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## Property Tax Postponement.

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**154**

**Property Tax Postponement.  
Legislative Constitutional Amendment**

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**Official Title and Summary Prepared by the Attorney General**

**PROPERTY TAX POSTPONEMENT.  
LEGISLATIVE CONSTITUTIONAL AMENDMENT**

- This measure authorizes the Legislature to provide for postponement of ad valorem property tax increases attributable to reappraisal of residential property on acquisition by low-income tenant-occupants as a principal place of residence.
- Provides that the total of the postponed taxes, plus the full amount of current property tax assessments shall not exceed 90 percent of owner's equity.
- Subventions to local agencies are not required to replace revenues lost by reason of property taxes postponed pursuant to this measure.

**Summary of Legislative Analyst's**

**Estimate of Net State and Local Government Fiscal Impact:**

- If implemented by the Legislature, this measure could result in millions of dollars of costs annually to either the state or to local government as homeowners who participate in this program postpone payment of their property taxes.
- Costs resulting from this measure eventually would be recovered as participating homeowners sell their homes.

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**Final Votes Cast by the Legislature on SCA 37 (Proposition 154)**

Assembly: Ayes 58      Senate: Ayes 39  
              Noes 14            Senate: Noes 0

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## 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 remains the same each year, except for a small increase for inflation. Whenever property is purchased or built on, the property is reappraised, and its current market value becomes its new assessed value. As a result, a person who purchases property typically pays higher property taxes than the taxes paid by the previous owner. In fact, for most properties in California, the current market value is significantly higher than the assessed value.

The State Constitution allows low- and moderate-income homeowners who are over 62 years of age or are disabled to postpone paying property taxes owed on their homes. The state pays the postponed taxes to local government on behalf of these homeowners and is reimbursed at the time their homes are sold. The reimbursement includes interest and a charge to cover the state's costs to administer the program.

### Proposal

This constitutional amendment would enable the Legislature to allow low-income renters who purchase the home or mobilehome they currently occupy to postpone the payment of increased property taxes associated with the reappraisal of their home. The measure limits the cumulative amount of taxes that may be postponed to 90 percent of the new owner's equity in the property, less the amount of taxes due for the current year.

### Fiscal Effect

By itself, this measure would have no direct fiscal effect because it merely authorizes the Legislature to establish a new postponement program. If implemented, the program would have fiscal effects on the state or local governments, depending on the specific program terms established by the Legislature (such as who qualifies as "low-income"). For example, if the new program were structured like the existing property tax postponement program for senior citizens and the disabled, the state's costs to replace the postponed property tax revenues would be potentially several millions of dollars annually. The state also would incur ongoing administrative costs of up to \$500,000 annually for its administration and for reimbursement of local government administrative costs. However, as properties are resold, the state would recover its costs for both property tax revenue replacement and administration from the repayment of the postponed taxes.

Alternatively, the Legislature could allow counties to establish the new program at their discretion with no state involvement. If this happened, cities, counties, and special districts would experience postponements of property tax revenue, potentially several millions of dollars annually. Counties would bear the administrative costs. The state would have to replace the revenues lost by school districts, however, due to existing requirements of the State Constitution. However, the postponed property tax revenues and administrative costs eventually would be recovered from the payment of the postponed property taxes at the time these properties are resold.

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For text of Proposition 154 see page 21

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## Argument in Favor of Proposition 154

What would you say to a proposal that helps keep more low-income families in their homes and off the streets, and does so without busting the budgets of state and local governments? If you'd say yes, then Proposition 154 deserves your support.

One of the main reasons that Californians backed Proposition 13 in 1978 was that people needed protection from being taxed out of their homes. For too many of us, runaway taxes threatened to ruin the dream of home ownership.

Proposition 13 helped those Californians, who purchased their home before 1978, who needed help the most—seniors living on fixed incomes, and low and moderate-income families forced to live on tight budgets. But thousands of disabled individuals and low-income families who tried to buy a home after 1978 didn't have the same tax protections of Proposition 13, and were forced to forgo HOME OWNERSHIP or to pay higher property taxes. Recognizing this, the voters amended the law in 1984, to allow those with disabilities to postpone paying property taxes when they bought or rebuilt their homes.

Proposition 154 merely extends that same benefit to low-income families trying to buy the homes they now rent. It will allow them to postpone paying the property tax increase until they can afford it, or until they sell their home.

**PROPOSITION 154 CREATES ECONOMIC INDEPENDENCE.** Giving lower-income families the opportunity to own their own home gives them greater

economic power, greater independence, and a greater stake in the quality and safety of their community.

**PROPOSITION 154 IS A PRO-FAMILY MEASURE.** If the supply of affordable housing continues to shrink, more and more low-income families will be forced into unsafe or lower standard housing. Or worse, they may end up being forced out of their house and onto the streets. Either one of those alternatives will rip at the fabric of these families. **WE MUST HELP THESE LOW-INCOME FAMILIES STAY TOGETHER AND STAY IN THEIR HOMES. BETTER YET, WE CAN HELP THEM ACHIEVE THE AMERICAN DREAM OF HOME OWNERSHIP.**

**PROPOSITION 154 IS NOT A GIVEAWAY—ALL OF THESE TAXES WILL BE REPAYED.** The only costs to the state and local government will be for administration and some lost interest. And importantly, **SCHOOLS WILL NOT BE HURT**, since the California Constitution requires that school districts be reimbursed by the state for all costs incurred.

**PROMOTE HOME OWNERSHIP. PREVENT HOMELESSNESS. ENABLE OUR LOWER INCOME FAMILIES TO STRIVE FOR ECONOMIC INDEPENDENCE.** Vote YES on Proposition 154.

**JOHN SEYMOUR**  
*United States Senator*

## Rebuttal to Argument in Favor of Proposition 154

Economists tell us that America should focus on **EXPANDING THE ECONOMIC PIE** and not just re-naming and bidding up the price of the existing pie.

Proposition 154 would authorize the Legislature to encourage "low-income" tenants (through property tax postponement) to purchase their places of residence. Those "low-income" tenants making over \$50,000/year might be able to buy their apartments (re-named "condominiums"), real estate wheeler-dealers would make a bundle and no new housing would be added to the economy.

California needs new housing (in appropriate areas), new jobs, re-tooled and re-directed industries, more efficient transportation, new energy sources, better trained and more inspired students and workers—a bigger economic pie.

At the same time, Californians rightfully want to protect and

improve the physical environment—the air, water, ground, forests and coastline.

And Californians deserve a better property tax system than the one created by Proposition 13. It is unfair to everyone who purchased a home since the base year (1975) and it is unfair to everyone who might wish to purchase a home.

The automatic reassessment provision in Proposition 13 also hits renters: every time the property changes hands, taxes go up and the rent follows.

It is time to say **NO** to special interest exemptions and to demand that the unfairness of automatic reassessment be eliminated for everyone.

**GARY B. WESLEY**  
*Attorney at Law*

# Property Tax Postponement. Legislative Constitutional Amendment

154

## Argument Against Proposition 154

This is another proposal by the Legislature to lessen the impact on some persons of the automatic reassessment provision in 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."

Proposition 13 has had the beneficial effect of holding down property taxes—particularly for persons who have owned their property since 1975. However, the automatic reassessment provision in Proposition 13 has resulted in new homeowners paying far more in property taxes than their neighbors whose property has the same value but was purchased earlier when property was less expensive.

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 a constitutional amendment which would correct these inequities, the Legislature proposes in this measure to retain the basic flaw but authorize itself to permit the *postponement* of higher taxes upon some home buyers.

Specifically, the Legislature proposes that voters amend Section 8.5 of Article 13 of the California Constitution to permit the Legislature to "provide for the manner in which a low-income tenant or tenants, acquiring as a principal place of residence the residential property, including a mobilehome or mobilehome park, in which they live, may postpone increases

*in ad valorem property taxes attributable to the reappraisal of the property upon the change in ownership resulting from the acquisition."*

Who are the home buyers that *could* receive a postponement of higher property taxes? "Low-income tenant or tenants" who purchase "the residential property . . . in which they live." That residential property could be a single-family home; however, not many lower-income tenants could afford to purchase such a home in today's market. Evidently, the measure is aimed at encouraging tenants to purchase mobilehomes and apartments (often converted to so-called condominiums). The measure does not encourage the construction of any new housing.

If the measure stopped there, we could simply discuss whether it is a good idea to encourage tenants to become "homeowners" by purchasing their apartments as so-called condominiums.

However, the measure contains some additional language that suggests its aims are broader. Subdivision (c) of the proposed constitutional provision states that "*(t)he Legislature shall have plenary power to define all terms in this section.*"

One term to be defined is "low-income tenant or tenants." Notice that a low-income tenant could purchase an entire "mobilehome park." How could a low-income tenant do that? It depends upon how the Legislature defines "low-income."

The unfairness of automatic reassessment should be *eliminated* for everyone—not just *postponed* for persons the Legislature would define later.

GARY B. WESLEY  
*Attorney at Law*

## Rebuttal to Argument Against Proposition 154

The ballot arguments against Proposition 154 are misleading and inaccurate. This initiative simply expands the anti-tax Spirit of Proposition 13 to low-income families and tenants who are trying to buy the homes they now rent. It will enable them to buy their rental properties without paying an immediate, drastic tax hike. Specifically, it allows them to postpone paying the property tax increases on their newly bought homes. That's not only fair, but in keeping with the overall goal of Proposition 13—which was to keep people from being taxed out of their homes.

This initiative will not give the Legislature any new powers over home owners. This initiative will not raise anyone's taxes. It will, however, enable more and more people to participate in the American Dream of owning their own home.

Proposition 13 has stood the test of time, court challenges and legislative attacks. It has given property tax relief to millions of low- and middle-income homeowners, including seniors and the disabled, and curtailed the spending sprees of government bureaucrats. Proposition 154 simply offers low-income renters who desperately want to buy their homes, and keep their families together, the opportunity to temporarily defer a portion of their property tax. This initiative promotes home ownership, and enables our lower-income families to strive for economic independence. Keep the Spirit of Proposition 13 alive. Give renters an opportunity to achieve economic freedom. Vote for Proposition 154.

JOHN SEYMOUR  
*United States Senator*

Proposition 154: Text of Proposed Law

This amendment proposed by Senate Constitutional Amendment 37 (Statutes of 1990, Resolution Chapter 155) expressly amends the Constitution by amending a section thereof; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE XIII,  
SECTION 8.5

SEC. 8.5. (a) The Legislature may provide by law for the manner in which a person of low or moderate income who is 62 years of age or older may postpone ad valorem property taxes on the dwelling owned and occupied by him or her as his or her principal place of residence. The Legislature may also provide by law for the manner in which a disabled person may postpone payment of ad valorem property taxes on the dwelling owned and occupied by him or her as his or her principal place of residence.

(b) *The Legislature may provide by law for the manner in which a low-income tenant or tenants, acquiring as a principal place of residence the residential property, including a mobilehome or mobilehome park,*

*in which they live, may postpone increases in ad valorem property taxes attributable to the reappraisal of the property upon the change in ownership resulting from the acquisition. In no event shall the total of the ad valorem property taxes postponed pursuant to the authorization of this subdivision, plus the full amount of ad valorem property tax assessments for the current fiscal year, exceed 90 percent of the equity held by the owner or owners, who purchased the property as a low-income tenant or tenants, in the property.*

(c) The Legislature shall have plenary power to define all terms in this section.

(d) The Legislature shall provide by law for subventions to counties, cities and counties, cities and districts in an amount equal to the amount of revenue lost by each by reason of the postponement of taxes pursuant to subdivision (a) and for the reimbursement to the State of subventions from the payment of postponed taxes. Provision shall be made for the inclusion of reimbursement for the payment of interest on, and any costs to the State incurred in connection with, the subventions.