



Split-roll property tax

Background

California's Proposition 13 limits property tax assessments to 1 percent of a property's value at the time of sale. All property classes -- commercial, industrial and residential -- are subject to the same limits. In an effort to develop new tax revenue, some have proposed switching to a "split-roll" system that would allow commercial or industrial property to be taxed under a different structure than residential property. For example, under one recent proposal, commercial and industrial property values may be re-assessed every year according to current market value, while residential properties would continue to be re-assessed only when they are sold or transferred.

Analysis

The most significant effort toward a split-roll property tax system to date is Senate Constitutional Amendment 5, introduced by Sens. Loni Hancock and Holly Mitchell in March 2015. SCA 5 would maintain the 1 percent limit established by Prop. 13, but it would increase the frequency of re-assessment for commercial properties. As a constitutional amendment, SCA 5 would need the support of two-thirds of both the Assembly and the Senate before it could be placed on the ballot. Alternatively, an amendment could be placed on the ballot by a citizen initiative.

One of the many problems with a split-roll system is that it would promote the fiscalization of land use -- in other words, encouraging local governments to increase the tax base by favoring commercial development at the expense of residential development. Another problem with split-roll systems is that they may treat multi-family residential or multi-use properties as commercial, thus placing higher tax burdens on renters and owners of attached housing.

Position

The Greater San Diego Association of REALTORS® opposes any effort, either through the Legislature or through the initiative process, to differentiate tax structures for commercial and residential properties. A split-roll system could threaten multi-family properties, thus putting a disproportionate impact on renters. A split-roll system would also deter residential development, further suppressing the housing supply and driving home prices out of reach for even more Californians, and it would force some businesses to close their doors, leading to numerous job losses.

