It’s time to make Prop. 13 fairer for homeowners

By Loni Hancock and Holly Mitchell
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Saturday marked the 37th anniversary of Proposition 13, California’s landmark law that capped all property tax increases at 2 percent a year. For homeowners and renters, Proposition 13 was an extraordinary victory, and a huge relief that helped millions, especially those on fixed incomes, stay in their homes.

But what most people don’t realize is that because of a structural flaw in Proposition 13, big businesses and wealthy commercial landowners are able to take advantage of the same tax protections that were intended to benefit California’s homeowners and renters. Some have even used the law to structure themselves in ways that mean they will never have to pay taxes on the fair value of their land.

Over time, this has shifted the tax share from those corporations and commercial property owners onto homeowners and renters. In 1978, each side paid about 50 percent of property taxes. But this year homeowners are on the hook for 72 percent, and the commercial side will pay only 28 percent.

That’s not fair – both because it allows commercial owners to avoid supporting the local services they benefit from, such as good schools, transportation and public safety, and because it gives those owners a huge tax advantage over new businesses and would-be competitors.

It’s time to make it right. Wednesday, we’re introducing legislation that corrects this imbalance by assessing commercial properties at their fair market value, after a phase-in period.

The majority of California businesses are already paying their fair share and would not be affected – but our bill would bring into line the minority who have not had
their property reassessed for decades and pay far less than everyone else, including their competitors.

According to research recently released by USC’s Program for Environmental and Regional Equity, 12.5 percent of commercial property owners are paying on less than 60 percent of the actual value of their land. This shortchanges homeowners and communities by billions of dollars every year.

Now is the time to rebalance the scale so that homeowners and big businesses are all invested in their community’s success. It’s also a chance to make government more accountable.

Our plan ensures that the schools, community colleges and any local governments that receive new property tax revenues – as much as $9 billion a year – are spending them appropriately, and that all expenditures are publicly disclosed and available online.

And because our businesses are so important to our neighborhoods and economy, we’re using this opportunity to provide them with tax relief by exempting the first $500,000 in equipment and fixtures subject to business personal property taxes, regardless of whether they own or rent. For about 90 percent of small businesses, this would eliminate that tax entirely.

Proposition 13 is a crucial protection for millions of Californians – but the same people it was intended to protect are now being taken advantage of. Thirty-seven years later, it’s time to upgrade the law and make our tax code fair for everyone.

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