NO ON PROP 15

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Myth vs. Fact

MYTH	FACT
Tax revenue generated by Prop 15 will be invested in disadvantaged communities and will help all Californians.	False. Prop 15 creates an $11.5-billion blank check with no accountability to ensure the tax revenue is put to beneficial uses in communities. It will cost taxpayers more than $1 billion in bureaucratic expenses to implement, and politicians can spend the higher property tax revenue on anything they want, including administrative costs, outside consultants and pay raises. Prop 15's flimsy reporting requirements will allow government agencies to hide where they are actually spending the tax money. As concerning, there is ZERO independent oversight of the new tax money. Far from helping all Californians, about half of the new revenue for local governments will go to Los Angeles and San Francisco counties alone.
Only 6% of properties will generate 78% of the higher taxes.	This statistic is from Blue Sky Consulting Group which has been paid more than $30,000 by the proponents' campaign. The "study" is not based on an independent analysis of the initiative that will go before voters and fails to consider impacts on agricultural properties along with other factors in the initiative. It also ignores that the majority of small businesses rent their property and have "triple net" or similar leases which makes them responsible for property taxes. The "study" does not estimate the number of small business tenants of larger office parks or industrial complexes who would end up paying higher property taxes under their leases. Further, 6% of properties does not translate to 6% of businesses. Many of the parcels in that 6% statistic are industrial parks, office buildings, shopping malls, and other properties that lease their space to other businesses. Those tenants are likely to be the ones paying the tax increase under the terms of their leases.
Prop 15 is needed to fill budget deficits caused by COVID-19.	Prop 15 will do nothing to address short-term budget deficits. Prop 15 will not be fully implemented and will not generate most of its revenue until 2025 according to the non-partisan Legislative Analyst's Office, but it will likely be much longer as county assessors work to overcome the administrative nightmare they have identified and reassess the large number of properties required under the initiative. Furthermore, local governments will be strained before they realize any new tax revenue as they must start spending immediately to hire the staff required to implement the measure. The California Assessors' Association projects Prop 15 will cost more than one billion dollars during the first three years for county assessors to implement the measure plus hundreds of millions of dollars more for other local government expenses—costs that must be repaid before any new tax revenue goes toward the initiatives funding targets. These implementation costs likely will force even deeper budget cuts as local governments struggle to balance budgets in the recession.

	Proponents behind the initiative even admit that their measure "explicitly allows county assessors 5 years to fully implement changes." That means it could be up to five years before the higher taxes reach government coffers.
Prop 15 promotes equality across California because every county will receive additional property tax revenue.	False. Far from helping all parts of California, this initiative exacerbates existing inequality between communities. Wealthy counties will benefit disproportionately while small and rural counties could see actual **declines** in their property tax revenues according to an independent study by the California Assessors' Association. About half of the new revenue for local governments will go to Los Angeles and San Francisco counties alone. **In fact, for the first time in state history, Prop 15 will transfer local property tax revenues to the state to redistribute to other counties and to backfill its own general fund revenue losses.** All Californians will pay a higher cost of living due to Prop 15, but the amount of tax dollars they get back depends on where their live.
Prop 15 will be a tax cut for small businesses due to the special personal property exemption.	One of the biggest myths about Prop 15 is that it reduces taxes for small businesses. The truth is Prop 15's definition of "small business" is so narrow that it is virtually impossible for most small businesses to qualify for the special personal property tax exemption the measure's proponents tout as a tax cut. To be considered a "small business" as defined by the initiative, a company must **satisfy all three criteria:** 1) Have fewer than 50 full-time employees 2) Be independently owned and operated 3) **Own real property in California** The narrow definition excludes the more than 75 percent of small businesses that do not own real property. Less than a quarter of small businesses own the property on which they operate, according to data the National Federation of Independent Business (NFIB). The narrow definition also excludes small business franchises, like a Subway franchise, who are not considered "independently owned and operated." For these reasons, the vast majority of small businesses will **not** qualify for the special personal property tax exemption under the initiative. They will only qualify for the $500,000 personal property exemption that all companies, regardless of their size, will receive. Because of the lack of protection, most small businesses will likely pay either higher property taxes or higher rent due to the initiative.
Prop 15 won't hurt small businesses because it gives them a permanent exemption from reassessment.	There is no permanent exemption from reassessment for small businesses. There is a provision that exempts property owners who own less than $3 million of cumulative property statewide. **However, the size of the business or the number of employees it has is irrelevant.** Instead, the exemption hinges on a property's dollar amount being worth less than $3 million.

	Furthermore, NOTHING in Prop 15 stops a property owner from raising the rent on their small business tenants. Most small businesses rent the property on which they operate and have what is called a "triple net lease," where property owners pass along property taxes, insurance, and maintenance costs directly to the tenants. According to a study by the National Federation of Independent Business, more than 75% of small businesses do not own the property on which they operate. Prop 15 includes ZERO protections for small businesses who rent their property. Almost all businesses, no matter size, the value of the property, or number of employees, will pay higher property taxes or higher rents. Ultimately, it could force small businesses to lay off employees, shut their doors or move out of state. Even worse, the higher property taxes will get passed on to consumers in the form of increased costs on just about everything people buy and use, including groceries, fuel, utilities, day care and health care.
Prop 15 temporarily delays reassessments for properties with small business renters.	This applies only under an extremely rare set of circumstances. The measure allows properties that are more than 50% occupied by tenants defined as "small businesses" to have reassessment delayed until 2025, but most small businesses will not qualify for this provision. To be considered a "small business" as defined by the initiative, a company must **satisfy all three criteria:** 1) Have fewer than 50 full-time employees 2) Be independently owned and operated 3) Own real property in California A small business renter will not count as a small business, unless they own a separate property. This convoluted logic ensures that countless properties occupied by small businesses will not qualify for the delayed reassessment. Additionally, a small business Subway franchisee, would likely fail the second criterion as it is not "independently owned and operated" as defined by the initiative.
Prop 15 will help minority-owned small businesses by making corporations pay their fair share.	False. Small businesses are already struggling. Prop 15 will make it even more difficult for them to reopen their doors or stay in business as a result of this unprecedented economic crisis. Increasing property taxes on businesses by up to $11.5 billion a year will hurt female- and minority-owned businesses the most. Numerous studies conclude that minority-owned businesses will be the most severely affected by a split-roll property tax, including a 2012 Pepperdine University study and two recent studies by the Berkeley Research Group and NAACP California. The higher costs pushed onto minority-owned businesses will accelerate gentrification of neighborhoods and push out our long-time neighborhood businesses. According to the latest data from the Harvard Business School, about 42% of new companies are founded by immigrants in California. Additionally, the

	California Latino Economic Institute found that nearly one-quarter of all businesses in California are owned by Latinos, and they are the fastest growing component of the state's economy. Most of these businesses tend to start small and stay small, meaning they often rent their property and are subject to higher rents when property taxes increase. Furthermore, the most recent 2012 Survey of Business Owners by the Census Bureau found that 38% of all non-publicly traded businesses were owned by females and another 9% were owned equally by females and males.
Prop 15 won't kill jobs.	This is untrue. Numerous studies have found that raising property taxes on businesses will hurt California's economy by eliminating jobs and increasing the cost of living. A 2012 Pepperdine University study found that a split-roll property tax scheme would cost the California economy a total of $71.8 billion in lost output and 396,345 lost jobs over the first five years. And, a more recent study by the Berkeley Research Group found that 120,000 jobs would be lost as firms may shut their doors, lay off employees or move out of state.
Prop 15 does not hurt farmers.	Prop 15 will remove Prop 13's protections for California farmers, triggering annual reassessments at market value for all agriculture-related fixtures and improvements including barns, dairies, processing plants, wineries and even mature fruit and nut trees and vineyards. During an informational Legislative hearing on Prop 15, the nonpartisan Legislative Analyst's Office confirmed that only agricultural land is exempt, but agricultural properties with a commercial purpose will likely be subject to higher taxes. Furthermore, Prop 15 will no longer tie property tax value to the purchase price or value when newly constructed, creating a huge shock for many family farmers who have owned their properties for a significant amount of time.
Prop 15 will stop gentrification and restore local communities.	This is false. Prop 15 will accelerate the gentrification of our communities by producing rapid hikes in property tax bills, especially in areas with the highest rising property values. For example, long time neighborhood businesses will see dramatically higher property taxes, and many will be forced to relocate or close their doors. New businesses that are able to afford rising rents and higher property taxes will replace the older businesses, catering to the new higher income residents, according to a study by the NAACP California.
Prop 15 won't increase costs to consumers. Only the biggest property owners will pay.	False. The truth is Prop 15's higher taxes on businesses will ultimately get passed on to consumers in the form of increased costs on just about everything people buy and use, including groceries, fuel, utilities, day care and health care. As property taxes and operating costs rise, businesses are left with little choice but to raise prices on consumers.
Prop 15 exempts all commercial and industrial properties worth $3 million or less from reassessment.	This is misleading. Prop 15 requires reassessment if *anybody* has even a small direct or indirect ownership stake in the property in question and also owns additional commercial or industrial property that totals to more than $3 million, including the subject property.

	For example, a $50,000 building can be reassessed if a 1% partner that owns the building is also a partner in owning other commercial/industrial property with an aggregate value exceeding $3 million in California. This loophole means that the alleged "exclusion" for properties under $3 million is nothing more than an illusion.
Prop 15 gives $11.5 billion to schools.	This is false. Schools are lowest priority in Prop 15. If the proponents truly cared about our schools, they would have written a measure to focus solely on education. After cutting local revenues from the personal property tax exemptions, paying back the state for decreases in tax revenues and other costs, repaying the state for startup costs, paying the massive administration costs estimated at more than one billion dollars over the first three years by the California Assessors' Association, and paying tax refunds for incorrect assessments, about 60% of what remains from the projected $8 – 12.5 billion in revenues goes to unspecified local government services, and only about 40% will go to schools. These percentages, however, will range widely by county.
Prop 15 will help local government finances.	For more than 40 years, Prop 13 has provided stability to the increasingly volatile tax structure in California. Its 2% annual cap provides certainty and predictability to local governments so they can budget for the future. Further, Prop 13 also protects them from the harsh booms and busts of the real estate market. As a result, property tax revenue has grown on average close to 7% annually, providing a stable, reliable and growing revenue source to local government. A split-roll property tax will change the way property taxes are assessed in California and tie them to the volatile real estate market. When the market crashes or dips, so will local government budgets, which could prove catastrophic for those that become too dependent on property tax revenues. The public has already seen how highly volatile state budget revenues can affect how much can go each year to schools, public safety, and other critical public services. This measure will extend this volatility to local property tax revenues as well. Local governments and schools will be limited in how much they could use these revenues for ongoing services because they will not know how much they will receive from year to year. In fact, some local governments could even lose property tax revenue under the measure's complex rules, according to the California Assessors' Association. That's on top of the more than one billion dollars in administrative costs that the initiative will create for county assessors over the first three years.
Prop 15 will lead to smarter land use decisions by local governments and a better environment that will help address climate change.	This is not true. Prop 15 will create a massive financial incentive for local governments to convert open space, like parks and conservation land, to business property as it will generate more income. Even worse, Prop 15 will discourage local governments from zoning more residential housing, as they will receive higher property tax revenue from business use. This unintended consequence will prevent California from building more housing, ultimately increasing the cost of owning and renting a home, making the housing crisis even worse. Another unintended consequence of Prop 15 is that it will push housing even further from job centers, increasing commute times and hurting the state's climate change efforts.

Prop 15 is not a new tax.	This is false. Prop 15 will amend the California Constitution and change the way properties are assessed in California, dramatically increasing property taxes on commercial and industrial properties.
Prop 15 will strengthen local economies and every community will receive new tax revenue.	Prop 15 will remove up to $12.5 billion a year that is now used to support jobs and small businesses in our local economies and shift it instead to more government spending. California is in an economic crisis. Small businesses are struggling and hundreds of thousands of Californians are applying for unemployment benefits. Prop 15 will add more barriers to small businesses opening their doors back up like restaurants, hair salons and dry cleaners. In addition, Board of Equalization data show that revenues generated by the measure will be highly concentrated in the coastal urban areas that have contained most of the state's job growth and the associated rise in business property values. Other parts of the state, including the less wealthy interior regions, will receive far less revenue from this measure. Some small and rural local governments will even lose money—creating winners and losers.
Since Prop 13's passage, per capita city and county revenue in California fell from $790 in 1978 to $640 today, nearly a 20% decline.	The structure of local government finance has changed significantly since the 1970s, so this comparison is highly misleading. Both program and funding responsibilities have shifted between the state, counties, cities, and special districts. A more accurate comparison comes from looking at per capita general revenues for both state and local governments. Census and Department of Finance data show these grew from $1,870 per capita in 1977-78 to $11,508 in 2016-17. Looking just at local governments—cities, counties, special districts, and schools—per capita general revenues also grew from $1,265 to $7,044. It is not accurate to say that revenues to local governments have declined.
Prop 13 caused residential property owners to pay a greater share of property taxes than business properties.	This is false. According to the non-partisan Legislative Analyst's Office (LAO), Prop 13 was not the cause of any shift. "*Homeowners pay a slightly larger share of property taxes today than they did when Prop 13 passed. Prop 13 does not appear to have caused this increase.*" Instead, LAO concluded that: *"Rather, residential, commercial, and industrial properties appear to be turning over at relatively similar rates. In part, this may be due to faster growth in the number of residential properties than the number of commercial and industrial properties."* In other words, their data found that residential, commercial and industrial properties are reassessed at roughly the same rates. The structure of the state's economy has also changed. Between 1977-78 and 2015-16, the number of improved residential parcels increased by 67%, while the number of commercial and industrial parcels grew by only 31%. Since the late 1990s, California has lost one-quarter of its high-value manufacturing establishments. Homeowners remain the greatest beneficiary of Prop 13 as their share of the total property tax is significantly lower than business property owners'

	share. According to Board of Equalization data, in 1979-80 homeowners paid 41.84% of the total property tax and business property owners paid 58.16%. In 2016-17, the most recent period for which data is available, homeowners paid 36.65% and business properties paid 63.35%.
Prop 13 starved our schools. Prop 15will reclaim this funding.	According to the nonpartisan Legislative Analysts' Office (LAO) and recent education budget figures, total education funding has grown dramatically and increased even with Prop 13 in place. Total education funding has increased over $93 billion since 1978. In fact, K-12 funding has been increasing to all-time highs. For 2018-19, the most recent National Education Association state rankings show California at 18th highest based on current expenditures per average daily attendance (ADA). Additionally, data from the Legislative Analyst's Office shows total K-12 revenues grew from $10,780 per ADA in 2011-12 to $17,423 in the recently signed budget. Further, Prop 13 did not change how schools were funded. Instead, it was the California Supreme Court in Serrano vs. Priest, which delinked school funding from property tax revenues in a school district.
Prop 13 was never meant to apply to business properties.	California has applied property taxes to residential and business properties the same way since 1850. Prop 13 did nothing to change that. When Prop 13 appeared before voters in 1978, the ballot arguments against the measure clearly stated that business properties would be treated the same as residential properties. Nearly two-thirds of voters went on to overwhelmingly approve the measure. On the same ballot as Prop 13 was Prop 8, an alternative proposed by the State Legislature to allow a split roll property tax system. Voters were given a choice on whether to continue treating residential and business properties the same. Voters overwhelmingly approved Prop 13 and rejected the split-roll measure by 47% to 53%.
Prop 13 has a loophole that allows wealthy corporations to avoid reassessment, saving themselves from paying millions of dollars more in property taxes a year.	**Not true. This loophole was not created by Prop 13.** California has applied property taxes to residential and business properties the same way since 1850. This loophole was created by the Legislature when they defined "change of ownership" first in 1979 and again in 1999. California business groups have tried to eliminate this loophole three times by sponsoring SB 1319 (Bates, 2020) SB 259 (Bates, 2015), and AB 2372 (Ammiano & Bocanegra, 2014). Unfortunately, all three bills were killed after being opposed by the same special interests fighting for a split-roll property tax measure as they wanted to use it as a reason to raise property taxes on businesses. SB 1319 (Bates, 2020) was estimated to have raised $269 million annually and AB 2372 (Ammiano & Bocanegra, 2014) was estimated to have raised $73 million annually.