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Earthquake Safety. Property Tax Exclusion.

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Earthquake Safety. Property Tax Exclusion. Legislative Constitutional Amendment

Official Title and Summary:

EARTHQUAKE SAFETY. PROPERTY TAX EXCLUSION. LEGISLATIVE CONSTITUTIONAL AMENDMENT

- Amends California Constitution to authorize Legislature to exclude from property tax assessment construction or installation of earthquake safety improvements in existing buildings.
- Authorizes Legislature to define improvements eligible for the exclusion.
- Existing 15 year exclusion applicable to earthquake safety reconstruction or improvements for specified existing unreinforced masonry buildings not affected by this amendment.

Summary of Legislative Analyst's

Estimate of Net State and Local Government Fiscal Impact:

- If Legislature fully implements measure, it would reduce annual property tax collections from assessment of earthquake safety modifications beginning 1990-91.
- Revenue loss could be millions of dollars annually. Cities, counties, and special districts would bear approximately two-thirds of the loss; school and community college districts one-third.
- State may have to replace lost school district revenues, depending on formula used to determine K-14 education funding guarantee under existing state Constitution requirements.

Final Votes Cast by the Legislature on SCA 33 (Proposition 127)

Assembly: Ayes 65	Senate: Ayes 38
Noes 0	Noes 0

Analysis by the Legislative Analyst

Background

Local property taxes are based on each property's assessed value. As long as a property has the same owner and there is no new construction, its assessed value generally remains the same each year, except for a small increase for inflation. Whenever property is bought or built on, however, it generally is given a new assessed value. For existing buildings, new construction causes a reassessment if it adds space, converts a building to a new use, or renovates it to make it like new. The property's assessed value is increased to reflect the value added by the new construction.

Current law excludes some types of new construction from assessment. One of these existing exclusions applies to earthquake safety modifications that are required by local laws. Only buildings with walls made of unreinforced masonry (such as brick) are eligible for this exclusion, and the exclusion is limited to 15 years. Existing state law also requires cities and counties in earthquake-prone areas of the state to identify potentially hazardous buildings with unreinforced masonry walls and to establish programs to reduce or eliminate those hazards.

Proposal

This constitutional amendment would authorize the Legislature to exclude from assessment future earthquake safety modifications made to any type of existing building, including those constructed of

materials other than unreinforced masonry. This exclusion would be effective until the property is sold, and the modifications need not be required by any local law. Earthquake safety improvements that are required for unreinforced masonry buildings would continue to receive the existing 15-year exclusion.

Fiscal Effect

If the Legislature fully implements the new exclusion, it would reduce local property tax collections, beginning in 1990-91. The property tax revenue loss could be millions of dollars per year. Most of this revenue loss probably would occur when buildings are renovated or converted to new uses. This is because these types of projects generally add substantial value to property, and part of that value would not be taxable as a result of this measure. Some of this revenue loss may be offset. This would occur to the extent that the new exclusion results in safety modifications that prevent damage that would reduce assessed value after future earthquakes.

Cities, counties, and special districts would bear approximately two-thirds of the revenue loss. The remainder of the loss would affect school and community college districts. Under existing requirements of the State Constitution, the state may have to replace these lost school district revenues. Whether this occurs in any year will depend upon the formula used to determine the state funding guarantee for K-14 education.

For text of Proposition 127 see page 74

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Argument in Favor of Proposition 127

Much of the burden of making California safe from the dangers of earthquakes falls on the shoulders of the owners of potentially dangerous buildings. Often those owners did not know about the dangers when they bought; in fact, many engineers did not know until recently about some of the potential dangers. We learn from each earthquake.

A fundamental lesson from the October 17, 1989 earthquake is that it's much less expensive to strengthen buildings than to pay for the consequences of economic disruption, demolition, rebuilding, and even death. The message from the quake to owners of buildings is clear: strengthen them or lose them; strengthen them or face the liability for damage they may cause. The message from the state to owners has not been so clear: strengthen for seismic safety, but we'll tax you if you do.

The very least we can do is to remove some of the

disincentives to seismic safety. This amendment is a start, by freeing the owner from the double burden of the cost of seismic strengthening and the increased property tax burden from reassessment. The owners, however, do not lose the increased value when they resell. The insignificant loss of property tax revenue in the short term is a small and fair price to pay for long-term earthquake safety.

A "yes" vote on this measure will provide an incentive to owners for seismic strengthening of California's hazardous buildings.

DON ROGERS

State Senator, 16th District

BARBARA CRAM RIORDAN

Chairman, California State Seismic Safety Commission

No argument against Proposition 127 was filed

gallon and at a proportionate rate for any other quantity, and on all nonliquid distilled spirits containing 50 percent or less alcohol by weight, two cents (\$0.02) per ounce avoirdupois and at a proportionate rate for any other quantity.

(b) On all distilled spirits in excess of proof strength and all nonliquid distilled spirits containing more than 50 percent alcohol by weight, two times the rate specified in subdivision (a).

SEC. 5. On and after March 1, 1991, an excise surtax is hereby imposed upon all beer and wine sold in this state by a manufacturer, winegrower, or importer, and upon all distilled spirits sold in this state by a manufacturer, distilled spirits manufacturer's agent, brandy manufacturer, winegrower, importer, rectifier, wholesaler, common carrier with respect to distilled spirits sales made upon boats, trains, and airplanes, or persons licensed to sell distilled spirits upon boats, trains, and airplanes, and upon sellers of beer, wine, or distilled spirits with respect to which no tax has been paid within areas over which the United States government exercises jurisdiction, at the following rates:

(a) On all beer, sixteen cents (\$0.16) per gallon and at a proportionate rate for any other quantity.

(b) On all still wines containing not more than 14 percent of absolute alcohol by volume, nineteen cents (\$0.19) per wine gallon and at a proportionate rate for any other quantity.

(c) On all still wines containing more than 14 percent of absolute alcohol by volume, eighteen cents (\$0.18) per wine gallon and at a proportionate rate for any other quantity.

(d) On sparkling hard cider, eighteen cents (\$0.18) per wine gallon and at a proportionate rate for any other quantity.

(e) On all distilled spirits of proof strength or less, one dollar and thirty cents (\$1.30) per wine gallon and at a proportionate rate for any other quantity.

(f) On all distilled spirits in excess of proof strength, two dollars and sixty cents (\$2.60) per wine gallon and at a proportionate rate for any other quantity.

(g) Except with respect to beer and wine in the possession of an alcoholic beverage manufacturer, and except with respect to distilled spirits in the possession of a distilled spirits manufacturer, wholesaler, or importer, the Legislature shall impose, by appropriate legislation, floor stock taxes in amounts

equal to the surtaxes imposed by this section upon all alcoholic beverages upon which the surtaxes have not been paid, which are in the possession at 2:01 a.m. on March 1, 1991, of any person licensed pursuant to the second paragraph of Section 22 of Article XX. Any floor stock taxes with respect to alcoholic beverages shall become due and payable by remittance to the State Board of Equalization 120 days after the date upon which the floor tax is determined.

SEC. 6. The excise taxes and surtaxes imposed under Sections 3, 4, and 5 intended to replace and therefore shall supercede the excise taxes previously imposed pursuant to statutes. The excise taxes and surtaxes imposed under Sections 3, 4, and 5 shall be subject to credits, refunds, and exemptions as described in statutes imposing those excise taxes immediately prior to the effective date of this article. The Legislature shall have the power to modify, add to, or repeal credits, refunds, and exemptions. All taxes, interest, and penalties imposed and all amounts of tax required to be paid to the State under this article shall be paid in the form of remittances payable to the State of California and deposited into the General Fund at the times and in the manner that the Legislature may prescribe. This article shall be self-executing, but nothing herein shall prohibit the Legislature from enacting laws implementing and not inconsistent with its provisions.

SEC. 7. The measure adding this section is inconsistent with and intended as an alternative to any initiative measure that appears on the same ballot that imposes taxes or surtaxes upon alcoholic beverages. In the event that the measure adding this section and another measure that imposes taxes or surtaxes upon alcoholic beverages are adopted at the same election, a conflict shall be deemed to exist between the measures and the measure which receives the greater number of votes shall prevail in its entirety and the other measure shall be null and void in its entirety. The taxes and surtaxes imposed by the measure adding this section shall not be imposed in addition to another tax or surtax upon alcoholic beverages that is adopted at the same election.

SEC. 8. The provisions of the initiative measure, entitled the Taxpayers Right to Vote Act of 1990, if adopted by the voters at the November 6, 1990, general election, shall not apply to this measure.

Proposition 127: Text of Proposed Law

This amendment proposed by Senate Constitutional Amendment 33 (Statutes of 1990, Resolution Chapter 57) expressly amends the Constitution by adding provisions thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED ADDITION TO SUBDIVISION (c) OF SECTION 2 OF ARTICLE XIII A

(4) *The construction or installation of seismic retrofitting improvements or*

improvements utilizing earthquake hazard mitigation technologies, which are constructed or installed in existing buildings after the effective date of this paragraph. The Legislature shall define eligible improvements. This exclusion does not apply to seismic safety reconstruction or improvements which qualify for exclusion pursuant to the last sentence of the first paragraph of subdivision (a).

Proposition 128: Text of Proposed Law

This initiative measure is submitted to the people in accordance with the provisions of Article II, Section 8 of the Constitution.

This initiative measure amends, repeals, and adds sections to various codes; therefore, existing sections 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 LAW

TITLE ONE

SECTION 1. Short Title

This Act shall be known as the Environmental Protection Act of 1990.

TITLE TWO

SECTION 2. Findings and Declarations

We, the People of the State of California, do find and declare:

A. Our health, natural environment and quality of life are threatened by chemical pollution of the food which nourishes us, the air we breathe and our ocean waters.

B. These environmental problems arise from a common cause, our production of and dependence on toxic chemicals in all aspects of the economy.

C. These problems are urgent issues requiring solutions, now. Our State and federal governments have failed to resolve them, and have not adequately protected our health and environment. The public's trust has been compromised by special interests, and public confidence has been weakened by government's failure to act. It is therefore necessary to act by way of initiative to make the necessary changes in law.

We hereby further find and declare:

1) Each year, millions of pounds of pesticides are used in California, and eventually contaminate the food chain, drinking water supply, ocean, air, soil and ecosystem. Many of these pesticides pose clear hazards to human life and health.

2) Our children are more vulnerable than adults to the toxic effects of pesticides because of their immature physiological systems and special susceptibility to cancer-causing substances.

3) Neither the state nor federal government has adequately protected the People of the State of California from hazardous pesticides, in the food chain, in the fields, and elsewhere in the environment, placing adults and especially children in serious jeopardy. As a result of this governmental failure, consumers and agricultural workers are exposed daily through work and food to hazardous pesticides.

4) The public health and environment will be best protected by the regulatory measures set forth in this Act, by conferring responsibility on the California Department of Health Services to control the use of pesticides, and by providing State funds for the development of safe alternatives while phasing out cancer causing and other hazardous pesticides.

We also further find and declare:

1) As a result of California's rapid economic and population growth, the People of the State consume vast amounts of fossil fuels and other chemical substances through transportation, heating and cooling, manufacturing, and in the production of electricity. That consumption creates tens of millions of tons of waste gases and pollutants every year, including carbon dioxide from combustion of fossil fuels, chlorofluorocarbons and halons from industry, and nitrous oxides from motor vehicles.

2) There is increasing and substantial scientific evidence that global temperatures are gradually being raised by the cumulative effect of the emissions of these gases released into the atmosphere by human and industrial activity.

3) In addition to the emissions of these gases, global warming is increased by the depletion of our forests and urban trees. Between 1977 and 1986 alone, California lost over 700,000 acres of its forests to agricultural use and urban expansion.

4) California's old growth redwoods are an irreplaceable national and international resource, but exist only as a fragment of an ancient temperate rain forest ecosystem which once comprised approximately 2 million acres. Their continued destruction contributes to the loss of our forests and to global warming, and their cutting and harvesting, especially through clear cutting, contributes to erosion, pollution of water courses, and destruction of fishery and animal resources. Because of their extremely high biomass per acre, preservation of ancient redwood stands is significant in counteracting global warming, and provides an example of the actions that should be taken on a global scale.

5) There is also increasing and substantial scientific evidence that chemical substances are contributing to the destruction of the stratospheric ozone layer which shields the earth's surface from dangerous solar radiation. The continued destruction of the ozone layer could result in enormous increases in skin cancer cases, decreased yields of food crops, and adversely affect the health and welfare of the People of the State of California.

6) If these emissions continue unabated, and if the loss of trees in the State continues, global warming could have substantial adverse impacts on the State, including a reduction in water deliveries from the State Water Project to agricultural and urban areas, an expansion of San Francisco Bay caused by rising ocean levels, decreased crop yields due to higher temperatures and lower precipitation, increased temperatures, and increased energy usage to cool residences and workplaces.

7) As a result, the People of the State of California declare that the State must take the steps described in this Act to reduce toxic contamination of our air, to reduce its emission of waste gases which warm the atmosphere, to reduce and eliminate its use of chemicals which destroy the stratospheric ozone layer, and to protect and restore trees in the state.

Finally, We find and declare:

1) Over one million barrels of oil are imported into California each day by oil