

1978

POST DISASTER TAXATION

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POST DISASTER TAXATION California Proposition 8 (1978).
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Official Title and Summary Prepared by the Attorney General

PROPERTY TAXATION. LEGISLATIVE CONSTITUTIONAL AMENDMENT. Amends Constitution, article XIII A, section 2. Provides that real property reconstructed after a disaster, as declared by the Governor, shall not be considered "newly constructed" for property tax purposes if the fair market value of such property, as reconstructed, is comparable to its fair market value prior to the disaster. Authorizes reduction in full cash value of real property for property tax purposes to reflect substantial damages, destruction or other factors causing a decline in value. Revises existing terms relating to the valuation of real property for property tax purposes. Financial impact: In the absence of a major disaster, the adoption of this proposal would have a minor impact on local property tax revenues statewide. It should have no significant impact on state revenues or costs.

FINAL VOTE CAST BY LEGISLATURE ON SCA 67 (PROPOSITION 8)

Assembly—Ayes, 69
Noes, 0

Senate—Ayes, 32
Noes, 0

Analysis by Legislative Analyst

Background:

Proposition 13 on the June 1978 ballot substantially changed provisions in the California Constitution regarding the valuation of property for property tax purposes. In general, Proposition 13 requires county assessors to use 1975-76 property values as the basis for determining real property assessments in 1978-79 and subsequent years. The 1975-76 values may be increased by an inflation factor of no more than 2 percent per year. However, if the property is "newly constructed", or if ownership of the property changes, the assessment is based *not* on the property's value in 1975-76, but on its value at the time of construction or change in ownership.

Proposal:

This proposition would affect the determination of assessed value in three ways:

1. *Allowed adjustments to 1975-76 property values.* Proposition 13 specifies that the county assessors' determination of 1975-76 assessments can now be increased if these values were "not already assessed up to the 1975-76 tax levels". These adjusted values then would constitute the basis for computing future assessments.

This constitutional amendment substitutes the term "full cash value" for "tax levels". The Legislative Counsel advises us that this terminology change is a clarifying amendment to the Constitution, and as such it would not have any direct fiscal effect.

2. *Treatment of "reconstructed" property.* The Legislative Counsel advises us that, as used in Proposition 13, the term "newly constructed" real property covers additions or renovations to real property as well as newly built structures. Thus, property which has not been sold since 1975, but is substantially "reconstructed" following a flood, fire or other disaster would have to be reassessed at its new market value.

This proposal specifies that real property which is reconstructed after a disaster shall not be reassessed at its new market value if (1) it is in a disaster area, as proclaimed by the Governor and (2) its value is comparable to the fair market value of the original property prior to the disaster. This would prevent the assessed value of such property from being increased by more than the 2 percent annual inflation factor.

3. *Property which has declined in value since 1975.* Proposition 13 does not allow the assessor to reduce the assessed value of property which declines in value while it is still owned by the same taxpayer. This proposal would allow the assessor to make such reductions when it has been substantially damaged or its value has been reduced by "other factors" such as economic conditions.

Fiscal Effect:

In the absence of a major disaster, the adoption of this proposal would have a minor impact on local property tax revenues statewide. It should have no significant impact on state revenues or costs.

Argument in Favor of Proposition 8

This past June, the voters of California overwhelmingly passed Proposition 13 (the Jarvis-Gann initiative), thereby significantly reducing a property tax burden that had become increasingly unfair.

The purpose of this measure, Proposition 8, is to further the intent of Proposition 13 by easing the property tax burden of disaster victims who have recently lost their homes or suffered real property damage.

Although Proposition 13 rolled back assessments to 1975-76 values, it overlooked the possibility that a person's property might have been damaged to the extent that it has actually *declined* in value since 1976. Proposition 8 on this ballot would allow assessors to further reduce assessments if such damage has, in fact, occurred.

Moreover, some California families have recently been the victims of large-scale disasters, officially recognized as state emergencies. To cite but one example, more than 200 families saw their homes completely destroyed by fire in Santa Barbara in 1977, and other Californians have suffered similarly from extensive floods, mudslides, and earthquakes.

But when these victims of disasters rebuild their homes or businesses, they come under the provision of Proposition 13 which requires that "new construction" be assessed at current market value, thus causing a major reassessment *upward*. Without Proposition 8, those who cannot afford to rebuild at all presumably will still have to pay the 1975-76 assessed value of the home or

business as though it were still standing.

So, although the "new construction" provision will generally be appropriate, for disaster victims forced to rebuild it is terribly unfair. Proposition 8 simply says that these unfortunate citizens should be allowed the same 1975-76 rollback that the rest of us receive, on condition that the new structure is comparable in value to the one being replaced.

Again, in keeping with the spirit and intent of Proposition 13, Proposition 8 will allow assessors to *reduce* assessments to reflect substantial damage, destruction or other factors which cause a decline in property value. This will insure equal treatment under the law, and will prevent additional tax burdens from falling on those who have suffered major property losses, damage or property depreciation since 1976.

Please join the undersigned individuals who have worked so very hard to provide property tax relief for *all* Californians, and VOTE YES ON PROPOSITION 8.

OMER L. RAINS

*State Senator, 18th District
Chairman, Senate Majority Caucus*

PAUL GANN

*President, Peoples Advocate
(Co-author of Proposition 13, the Jarvis-Gann Initiative)*

PETER BEHR

*State Senator, 2nd District
Chairman, Committee on Insurance and Financial
Institutions*

No argument against Proposition 8 was submitted

Text of Proposed Law

This amendment proposed by Senate Constitutional Amendment No. 67 (Statutes of 1978, Resolution Chapter 76) expressly amends an existing section of the Constitution; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be inserted or added are printed in *italic type* to indicate that they are new.

**PROPOSED AMENDMENT TO
ARTICLE XIII A**

Section 2. (a) The full cash value means the ~~County Assessors county assessor's~~ valuation of real property as shown in the 1975-76 tax bill under "full cash value"; or, thereafter, the appraised value of real property when purchased, newly

constructed, or a change in ownership has ~~occured~~ *occurred* after the 1975 assesment. All real property not already assessed up to the 1975-76 ~~tax levels~~ *full cash value* may be reassessed to reflect that valuation. *For purposes of this section, the term "newly constructed" shall not include real property which is reconstructed after a disaster, as declared by the Governor, where the fair market value of such real property, as reconstructed, is comparable to its fair market value prior to the disaster.*

(b) The ~~fair market~~ *full cash value* base may reflect from year to year the inflationary rate not to exceed ~~two~~ *2* percent ~~(2%)~~ for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction, *or may be reduced to reflect substantial damage, destruction or other factors causing a decline in value.*