles County

EVERETT C. McKEAGE
Former Judge of the Superior Court of California, San Francisco
Co-Chairman, Citizens Committee for Property Tax Limitation, Inc.

DAVID N. ROBINSON
Past President, California Real Estate Association
Realtor, Berkeley

Argument Against Proposition No. 9

"Property tax limitation" sounds great—just as cheese smells great to a mouse before the steel trap springs on his neck.

Intelligent California voters won't bite on Proposition 9.

Proposition 9 is a trap. Proposition 9 would mean far heavier taxes for most Californians, including homeowners; while providing an enormous tax-saving windfall to a few land speculators, apartment house owners, landlords and others for whom the property tax is a major business cost.

Don't fall for this trap—Vote NO on Proposition 9.

Proposition 9 would prohibit expenditure of property tax revenues for public schools and welfare services. It is totally irresponsible because it makes no provision for revenue replacement. It doesn't eliminate a single government service—it merely leaves it up to the Legislature to figure a way out of the mess.

Through drastic limitation of bond financing, Proposition 9 could destroy the critical State Water Project — tossing $2 billion committed and largely spent down the drain —and wipe out the State's and local communities' and districts' ability to construct new transit systems, water and sewer plants, hospitals, libraries, colleges and other urgently needed facilities.

The major disaster target of Proposition 9, however, is the public school system. More than 50% of elementary, high school and junior college costs comes from property taxes. Of the $2,442 million expended from property tax revenues in 1967–68 for schools and welfare, the major portion—$2,197 million—was for education.

Obviously Californians will not allow their school system to collapse, with teacherless classrooms, doubled class loads, and the disastrous effects on property values that would result.

State taxes would have to be sharply increased to take over the entire load of school support. If the Sales Tax were used to replace property tax losses caused by Proposition 9, the present rate would have to be more than doubled—from 5¢ on the dollar to 12¢ on the dollar.

If the Personal Income Tax were used to replace property tax losses, the present rates would have to be increased by 300%.

Who benefits from Proposition 9? Not the homeowner. Only 30.2% of the total property tax in California is paid by owners of single-family homes, whereas 70% of State Sales Taxes are paid directly by consumers. If Sales or Income taxes are boosted, homeowners would pay far higher total taxes than they pay now.

Only a few would reap benefits from Proposition 9: those for whom property taxes are a major business cost, as, for example, land speculators. An increase in State taxes would have little effect on them, because wher v cash in on rising land values their profi e subject only to a limited capital gains tax.

Proposition 9 represents an unfair shift of the tax burden by a few to the majority. It is so irresponsibly drawn that it would insure a staggering disruption of public school education and other critical services.

Proposition 9 is a disastrous tax trap. Don't bite on it! Vote NO on Proposition 9.

ROBERT C. BROWN
Executive Vice President
California Taxpayers' Association

JACK REES
State Executive Secretary
California Teachers Association

JOSEPH DIVINY
Vice President
International Brotherhood of Teamsters

8 **APPORTIONMENT OF LOCAL SALES AND USE TAX. Legislative Constitutional Amendment.** Legislature may, by general law, authorize counties, cities and counties, and cities to contract to apportion between themselves revenues derived from any sales or use tax imposed by them which is collected by the state, provided the electors of each local entity approve the contract by majority vote. The contract may provide that the recipient of funds pursuant to such contract may use such funds for same purposes as its own revenues.	**YES**	
	NO	

(This amendment proposed by Assembly Constitutional Amendment No. 36, 1968 Regular Session, does not expressly amend any existing section of the Constitution, but adds a new section thereto; therefore, the provisions thereof are printed in **BLACK-FACED TYPE** to indicate they are **NEW**.)

PROPOSED AMENDMENT TO ARTICLE XIII

Sec. 25.5. The Legislature may, by general law, authorize counties, cities and counties, and cities, or any of them, to enter into contracts to apportion between them the revenue derived from any sales or use tax imposed by a county, city and county, or city, which is collected for such county, city and county, or city by the state. Before any such contract becomes operative, it shall be submitted at a general election or at a direct primary election to the qualified electors of each county, city and county and city which is a party thereto and shall have received a majority of all the votes cast for and against it at such election in each such county, city and county and city, which is a party to the contract. The agreement may provide that the recipient of any funds pursuant to a contract entered into under a legislative authorization pursuant to this section may use such funds for any purpose for which the recipient could expend its own revenues.

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	NO	

(This proposed amendment does not expressly amend any existing section of the Constitution, but adds a new section thereto; therefore, the provisions thereof are printed in **BLACK-FACED TYPE** to indicate they are **NEW**.)

PROPOSED AMENDMENT TO ARTICLE XIII

The people of the State of California do enact as follows:

The Constitution of the State of California is hereby amended by the addition of Section 30 to Article XIII thereof to read as follows:

SECTION 30. PROPERTY TAX LIMITATION

The total ad valorem property tax burden imposed in any tax year on all property in the state as defined in Section 1, Article XIII when added to the total ad valorem special assessments levied thereon during the preceding fiscal year shall not exceed, except as otherwise provided herein, on or after July 1, 1969, the total cost of property related services plus 80 percent of the base cost of people related services; nor, on or after July 1, 1970 the total cost of property related services plus 60 percent of the base cost of people related services; nor, on or after July 1, 1971 the total cost of property related services plus 40 percent of the base cost of people related services; nor, on or after July 1, 1972, the total cost of property related services plus 20 percent of the base cost of people related services; nor, on or after July 1, 1973, the total cost of property related services only.

On and after July 1, 1969, the total ad valorem tax burden imposed in any tax year on all property in the State as defined in Section 1, Article XIII, when added to the total ad valorem special assessments levied thereon during the preceding fiscal year shall not exceed one percent of market value to provide for the total cost of property related services.

After July 1, 1969, said limitations may be exceeded to the extent necessary for the purpose of funding bonds and creating sinking funds from which to pay the redemption costs of bonds issued and outstanding as of the effective date of this Section. Said limitations may be further exceeded to the extent necessary for the purpose of funding bonds and creating sinking funds from which to pay the redemption costs of bonds issued after the effective date of this Section provided that the total bonding for each revenue district, including bonds issued before and after the effective date of this section, shall not exceed 5 percent of the assessed value within each revenue district and the total bonding for all revenue districts in which the property is located, including bonds issued before and after the effective date of this section, shall not exceed 20 percent of the assessed value or 5 percent of the market value of all taxable property within said districts after deductions for property tax exemptions within each such district.

For the purpose of this Section "cost of property related services" includes all costs other than the costs of people related services.

Further, for the purpose of this Section, "cost of people related services" includes all cost for education and welfare and such other costs as may, from time to time, be designated by the Legislature.

Further, for the purpose of this Section, "base cost" shall be the total amount of ad valorem tax revenue allocated to education and welfare purposes in each revenue district for the 1968–69 fiscal year.

Further, for the purpose of this Section, "bonds" includes, but not by way of limitation, bonds and debts for amounts loaned to any government taxing agency having the power to tax, and debts under long-term lease contracts the term of which is five (5) years or more and other long-term obligations for capital improvements.

Further, for the purpose of this Section, "ad valorem tax burden" includes, but not by way of limitation, any tax burden imposed by any government taxing agency upon the sale, transfer or conveyance of real property or upon the instruments, documents or conveyances incident to any such sale, transfer or conveyance.

Further, for the purpose of this Section, "revenue district" includes, but not by way of limitation, the State, every county, city and county, municipality, district or other political subdivision of this State that levies ad valorem taxes or special assessments on property.

If any part, clause or phrase hereof is for any reason held to be invalid, it is intended that all the remainder shall continue to be fully effective.