

2018

PERMITS LEGISLATURE TO EXCLUDE
NEWLY CONSTRUCTED RAIN-CAPTURE
SYSTEMS FROM PROPERTY-TAX
REASSESSMENT REQUIREMENT.
LEGISLATIVE CONSTITUTIONAL
AMENDMENT.

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PERMITS LEGISLATURE TO EXCLUDE NEWLY CONSTRUCTED RAIN-CAPTURE SYSTEMS FROM PROPERTY-TAX REASSESSMENT REQUIREMENT. LEGISLATIVE CONSTITUTIONAL AMENDMENT.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on the Secretary of State's website at <http://voterguide.sos.ca.gov/>.

- Except in certain circumstances, under the California Constitution, construction on existing property requires reassessment for tax purposes.
- The California Constitution permits the Legislature to exempt some construction on existing property from property-tax reassessment requirements.
- Amends the California Constitution to permit the Legislature to exempt the construction or addition of rain-capture systems from the

type of construction that would require a property-tax reassessment.

- Applicable to construction or addition of rain-capture systems completed on or after January 1, 2019.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Probably minor reduction in annual property tax revenues to local governments.

FINAL VOTES CAST BY THE LEGISLATURE ON SCA 9 (PROPOSITION 72) (RESOLUTION CHAPTER 1, STATUTES OF 2018)

Senate:	Ayes 39	Noes 0
Assembly:	Ayes 76	Noes 0

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

California's Water Supplies Can Be Limited in Some Years. California has an extensive water system to deliver water from the northern part of the state—where it is more plentiful—to farms and cities in other parts of the state. Water typically is delivered to houses and other buildings through local public water systems. The amount of water available through these water systems can vary widely from year to year. In years with less rain and snow, it can be difficult to provide enough water for all of the state's farms, residents, and businesses. In response, the state and local governments have looked for other ways to provide water to those who want it.

Rainwater Capture Systems Collect Water for Use on Site. Rainwater capture systems are one way to create additional supplies of water. A rainwater capture system collects and stores rainwater that falls on the roof of a building. The system uses pipes to direct water from

roofs and gutters to large storage tanks. Stored water can be used for things like watering plants or flushing toilets. As a result, these systems reduce somewhat the demand for water from local water systems. Rainwater capture systems installed on homes typically cost a few hundred dollars to several thousand dollars. Systems installed on business properties or apartments typically cost several thousand dollars to hundreds of thousands of dollars.

Local Governments Levy Taxes on Property Owners. California local governments—cities, counties, schools, and special districts—levy property taxes on property owners based on the value of their property. A property includes land plus any buildings or other improvements on the land. Property taxes are a major revenue source for local governments, raising over \$60 billion per year statewide.

Calculating a Property Owner's Tax Bill. Each property owner's annual property tax bill is equal to the taxable value of their property

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

multiplied by their property tax rate. The typical property owner’s property tax rate is 1.1 percent. In the year a property is purchased, its taxable value is its purchase price. Each year after that the property’s taxable value is adjusted for inflation (up to 2 percent). This continues until the property is sold and again is taxed at its purchase price.

Property Improvements Trigger a Higher Tax Bill. When a property owner makes an improvement to his or her property, the county assessor typically updates the property’s taxable value to reflect the improvement. The county assessor first determines the value of the improvement. The improvement’s value is based on the cost of building the improvement and how much it increases the price the property could be sold for. The county assessor then adds the value of the improvement to the property’s prior taxable value to determine the property’s new taxable value.

Certain Improvements Do Not Increase Tax Payments. Past measures approved by voters require that county assessors not count the value of certain types of property improvements toward a property’s taxable value. Such improvements include solar panels, fire sprinklers, and certain upgrades for earthquake safety.

PROPOSAL

Rainwater Capture Systems Not Counted Toward Taxable Value. This measure, which amends the State Constitution, allows the Legislature to exclude the value of a newly constructed rainwater capture system from a property’s taxable value. Earlier this year, the Legislature passed a law to carry out this measure should it be approved by voters. Under this law, any systems installed between January 1, 2019 and December 31, 2028 would not raise property tax bills. These property tax savings would apply until the property is sold. If a developer installs a system on a new building, the first buyer of the building may claim the property tax savings for the system.

An Example. Here is an example of the property tax savings provided by this measure. Suppose a home has a taxable value of \$400,000 and the homeowner’s annual tax bill is \$4,400 (\$400,000 multiplied by 1.1 percent). The homeowner pays \$5,000 to have a rainwater capture system installed. Without this measure, the county assessor would increase the home’s taxable value to \$405,000. The homeowner’s annual tax bill would increase to \$4,455 (\$405,000 multiplied by 1.1 percent). With the measure, the home’s taxable value and tax bill would not change. The homeowner’s annual tax bill would still be \$4,400, \$55 lower than if the measure were not in place.

FISCAL EFFECTS

Likely Minor Reduction in Property Tax Revenues. This measure would result in lower property tax payments for property owners who install rainwater capture systems on existing buildings or who purchase new buildings that include these systems. Lower property tax payments would mean lower revenues for local governments. Statewide, these property tax revenue losses probably would be minor, not exceeding a few million dollars per year. This is because properties with new rainwater capture systems probably will pay a very small share of all property tax payments in coming years.

Visit <http://www.sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2018-ballot-measure-contribution-totals/> for a list of committees primarily formed to support or oppose this measure. Visit <http://www.fppc.ca.gov/transparency/top-contributors/jun-18-primary.html> to access the committee’s top 10 contributors.

If you desire a copy of the full text of the state measure, please call the Secretary of State at (800) 345-VOTE (8683) or you can email vigfeedback@sos.ca.gov and a copy will be mailed at no cost to you.

★ ARGUMENT IN FAVOR OF PROPOSITION 72 ★

Yes on Proposition 72 will prevent a property tax increase on homeowners who install rainwater recycling systems that benefit our entire state.

That is urgent because California has experienced periods of drought and will likely face more dry years in the future.

More Water, Less Taxes.

Eliminating the tax penalty for Californians who install systems to store and reuse water off our roofs will preserve more water for all of us and can lower water bills for millions of Californians. It preserves precious drinking water for California residents and enables us to draw less water from our lakes, rivers and streams, helping fish and wildlife that depend on fresh water for their habitat and food.

Supported by Outdoor and Environmental Groups.

Yes on Proposition 72 is supported by environmental groups throughout California, including Save The Bay, Planning and Conservation League and Trout Unlimited. Water conservation and environmentally sensitive water storage are important elements of our anti-drought response.

Under current law, taxes increase when property owners make home improvements—even when such improvements have statewide benefit. Proposition 72 would allow people to install rainwater capture systems without triggering higher taxes.

Australia has experienced severe drought and has embraced rainwater recycling systems as part of their solution. Currently, one-third of the Australian homes capture rainwater from their roofs.

California voters approved a similar tax reform for solar systems. Because homeowners are not required to pay higher taxes when they install rooftop solar, our electricity costs are lower. A Yes vote on Proposition 72 would allow us to follow this exact same path.

Stop The Unfair Tax on Water Conservation!

It is unfair and unwise to raise taxes on Californians who capture rainwater from their roofs in order to conserve our drinking water. That is why the California State Senate and State Assembly, on *unanimous bi-partisan votes*, agreed to place this measure on the ballot.

Storing and reusing rainwater benefits all of us. People should not have to pay a tax penalty for conserving water. Please vote Yes on Proposition 72.

For further info, go to SaveCaWater.org

STEVE GLAZER, California State Senator

DAVID LEWIS, Executive Director
Save The Bay

HOWARD PENN, Executive Director
Planning and Conservation League

SEC. 4. A proposed amendment or revision shall be submitted to the electors and *and*, if approved by a majority of votes ~~thereon cast thereon~~, takes effect *on* the *fifth* day after the election ~~unless the measure provides otherwise. Secretary of State files the statement of the vote for the election at which the measure is voted on, but the measure may provide that it becomes operative after its effective date.~~ If provisions of ~~2~~ *two* or more measures approved at the same election conflict, ~~those~~ *the provisions* of the measure receiving the highest *number of* affirmative ~~vote~~ *votes* shall prevail.

construction, installation, removal, or modification is for the purpose of making the building more accessible to, or more usable by, a disabled person.

(5) The construction or addition, completed on or after January 1, 2019, of a rain water capture system, as defined by the Legislature.

PROPOSITION 72

This amendment proposed by Senate Constitutional Amendment 9 of the 2017–2018 Regular Session (Resolution Chapter 1, Statutes of 2018) expressly amends the California 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 SUBDIVISION (c) OF SECTION 2 OF ARTICLE XIII A

(c) For purposes of subdivision (a), the Legislature may provide that the term “newly constructed” does not include any of the following:

(1) The construction or addition of any active solar energy system.

(2) The construction or installation of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement, as defined by the Legislature, that is constructed or installed after the effective date of this paragraph.

(3) The construction, installation, or modification on or after the effective date of this paragraph of any portion or structural component of a single- or multiple-family dwelling that is eligible for the homeowner’s exemption if the construction, installation, or modification is for the purpose of making the dwelling more accessible to a severely disabled person.

(4) The construction, installation, removal, or modification on or after the effective date of this paragraph of any portion or structural component of an existing building or structure if the