

15 JUN 11 PM 3: 53

**SCA5 (Hancock/Mitchell): Reforming Inequities in Commercial Property Tax  
Annual Reassessment of Commercial Properties  
June 9, 2015**

SCA5 (Hancock/Mitchell) eliminates the inequities, loopholes and negative economic impacts of the current acquisition-value assessment system. SCA 5 does the following:

- ✓ Reduces revenue losses due to under-assessment of commercial property by as much as \$9 billion annually.
- ✓ Helps stop the tax shift to homeowners from commercial property: in 1978, residential property paid 55% of property taxes, businesses paid the rest: today, residential property pays 72% while commercial, industrial and agricultural property pays 28%.
- ✓ Reduces incentives to increase other local business taxes by restoring the commercial property tax base.
- ✓ Restores fair competition among commercial properties so that owners pay the same share of taxes for the same services without regard for when they purchased the property. Half of business property is at or close to market value; a small minority has figured out to game the system to escape paying their fair share for the last 30-40 years.
- ✓ Remove perverse incentives that discourage new investment and smart growth.

SCA5 does the following:

- Reassesses commercial and industrial property to fair market value annually, after phase-ins.
- Exempts business personal property such as business equipment up to \$500,000, taking 90% of businesses off the personal property tax rolls. This benefits small businesses whether they own or rent.
- Provides for a two-step phase-in of annual re-assessment:
  - In the first year, assessors would re-assess the half of commercial properties with the oldest assessments, including assessments dating back to 1975-76. This first tranche of re-assessed properties, those facing the larger increases, would have a three-year phase-in before paying their taxes based on the full assessed value.
  - In the second year, assessors would re-assess the other half of properties, almost all of which are at or near market value today. This second tranche would get a two-year phase-in so that by the third year all commercial properties would be re-assessed annually.
- Provides an additional phase-in for five years for smaller businesses that own their own property (worth less than \$3 million) which are operated on the site owned by the small business owner. For longtime small businesses, this gives them time to adjust.
- Allocates the increased revenue within each county according to current property tax allocation among local governments, including school districts, community colleges, cities, counties and special districts.

- For cities, counties and special districts, the funding is distributed according to existing property tax allocation formulas, allowing local communities to re-invest in local services, including public safety, infrastructure, health care, mental health, parks, libraries and other community priorities.
- For the school share of the property tax, the revenue would be pooled statewide in the Local School and Community College Property Tax Fund, counted over and above the Proposition 98 guarantee, and distributed according to the Local Control Funding Formula.
  - The measure includes strict provisions to prevent the funding for schools from being used for any other purpose.
  - This approach assures that this additional funding is new revenue to schools and community colleges.
  - It addresses issue of equalization of school funding to avoid constitutionally prohibited disparities in funding per student.
- Provides funding for direct costs of county assessors in implementing the measure, subject to a vote of the board of supervisors. These costs would be borne by the county, cities and special districts, but not school districts, consistent with the current practice.
- Reimburses the state for state revenue losses to both the general fund and Proposition 63 revenues resulting from higher personal income tax and corporate income tax deductions for property taxes paid by commercial and industrial property owners.
- Adds on-line transparency and accountability for local governments and schools similar to those included in Proposition 30.

AMENDED IN SENATE JUNE 9, 2015 15 JUN 11 PM 3: 53

**Senate Constitutional Amendment**

**No. 5**

**Introduced by ~~Senator Hancock~~ *Senators Hancock and Mitchell***

March 26, 2015

---

Senate Constitutional Amendment No. 5—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by ~~amending Section 4 of Article XIII A thereof, by amending Section 2 of Article XIII C thereof, and by amending Section 3 of Article XIII D thereof, relating to taxation; amending Section 2 of, and by adding Sections 2.5 and 8.8 to, Article XIII A thereof, by adding Sections 8.8 and 14 to Article XIII B thereof, and by adding Sections 8.6 and 8.7 to Article XVI thereof, relating to local government finance.~~

LEGISLATIVE COUNSEL'S DIGEST

SCA 5, as amended, Hancock. ~~Local government; special taxes; voter approval.~~ *Local government finance.*

*The California Constitution provides that all property is taxable, unless exempted by the California Constitution or by federal law. The California Constitution authorizes the Legislature to classify personal property for differential taxation or for exemption by means of a statute approved by a 2/3 vote of the membership of each house.*

*This measure would exempt from taxation an amount up to \$500,000 of tangible personal property used exclusively for business purposes. This measure would prohibit the Legislature from lowering this exemption amount or from changing its application, but would authorize it to be increased consistent with the authority described above. This measure would provide that this provision shall become operative on January 1, 2019.*

*This measure, for owners of commercial and industrial property subject to reassessment, who also operate a business or businesses on that property, where the increase in assessed value as a result of this measure exceeds 25% compared to the assessed value of the property prior to the operation of this measure, would exempt that portion of the assessed value that exceeds 25% as so described from taxation for a period of 5 years if specified conditions are met.*

*The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, "full cash value" is defined as the assessor's valuation of real property as shown on the 1975–76 tax bill under "full cash value" or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred.*

*This measure, commencing on the lien date for the 2018–19 fiscal year, would require the full cash value of commercial and industrial property, as defined, to be the fair market value of that property as of the lien date. This measure, for the 2018–19 fiscal year, would require only 50% of those properties that have not been reassessed at fair market value, as specified, to be assessed at fair market value, and by the 2019–20 fiscal year would require all other properties that have not been brought to fair market value to be assessed at fair market value. This bill would require owners of property subject to reassessment as so described to pay only a portion, as provided, of any increase in property tax due in the first year and second years after initial reassessment to fair market value.*

*This measure would establish the Local School and Community College Property Tax Fund in the State Treasury, which would be continuously appropriated for the support of school districts, charter schools, schools operated by county offices of education, and community college districts. The measure would require the Controller to allocate 11% of the moneys in the fund to community college districts based on an equal amount per unit of full-time equivalent student receiving educational services, and 89% of the moneys in the fund to school districts, charter schools, and county offices of education. For school districts, charter schools, and county offices of education, the measure would require the Superintendent of Public Instruction to allocate the moneys based on a formula that would include a base grant, a supplemental grant, and a concentration grant, as specified. The measure would require moneys from the fund to support the K–14 educational program for instructional improvement and accountability,*

*and would prohibit them from being used to pay administrative costs. The measure would require school districts, charter schools, and county offices of education to demonstrate through their local control and accountability plans that they are increasing or improving services for unduplicated pupils in proportion to the increase in funds they receive pursuant to those supplemental and concentration grant allocations. The measure would prohibit moneys in the fund from being subject to appropriation, reversion, or a transfer by the Legislature, Governor, Director of Finance, or Controller for any purpose other than those specified in the measure, or from being loaned to the General Fund or any other fund of the state or any local government fund. The measure would, among other things, provide that moneys appropriated by the fund shall not be applied toward the minimum funding requirements for school districts and community college districts imposed by Section 8 of Article XVI of the California Constitution, and that they shall not be considered for purposes of calculations relating to the Budget Stabilization Account or the Public School System Stabilization Account.*

*This measure, for each fiscal year beginning with the 2018–19 fiscal year to the 2020–21 fiscal year, inclusive, would require the county assessor to make specified calculations to determine the total “baseline assessed value” and the “incremental assessed percentage” of commercial and industrial property, and to identify the “total revised assessed value” of all commercial and industrial property in the county as determined following the reassessment of commercial and industrial property. This measure would require the county assessor to make additional calculations using the total revised assessed value and the incremental assessed value to determine the incremental revenues available for distribution. This measure, beginning with the 2018–19 fiscal year and for each fiscal year thereafter, would require an amount equal to the reduction in revenues derived from the taxes imposed pursuant to the Personal Income Tax Law and the Corporation Tax Law for each county resulting from the higher property taxes due to the reassessment of commercial and industrial properties and the lower property taxes due to the exemptions described above as estimated by the Franchise Tax Board, to be transferred by each county auditor to the state General Fund and the Mental Health Services Fund, as provided. This measure, beginning with the 2018–19 fiscal year to the 2020–21 fiscal year, inclusive, would require the county auditor, after transferring the amounts as so described to the state General Fund and the Mental Health Services Fund, to make specified determinations and*

*calculations with respect to the remaining incremental revenues, and to transfer specified amounts to the State Controller for deposit in the Local School and Community College Property Tax Trust Fund, for allocation and distribution, as described above. This measure would require the balance of the incremental revenues remaining after transferring the amounts as so described to the Controller to be allocated among local agencies. This measure would require the county auditor to report the incremental revenues available for distribution and calculation made, along with supporting documentation, to the Controller, and would require the Controller to certify that the calculation was properly made and to post the percentage figure for each county on the Controller's Internet Web site. This measure, for the 2021–22 fiscal year, would require the county assessor to perform the calculations described above, and would require the county auditor to report the resulting percentage to the Controller. This measure, for the 2021–22 fiscal year and each fiscal year thereafter, would require the county auditor to make the determinations and calculation described above, and to transfer the resulting property tax revenues to the State Controller for deposit in the Local School and Community College Property Tax Fund, and would require the balance of the incremental revenues to be allocated among local agencies.*

*This measure would require all local education agencies, community colleges, counties, cities and counties, cities, and special districts that receive funds from the revenues generated by the reassessment of commercial and industrial properties to publicly disclose the amount of property tax revenues received, as specified, and how those revenues were spent, and to publish online all public disclosures, with a copy of each disclosure to the Controller. This measure would require all annual public audits required of local education agencies, community colleges, counties, cities and counties, cities, and special districts that receive funds from the revenues generated by the reassessment of commercial and industrial properties to disclose the amount of property tax revenues received, as specified, and to confirm whether the use of those revenues is consistent with the requirements of this measure.*

*This measure would authorize expenses incurred by local education agencies to comply with these audit and disclosure requirements to be paid with funding from the Local School and Community College Property Tax Fund.*

*The California Constitution prohibits the annual appropriations subject to limitation of any entity of state or local government from*

*exceeding its adjusted annual appropriations limit. The California Constitution defines "appropriations subject to limitation" as any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity, and defines "proceeds of taxes" to include all tax revenues and the proceeds to an entity of government from specified sources.*

*This measure would prohibit proceeds of taxes, and appropriations subject to limitation of each entity of government, from including tax revenues generated by the reassessment of commercial and industrial property under this measure.*

*The California Constitution requires the state, whenever the Legislature or a state agency mandates a new program or higher level of service on any local government, to provide a subvention of funds to reimburse the local government, with specified exceptions.*

*This measure would exclude the duty to collect the tax revenues generated by the reassessment of commercial and industrial property under this measure from being considered a new program or higher level of service mandated by the state. This measure would, however, authorize the board of supervisors of a county or city and county to direct the county auditor to allocate to the county or city and county an amount equal to the actual direct administrative costs associated with the implementation of the reassessment of commercial and industrial property.*

*The California Constitution conditions the imposition of a special tax by a local government upon the approval of  $\frac{2}{3}$  of the voters of the local government voting on that tax, but authorizes the imposition of a local ad valorem tax for school facilities upon the approval of 55% of the voters voting on that tax.*

*This measure would condition the imposition, extension, or increase of a special tax by a local government upon the approval of 55% of the voters voting on the proposition, if the proposition proposing the tax contains specified requirements. The measure would also make conforming and technical, nonsubstantive changes.*

*Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: ~~no~~-yes.  
State-mandated local program: no.*

- 1 *WHEREAS, The majority of commercial and industrial*
- 2 *properties are assessed at or close to their actual market value,*
- 3 *and their owners are paying their share of property taxes to help*
- 4 *support schools and other local services. But many other*

1 *commercial and industrial properties currently are assessed far*  
2 *below their actual value.*

3 *WHEREAS, According to a recent study by USC Dornsife*  
4 *researchers, owners of these under-assessed commercial and*  
5 *industrial properties are avoiding over \$9 billion in local property*  
6 *taxes that should be going to support schools, community colleges,*  
7 *and other community services such as public safety, fire protection,*  
8 *libraries, and parks.*

9 *WHEREAS, Proposition 13 was approved by voters in 1978 to*  
10 *protect homeowners from skyrocketing property taxes. But since*  
11 *then, under-assessment of commercial and industrial properties*  
12 *has contributed to a tax shift that has substantially increased the*  
13 *share of property taxes being paid by owners of residential*  
14 *properties, including both homeowners and residential rental*  
15 *property.*

16 *WHEREAS, Since 1978 the residential share of assessed value*  
17 *statewide has increased from 55% to 72% of the total while the*  
18 *commercial, industrial, and agricultural share of assessed value*  
19 *has decreased from 45% to just 28%.*

20 *WHEREAS, The combination of Proposition 13 and the*  
21 *Williamson Act have been effective tools in the preservation of*  
22 *agricultural land and should be protected.*

23 *WHEREAS, When homeowners sell their homes, the property*  
24 *is reassessed to the full market value of the property based on the*  
25 *sales price. But many large corporations and wealthy individuals*  
26 *are able to take advantage of loopholes and complex stock*  
27 *manipulations to avoid reassessment when a property changes*  
28 *hands. For example, in one widely publicized transaction, a*  
29 *wealthy CEO was able to structure the purchase of a \$200 million*  
30 *hotel property in a way that prevented reassessment, avoiding*  
31 *more than \$1.1 million a year in local property taxes.*

32 *WHEREAS, California's current system of taxing commercial*  
33 *and industrial properties is an impediment to fair competition. It*  
34 *favors under-assessed businesses over other businesses competing*  
35 *for the same customers that are assessed at their actual value. It*  
36 *allows owners of under-assessed properties to avoid paying their*  
37 *share of taxes to support the local public services they benefit from*  
38 *just as much as the fully assessed businesses that are paying their*  
39 *share.*



1     *WHEREAS, The current system of taxing commercial and*  
2 *industrial properties also creates perverse incentives that*  
3 *discourage owners from investing in improvements in order to*  
4 *avoid reassessment, while these same under-assessed owners are*  
5 *being unfairly advantaged over commercial and industrial property*  
6 *owners, starting up or expanding an existing business, who are*  
7 *assessed at the full market value of their property.*

8     *WHEREAS, The current system of assessing commercial and*  
9 *industrial properties has had the unintended consequence of*  
10 *encouraging sprawl and discouraging "smart growth," working*  
11 *against more efficient use of scarce resources such as energy,*  
12 *water, and land.*

13     *WHEREAS, While the property tax on business equipment and*  
14 *fixtures is an irritating burden for small businesses, particularly*  
15 *for those attempting to start up or expand, it also provides revenues*  
16 *that support local services. Because this measure eliminates the*  
17 *under-assessment of commercial and industrial properties and*  
18 *thereby other revenue to support local services, it also can provide*  
19 *businesses with an exemption of up to \$500,000 for equipment and*  
20 *fixtures. A \$500,000 exemption helps all businesses, and will*  
21 *eliminate the tax on equipment and fixtures entirely for 90% of*  
22 *businesses whether they own and operate their own small business*  
23 *or rent their place of business.*

24     *WHEREAS, If commercial and industrial properties pay their*  
25 *fair share of taxes, more money will be available for our public*  
26 *schools, which remain funded well below the national average.*  
27 *Because of the unique interactions between property tax revenues*  
28 *and the Proposition 98 minimum funding guarantee, however, the*  
29 *best way to ensure that all school districts benefit equally from*  
30 *these new property tax revenues is to place them in a special fund*  
31 *outside Proposition 98 and distribute them based on enrollment,*  
32 *with more revenues going to those districts that have higher*  
33 *proportions of low-income or English learner students and foster*  
34 *youth.*

35     *WHEREAS, If California were a country, it would have the*  
36 *eighth largest economy in the world. California corporations are*  
37 *enjoying record profits and many businesses are starting up,*  
38 *expanding, and relocating here, even though some businesses do*  
39 *leave California. The complaints of some businesses and their*  
40 *spokespersons about high taxes are not an excuse for corporations*

1 *and wealthy investors to avoid paying their fair share of local*  
2 *property taxes as do other businesses. Local communities are*  
3 *strengthened when everyone is contributing to the common good*  
4 *by paying their share to support schools, job training, public safety,*  
5 *fire protection, and other local services.*

6 *WHEREAS, Reforming commercial and industrial property*  
7 *assessments to bring under-assessed properties up to their full*  
8 *value will remove tax-induced disincentives to investment in*  
9 *commercial and industrial property, provide a level playing field*  
10 *for businesses to compete, and require owners of under-assessed*  
11 *properties to join with the majority of businesses already paying*  
12 *their fair share to support local schools and other community*  
13 *services.*

14 *WHEREAS, Proposition 13 limits property tax rates to 1% of*  
15 *assessed value. Requiring assessors to bring assessments of*  
16 *under-assessed commercial and industrial properties up to their*  
17 *actual market value will not affect the 1% limitation on rates in*  
18 *any way. Property tax rates on California businesses will continue*  
19 *to be among the lowest in the country.*

20 **RESOLVED BY THE SENATE, THE ASSEMBLY**  
21 **CONCURRING,** *That the Legislature of the State of California*  
22 *at its 2015–16 Regular Session commencing on the first day of*  
23 *December 2014, two-thirds of the membership of each house*  
24 *concurring, hereby proposes to the people of the State of California*  
25 *that the Constitution of the State be amended as follows:*

26 *First— That it is the intent of the people of the State of*  
27 *California to do all of the following in this measure:*

28 *(a) Eliminate the inequities and impediments to economic growth*  
29 *caused by current laws governing the assessment of commercial*  
30 *and industrial properties, by requiring all commercial and*  
31 *industrial properties to be assessed at their full market value and*  
32 *reducing the property tax on business equipment and fixtures.*

33 *(b) Preserve in every way Proposition 13's protections for*  
34 *homeowners and for rental residential properties. This measure*  
35 *only affects the assessment of taxable commercial and industrial*  
36 *property.*

37 *(c) Make no change to existing laws affecting the taxation or*  
38 *preservation of agricultural land.*

39 *(d) Make sure schools, community colleges, counties, cities and*  
40 *counties, cities, and special districts are appropriately spending*

1 any new revenues they receive from this measure by requiring that  
2 new revenues and their expenditure be publicly disclosed and  
3 annually audited and that all required disclosures and audits are  
4 easily accessible online.

5 (e) Authorize the distribution of any new revenues resulting  
6 from the implementation of this law in the same manner as other  
7 property tax revenues.

8 (f) Ensure that the portion of any new revenues going to local  
9 schools and community colleges is treated as new revenues that  
10 are in addition to all other funding for schools and community  
11 colleges, and are allocated in a manner that benefits all schools  
12 and community colleges consistent with constitutional  
13 requirements. Accordingly, these additional funds for schools and  
14 community colleges shall not be considered funds of the State,  
15 shall not be subject to Proposition 98 or the Proposition 2 rainy  
16 day fund, and shall not be subject to appropriation by the  
17 Legislature. The funds will be allocated to school districts and  
18 community college districts based on enrollment. School districts  
19 with higher proportions of low-income and English learner students  
20 and foster youth will receive additional funds to provide more or  
21 better services to those students.

22 (g) To assist small businesses, whether they own or rent their  
23 place of business, reduce the business tangible personal property  
24 tax on equipment and fixtures for each business by exempting  
25 \$500,000 of that property from taxation. This would eliminate the  
26 tax on equipment and fixtures for about 90 percent of all California  
27 businesses. The Legislature would be prohibited from lowering  
28 this exemption but would be authorized to increase it.

29 (h) Provide for the phase in of the assessment of under-assessed  
30 commercial and industrial properties to give county assessors time  
31 to effectively implement the new law.

32 (i) Provide owners of under-assessed commercial and industrial  
33 properties time to meet their obligations under the law by phasing  
34 in assessment increases resulting from the initial implementation  
35 of this law. Small business owners will be eligible for additional  
36 assistance in complying with the law through an additional  
37 five-year phase-in for small business owner-operators.

38 Second— That Section 3.1 is added to Article XIII thereof, to  
39 read:

1     *SEC. 3.1. (a) For each taxpayer paying the tax on tangible*  
2 *personal property used exclusively for business purposes, an*  
3 *amount of up to five hundred thousand dollars (\$500,000) is exempt*  
4 *from taxation. Fixtures shall be included as tangible personal*  
5 *property subject to this exemption, but aircraft and vessels shall*  
6 *not be included. The Legislature shall not lower this exemption*  
7 *amount or change its application but otherwise may increase it*  
8 *consistent with the authority enumerated in Section 2.*

9     *(b) (1) For owners of property subject to reassessment under*  
10 *Section 2.5 of Article XIII A who operate a business or businesses*  
11 *on that property, where the increase in assessed value as a result*  
12 *of this measure exceeds 25 percent compared to the assessed value*  
13 *of the property prior to the operation of this measure, that portion*  
14 *of the assessed value that exceeds 25 percent compared to the*  
15 *assessed value of the property prior to the operation of this*  
16 *measure shall be exempt from taxation for a period of five years*  
17 *following the reassessment of the property as a result of this*  
18 *measure, provided that all of the following conditions are met:*

19     *(A) The owner uses a majority of the property or properties for*  
20 *their own business purpose.*

21     *(B) The total fair market value is less than three million dollars*  
22 *(\$3,000,000) for the entire property, including land and buildings.*  
23 *Property owners owning properties in a single county shall certify*  
24 *under penalty of perjury that the aggregate fair market value of*  
25 *all their properties in that county does not exceed three million*  
26 *dollars (\$3,000,000) in order to qualify for this exemption.*  
27 *Property owners owning properties in more than one county must*  
28 *certify under penalty of perjury that the aggregate fair market*  
29 *value of all of their properties statewide does not exceed three*  
30 *million dollars (\$3,000,000) in order to qualify for this exemption.*

31     *(2) This exemption shall expire five years from its initial*  
32 *application to a business property, at which time the property*  
33 *owner shall be liable for the full amount of property taxes levied*  
34 *on the property pursuant to the operation of this measure.*  
35 *However, property owners who have realized a reduction in*  
36 *property taxes as a result of the operation of this subdivision are*  
37 *not liable for the property taxes exempted for the duration of the*  
38 *operation of this exemption.*

39     *Third— That Section 2 of Article XIII A thereof is amended to*  
40 *read:*

1 SEC. 2. (a) The “full cash value” means the county assessor’s  
2 valuation of real property as shown on the 1975–76 tax bill under  
3 “full cash value” or, thereafter, *except as otherwise provided in*  
4 *Section 2.5, the full cash value base of real property. For purposes*  
5 *of this section, the full cash value base of real property is the*  
6 *appraised value of real property when purchased, newly*  
7 *constructed, or a change in ownership has occurred after the 1975*  
8 *assessment. All real property not already assessed up to the*  
9 *1975–76 full cash value may be reassessed to reflect that valuation.*  
10 For purposes of this section, “newly constructed” does not include  
11 real property that is reconstructed after a disaster, as declared by  
12 the Governor, where the fair market value of the real property, as  
13 reconstructed, is comparable to its fair market value prior to the  
14 disaster. For purposes of this section, the term “newly constructed”  
15 does not include that portion of an existing structure that consists  
16 of the construction or reconstruction of seismic retrofitting  
17 components, as defined by the Legislature.

18 However, the Legislature may provide that, under appropriate  
19 circumstances and pursuant to definitions and procedures  
20 established by the Legislature, any person over the age of 55 years  
21 who resides in property that is eligible for the homeowner’s  
22 exemption under subdivision (k) of Section 3 of Article XIII and  
23 any implementing legislation may transfer the base year value of  
24 the property entitled to exemption, with the adjustments authorized  
25 by subdivision (b), to any replacement dwelling of equal or lesser  
26 value located within the same county and purchased or newly  
27 constructed by that person as his or her principal residence within  
28 two years of the sale of the original property. For purposes of this  
29 section, “any person over the age of 55 years” includes a married  
30 couple one member of which is over the age of 55 years. For  
31 purposes of this section, “replacement dwelling” means a building,  
32 structure, or other shelter constituting a place of abode, whether  
33 real property or personal property, and any land on which it may  
34 be situated. For purposes of this section, a two-dwelling unit shall  
35 be considered as two separate single-family dwellings. This  
36 paragraph shall apply to any replacement dwelling that was  
37 purchased or newly constructed on or after November 5, 1986.

38 In addition, the Legislature may authorize each county board of  
39 supervisors, after consultation with the local affected agencies  
40 within the county’s boundaries, to adopt an ordinance making the

1 provisions of this subdivision relating to transfer of base year value  
2 also applicable to situations in which the replacement dwellings  
3 are located in that county and the original properties are located  
4 in another county within this State. For purposes of this paragraph,  
5 “local affected agency” means any city, special district, school  
6 district, or community college district that receives an annual  
7 property tax revenue allocation. This paragraph applies to any  
8 replacement dwelling that was purchased or newly constructed on  
9 or after the date the county adopted the provisions of this  
10 subdivision relating to transfer of base year value, but does not  
11 apply to any replacement dwelling that was purchased or newly  
12 constructed before November 9, 1988.

13 The Legislature may extend the provisions of this subdivision  
14 relating to the transfer of base year values from original properties  
15 to replacement dwellings of homeowners over the age of 55 years  
16 to severely disabled homeowners, but only with respect to those  
17 replacement dwellings purchased or newly constructed on or after  
18 the effective date of this paragraph.

19 (b) The full cash value base may reflect from year to year the  
20 inflationary rate not to exceed 2 percent for any given year or  
21 reduction as shown in the consumer price index or comparable  
22 data for the area under taxing jurisdiction, or may be reduced to  
23 reflect substantial damage, destruction, or other factors causing a  
24 decline in value.

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

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

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

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

1 (4) The construction, installation, removal, or modification on  
2 or after the effective date of this paragraph of any portion or  
3 structural component of an existing building or structure if the  
4 construction, installation, removal, or modification is for the  
5 purpose of making the building more accessible to, or more usable  
6 by, a disabled person.

7 (d) For purposes of this section, the term “change in ownership”  
8 does not include the acquisition of real property as a replacement  
9 for comparable property if the person acquiring the real property  
10 has been displaced from the property replaced by eminent domain  
11 proceedings, by acquisition by a public entity, or governmental  
12 action that has resulted in a judgment of inverse condemnation.  
13 The real property acquired shall be deemed comparable to the  
14 property replaced if it is similar in size, utility, and function, or if  
15 it conforms to state regulations defined by the Legislature  
16 governing the relocation of persons displaced by governmental  
17 actions. This subdivision applies to any property acquired after  
18 March 1, 1975, but affects only those assessments of that property  
19 that occur after the provisions of this subdivision take effect.

20 (e) (1) Notwithstanding any other provision of this section, the  
21 Legislature shall provide that the base year value of property that  
22 is substantially damaged or destroyed by a disaster, as declared  
23 by the Governor, may be transferred to comparable property within  
24 the same county that is acquired or newly constructed as a  
25 replacement for the substantially damaged or destroyed property.

26 (2) Except as provided in paragraph (3), this subdivision applies  
27 to any comparable replacement property acquired or newly  
28 constructed on or after July 1, 1985, and to the determination of  
29 base year values for the 1985–86 fiscal year and fiscal years  
30 thereafter.

31 (3) In addition to the transfer of base year value of property  
32 within the same county that is permitted by paragraph (1), the  
33 Legislature may authorize each county board of supervisors to  
34 adopt, after consultation with affected local agencies within the  
35 county, an ordinance allowing the transfer of the base year value  
36 of property that is located within another county in the State and  
37 is substantially damaged or destroyed by a disaster, as declared  
38 by the Governor, to comparable replacement property of equal or  
39 lesser value that is located within the adopting county and is  
40 acquired or newly constructed within three years of the substantial

1 damage or destruction of the original property as a replacement  
2 for that property. The scope and amount of the benefit provided  
3 to a property owner by the transfer of base year value of property  
4 pursuant to this paragraph shall not exceed the scope and amount  
5 of the benefit provided to a property owner by the transfer of base  
6 year value of property pursuant to subdivision (a). For purposes  
7 of this paragraph, "affected local agency" means any city, special  
8 district, school district, or community college district that receives  
9 an annual allocation of ad valorem property tax revenues. This  
10 paragraph applies to any comparable replacement property that is  
11 acquired or newly constructed as a replacement for property  
12 substantially damaged or destroyed by a disaster, as declared by  
13 the Governor, occurring on or after October 20, 1991, and to the  
14 determination of base year values for the 1991-92 fiscal year and  
15 fiscal years thereafter.

16 (f) For the purposes of subdivision (e):

17 (1) Property is substantially damaged or destroyed if it sustains  
18 physical damage amounting to more than 50 percent of its value  
19 immediately before the disaster. Damage includes a diminution in  
20 the value of property as a result of restricted access caused by the  
21 disaster.

22 (2) Replacement property is comparable to the property  
23 substantially damaged or destroyed if it is similar in size, utility,  
24 and function to the property that it replaces, and if the fair market  
25 value of the acquired property is comparable to the fair market  
26 value of the replaced property prior to the disaster.

27 (g) For purposes of subdivision (a), the terms "purchased" and  
28 "change in ownership" do not include the purchase or transfer of  
29 real property between spouses since March 1, 1975, including, but  
30 not limited to, all of the following:

31 (1) Transfers to a trustee for the beneficial use of a spouse, or  
32 the surviving spouse of a deceased transferor, or by a trustee of  
33 such a trust to the spouse of the trustor.

34 (2) Transfers to a spouse that take effect upon the death of a  
35 spouse.

36 (3) Transfers to a spouse or former spouse in connection with  
37 a property settlement agreement or decree of dissolution of a  
38 marriage or legal separation.

39 (4) The creation, transfer, or termination, solely between  
40 spouses, of any coowner's interest.



1 (5) The distribution of a legal entity's property to a spouse or  
2 former spouse in exchange for the interest of the spouse in the  
3 legal entity in connection with a property settlement agreement or  
4 a decree of dissolution of a marriage or legal separation.

5 (h) (1) For purposes of subdivision (a), the terms "purchased"  
6 and "change in ownership" do not include the purchase or transfer  
7 of the principal residence of the transferor in the case of a purchase  
8 or transfer between parents and their children, as defined by the  
9 Legislature, and the purchase or transfer of the first one million  
10 dollars (\$1,000,000) of the full cash value of all other real property  
11 between parents and their children, as defined by the Legislature.  
12 This subdivision applies to both voluntary transfers and transfers  
13 resulting from a court order or judicial decree.

14 (2) (A) Subject to subparagraph (B), commencing with  
15 purchases or transfers that occur on or after the date upon which  
16 the measure adding this paragraph becomes effective, the exclusion  
17 established by paragraph (1) also applies to a purchase or transfer  
18 of real property between grandparents and their grandchild or  
19 grandchildren, as defined by the Legislature, that otherwise  
20 qualifies under paragraph (1), if all of the parents of that grandchild  
21 or those grandchildren, who qualify as the children of the  
22 grandparents, are deceased as of the date of the purchase or transfer.

23 (B) A purchase or transfer of a principal residence shall not be  
24 excluded pursuant to subparagraph (A) if the transferee grandchild  
25 or grandchildren also received a principal residence, or interest  
26 therein, through another purchase or transfer that was excludable  
27 pursuant to paragraph (1). The full cash value of any real property,  
28 other than a principal residence, that was transferred to the  
29 grandchild or grandchildren pursuant to a purchase or transfer that  
30 was excludable pursuant to paragraph (1), and the full cash value  
31 of a principal residence that fails to qualify for exclusion as a result  
32 of the preceding sentence, shall be included in applying, for  
33 purposes of subparagraph (A), the one-million-dollar (\$1,000,000)  
34 full cash value limit specified in paragraph (1).

35 (i) (1) Notwithstanding any other provision of this section, the  
36 Legislature shall provide with respect to a qualified contaminated  
37 property, as defined in paragraph (2), that either, but not both, of  
38 the following apply:

39 (A) (i) Subject to the limitation of clause (ii), the base year  
40 value of the qualified contaminated property, as adjusted as

1 authorized by subdivision (b), may be transferred to a replacement  
2 property that is acquired or newly constructed as a replacement  
3 for the qualified contaminated property, if the replacement real  
4 property has a fair market value that is equal to or less than the  
5 fair market value of the qualified contaminated property if that  
6 property were not contaminated and, except as otherwise provided  
7 by this clause, is located within the same county. The base year  
8 value of the qualified contaminated property may be transferred  
9 to a replacement real property located within another county if the  
10 board of supervisors of that other county has, after consultation  
11 with the affected local agencies within that county, adopted a  
12 resolution authorizing an intercounty transfer of base year value  
13 as so described.

14 (ii) This subparagraph applies only to replacement property that  
15 is acquired or newly constructed within five years after ownership  
16 in the qualified contaminated property is sold or otherwise  
17 transferred.

18 (B) In the case in which the remediation of the environmental  
19 problems on the qualified contaminated property requires the  
20 destruction of, or results in substantial damage to, a structure  
21 located on that property, the term “new construction” does not  
22 include the repair of a substantially damaged structure, or the  
23 construction of a structure replacing a destroyed structure on the  
24 qualified contaminated property, performed after the remediation  
25 of the environmental problems on that property, provided that the  
26 repaired or replacement structure is similar in size, utility, and  
27 function to the original structure.

28 (2) For purposes of this subdivision, “qualified contaminated  
29 property” means residential or nonresidential real property that is  
30 all of the following:

31 (A) In the case of residential real property, rendered  
32 uninhabitable, and in the case of nonresidential real property,  
33 rendered unusable, as the result of either environmental problems,  
34 in the nature of and including, but not limited to, the presence of  
35 toxic or hazardous materials, or the remediation of those  
36 environmental problems, except where the existence of the  
37 environmental problems was known to the owner, or to a related  
38 individual or entity as described in paragraph (3), at the time the  
39 real property was acquired or constructed. For purposes of this  
40 subparagraph, residential real property is “uninhabitable” if that

1 property, as a result of health hazards caused by or associated with  
2 the environmental problems, is unfit for human habitation, and  
3 nonresidential real property is “unusable” if that property, as a  
4 result of health hazards caused by or associated with the  
5 environmental problems, is unhealthy and unsuitable for  
6 occupancy.

7 (B) Located on a site that has been designated as a toxic or  
8 environmental hazard or as an environmental cleanup site by an  
9 agency of the State of California or the federal government.

10 (C) Real property that contains a structure or structures thereon  
11 prior to the completion of environmental cleanup activities, and  
12 that structure or structures are substantially damaged or destroyed  
13 as a result of those environmental cleanup activities.

14 (D) Stipulated by the lead governmental agency, with respect  
15 to the environmental problems or environmental cleanup of the  
16 real property, not to have been rendered uninhabitable or unusable,  
17 as applicable, as described in subparagraph (A), by any act or  
18 omission in which an owner of that real property participated or  
19 acquiesced.

20 (3) It shall be rebuttably presumed that an owner of the real  
21 property participated or acquiesced in any act or omission that  
22 rendered the real property uninhabitable or unusable, as applicable,  
23 if that owner is related to any individual or entity that committed  
24 that act or omission in any of the following ways:

25 (A) Is a spouse, parent, child, grandparent, grandchild, or sibling  
26 of that individual.

27 (B) Is a corporate parent, subsidiary, or affiliate of that entity.

28 (C) Is an owner of, or has control of, that entity.

29 (D) Is owned or controlled by that entity.

30 If this presumption is not overcome, the owner shall not receive  
31 the relief provided for in subparagraph (A) or (B) of paragraph  
32 (1). The presumption may be overcome by presentation of  
33 satisfactory evidence to the assessor, who shall not be bound by  
34 the findings of the lead governmental agency in determining  
35 whether the presumption has been overcome.

36 (4) This subdivision applies only to replacement property that  
37 is acquired or constructed on or after January 1, 1995, and to  
38 property repairs performed on or after that date.

39 (j) Unless specifically provided otherwise, amendments to this  
40 section adopted prior to November 1, 1988, are effective for

1 changes in ownership that occur, and new construction that is  
2 completed, after the effective date of the amendment. Unless  
3 specifically provided otherwise, amendments to this section  
4 adopted after November 1, 1988, are effective for changes in  
5 ownership that occur, and new construction that is completed, on  
6 or after the effective date of the amendment.

7 *Fourth— That Section 2.5 is added to Article XIII A thereof,*  
8 *to read:*

9 *SEC. 2.5. (a) (1) This section shall not apply to residential*  
10 *property as defined in this section, whether it is occupied by a*  
11 *homeowner or a renter. This section shall also not apply to real*  
12 *property used for commercial agricultural production as defined*  
13 *in this section.*

14 *(2) For the lien date for the 2018–19 fiscal year and each lien*  
15 *date thereafter, the “full cash value” of commercial and industrial*  
16 *real property that is not used for commercial agricultural*  
17 *production or is otherwise exempt under the Constitution or statute*  
18 *is the fair market value of that property as of that date, except as*  
19 *provided in subdivision (b) and (c).*

20 *(b) (1) For the 2018–19 fiscal year only, the requirement that*  
21 *those commercial and industrial properties subject to reassessment*  
22 *under this section be assessed at fair market value shall apply only*  
23 *to the 50 percent of such properties that have not been brought to*  
24 *fair market value for any part of their property for the greatest*  
25 *number of years prior to the 2018–19 lien date.*

26 *(2) For the 2019–20 and 2020–21 fiscal years only, the assessed*  
27 *value of properties assessed at full market value pursuant to*  
28 *paragraph (1) shall be increased by the rate of inflation, but not*  
29 *more than 2 percent.*

30 *(3) Owners of property subject to this subdivision shall be*  
31 *required to pay one-third of the amount of any increase in property*  
32 *tax due and payable resulting from initial assessment to fair market*  
33 *value in the first year upon receiving the new valuation required*  
34 *by subdivision (b), two-thirds of the amount of any increase in*  
35 *property tax due and payable in the second year, and the full*  
36 *amount of any property tax due and payable in the third year after*  
37 *initial reassessment to fair market value and in subsequent years*  
38 *thereafter. The balance of the amounts due for the first and second*  
39 *years following initial assessment to full market value shall be*  
40 *forgiven.*

1 (c) (1) *All other commercial and industrial properties subject*  
2 *to reassessment under this section shall be assessed at fair market*  
3 *value by the lien date for 2019–20.*

4 (2) *For the 2020–21 fiscal year only, the assessed value of*  
5 *properties assessed at full market value pursuant to paragraph*  
6 *(1) shall be increased by the rate of inflation, but not more than*  
7 *2 percent.*

8 (3) *Owners of property subject to this subdivision shall be*  
9 *required to pay one-half of the amount of any increase in property*  
10 *tax due and payable resulting from initial assessment to fair market*  
11 *value in the first year upon receiving the new valuation required*  
12 *by subdivision (b) and the full amount of any property tax due and*  
13 *payable in the year following initial reassessment and in*  
14 *subsequent years thereafter. The balance of the amount due for*  
15 *the first year following initial assessment to full market value shall*  
16 *be forgiven.*

17 (d) *For purposes of this section:*

18 (1) *“Commercial and industrial real property” means any real*  
19 *property that is not residential property or not used for commercial*  
20 *agricultural production.*

21 (2) *“Residential property” shall include both single-family and*  
22 *multiunit structures, and the land on which such structures are*  
23 *constructed, that are intended to be used and are used for*  
24 *long-term residential occupancy, but shall exclude hotels, motels*  
25 *and similar structures that are used primarily for transient and*  
26 *non-permanent residence.*

27 (3) *“Real property used for commercial agricultural*  
28 *production” is real property that is used and zoned for producing*  
29 *commercial agricultural commodities and is real property for*  
30 *which either of the following applies:*

31 (A) *The real property is an unimproved parcel to which both of*  
32 *the following apply:*

33 (i) *The parcel is used and zoned for producing commercial*  
34 *agricultural commodities.*

35 (ii) *The parcel does not contain a single-family residence or a*  
36 *multifamily residence that was subdivided in accordance with the*  
37 *Subdivision Map Act (Division 2 (commencing with Section 66410)*  
38 *of Title 7 of the Government Code), or any successor to that law,*  
39 *or that was described and conveyed in one or more deeds*  
40 *separating the parcel from all adjoining property.*

1 (B) The parcel of real property contains only living  
2 improvements. Improvements other than those intended and used  
3 for habitation shall be considered commercial and industrial  
4 property for purposes of this section.

5 (e) Notwithstanding subdivision (a), it is the intent of the voters  
6 in this section to provide a transition to fair market value as  
7 provided in subdivision (b) and (c), for the purposes of assuring  
8 a reasonable workload and implementation period for county  
9 assessors and taxpayers.

10 Fifth— That Section 8.8 is added to Article XIII A thereof, to  
11 read:

12 SEC. 8.8. (a) All local education agencies, community colleges,  
13 counties, cities and counties, cities, and special districts that  
14 receive funds from the revenues generated by Section 2.5 of Article  
15 XIII A shall publicly disclose each year, including in their annual  
16 budgets, the amount of property tax revenues they received for  
17 that fiscal year as the result of Section 2.5 of Article XIII A and  
18 how those revenues were spent.

19 (b) All annual public audits required of local education  
20 agencies, community colleges, counties, cities and counties, cities,  
21 and special districts that receive funds from the revenues generated  
22 by Section 2.5 of Article XIII A shall disclose the amount of  
23 property tax revenues received for that fiscal year as the result of  
24 Section 2.5 of Article XIII A and confirm whether the use of those  
25 revenues is consistent with the requirements of this act.

26 (c) All local education agencies, community colleges, counties,  
27 cities and counties, cities, and special districts receiving new  
28 revenues generated by Section 2.5 of Article XIII A shall publish  
29 online all public disclosures required by this measure, with a copy  
30 of each disclosure to the Controller.

31 (d) Expenses incurred by local education agencies receiving  
32 new revenues generated by Section 2.5 of Article XIII A to comply  
33 with the audit and disclosure requirement of this section may be  
34 paid with funding from the Local School and Community College  
35 Property Tax Fund, and shall not be considered administrative  
36 costs for purposes of subsection (b) of Section 8.7 of Article XVI.

37 Sixth— That Section 14 is added to Article XIII B thereof, to  
38 read:

1     *SEC. 14. (a) For purposes of this article, “proceeds of taxes”*  
2 *shall not include the revenues generated by Section 2.5 of Article*  
3 *XIII A.*

4     *(b) For purposes of this article, “appropriations subject to*  
5 *limitation” of each entity of government shall not include*  
6 *appropriations of revenues generated by Section 2.5 of Article*  
7 *XIII A.*

8     *(c) The duty to collect the revenues generated by Section 2.5 of*  
9 *Article XIII A shall not be considered a new program or higher*  
10 *level of service mandated by the State for purposes of this article.*  
11 *The board of supervisors of a county or city and county, upon the*  
12 *adoption of a method identifying the actual direct administrative*  
13 *costs identified in Section 75.60 of the Revenue and Taxation Code,*  
14 *as that section read on July 1, 2015, that are associated with the*  
15 *implementation of Section 2.5 of Article XIII A, may direct the*  
16 *county auditor to allocate to the county or city and county, prior*  
17 *to any allocation of property tax revenues, an amount equal to the*  
18 *actual direct administrative costs, but not to exceed 3 percent of*  
19 *the revenues that have been collected as a result of the*  
20 *implementation of Section 2.5 of Article XIII A. The amount*  
21 *determined to provide reimbursement for the actual direct*  
22 *administrative costs of implementing Section 2.5 of Article XIII A*  
23 *shall be deducted proportionately from the allocations to be*  
24 *provided to cities, the county, and special districts, but not*  
25 *deducted from the school share of any increased allocation. The*  
26 *board of supervisors shall identify the ongoing costs of*  
27 *implementation of Section 2.5 annually.*

28     *Seventh— That Section 8.6 is added to Article XVI thereof, to*  
29 *read:*

30     *SEC. 8.6. (a) For each fiscal year beginning with the 2018–19*  
31 *fiscal year to the 2020–21 fiscal year, inclusive, county assessors*  
32 *shall calculate the following:*

33     *(1) The total “baseline assessed value” of all commercial and*  
34 *industrial property in the county subject to Section 2.5 of Article*  
35 *XIII A. The total “baseline assessed value” shall be calculated as*  
36 *follows:*

37     *(A) The county assessor shall identify the total assessed value*  
38 *of commercial and industrial property as determined pursuant to*  
39 *Chapter 1 (commencing with Section 50) of Part 0.5 of Division*

1 *1 of the Revenue and Taxation Code, as that chapter read on July*  
2 *1, 2015, for the 2017–18 fiscal year.*

3 *(B) The amount in subparagraph (A) shall be increased by the*  
4 *amount for that fiscal year determined pursuant to Section 51 of*  
5 *the Revenue and Taxation Code, as that section read on July 1,*  
6 *2015.*

7 *(C) The county assessor shall add to the amount determined*  
8 *pursuant to subparagraph (B) the incremental increase in assessed*  
9 *value of commercial and industrial property resulting from the*  
10 *sale or transfer of properties for purposes of the respective January*  
11 *1 lien dates beginning with the 2018–19 fiscal year to the 2020–21*  
12 *fiscal year, inclusive, provided the sale or transfer would have*  
13 *triggered reassessment pursuant to Chapter 2 (commencing with*  
14 *Section 60) of Part 0.5 of Division 1 of the Revenue and Taxation*  
15 *Code, as that chapter read on July 1, 2015.*

16 *(D) The county assessor shall add to the amount determined*  
17 *pursuant to subparagraph (C) the incremental increase in assessed*  
18 *value of commercial and industrial property resulting in new*  
19 *construction for purposes of the respective January 1 lien dates*  
20 *beginning with the 2018–19 fiscal year to the 2020–21 fiscal year,*  
21 *inclusive, as determined pursuant to Chapter 3 (commencing with*  
22 *Section 70) of Part 0.5 of Division 1 of the Revenue and Taxation*  
23 *Code, as that chapter read on July 1, 2015.*

24 *(2) The county assessor shall identify the total “revised assessed*  
25 *value” of all commercial and industrial property in the county as*  
26 *determined following the reassessment required by Section 2.5 of*  
27 *Article XIII A for each fiscal year beginning with the 2018–19*  
28 *fiscal year to the 2020–21 fiscal year, inclusive, except that for*  
29 *the 2018–19 and 2019–20 fiscal years, the amount of assessed*  
30 *value shall be reduced to reflect the amounts actually due and*  
31 *payable pursuant to subdivisions (b) and (c) of Section 2.5 of*  
32 *Article XIII A.*

33 *(3) For each fiscal year beginning with the 2018–19 fiscal year*  
34 *to the 2020–21 fiscal year, inclusive, the county assessor shall*  
35 *subtract the amount determined pursuant to subparagraph (D) of*  
36 *paragraph (1) from the amount determined pursuant to paragraph*  
37 *(2).*

38 *(4) For each fiscal year beginning with the 2018–19 fiscal year*  
39 *to the 2020–21 fiscal year, inclusive, the county assessor shall*  
40 *divide the amount determined pursuant to paragraph (3) by the*



1 amount determined pursuant to paragraph (2). The resulting  
2 percentage shall be known as the “incremental assessed  
3 percentage” of commercial and industrial property in the county  
4 subject to Section 2.5 of Article XIII A.

5 (b) For each fiscal year beginning with the 2018–19 fiscal year  
6 to the 2020–21 fiscal year, inclusive, county assessors shall  
7 multiply the total revised assessed value by the incremental  
8 assessed percentage and a tax rate of one percent to determine  
9 the incremental revenues available for distribution as the result  
10 of Section 2.5 of Article XIII A.

11 (c) For each fiscal year beginning with the 2018–19 fiscal year  
12 and for each fiscal year thereafter, all of the following shall apply:

13 (1) An amount equal to the reduction in revenues derived from  
14 the taxes imposed pursuant to the Personal Income Tax Law (Part  
15 10 (commencing with Section 17001) of Division 2 of the Revenue  
16 and Taxation Code) and the Corporation Tax Law (Part 11  
17 (commencing with Section 23001) of Division 2 of the Revenue  
18 and Taxation Code), as those laws read on July 1, 2015, for each  
19 county resulting from the higher property taxes due to the  
20 implementation of Section 2.5 of Article XIII A and the lower  
21 property taxes due to the implementation of Section 3.1 of Article  
22 XIII, as estimated by the Franchise Tax Board each year for that  
23 fiscal year, shall be transferred by May 15 of each year beginning  
24 with the 2018–19 fiscal year and each fiscal year thereafter by  
25 each county auditor to the Controller for deposit in the General  
26 Fund and the Mental Health Services Fund, respectively.

27 (2) An amount equal to the reduction in property taxes resulting  
28 from the exemption provided pursuant to subdivision (a) of Section  
29 3.1 of Article XIII shall be calculated by the county auditor  
30 beginning with the 2018–19 fiscal year and each fiscal year  
31 thereafter. For purposes of calculating the aggregate amount of  
32 personal property taxes exempted under that subdivision for each  
33 fiscal year, the auditor shall apply the average annual rate of  
34 growth of tangible personal property used exclusively for business  
35 purposes for the period from the 2012–13 fiscal year to the  
36 2017–18 fiscal year, inclusive, to the total tangible personal  
37 property used exclusively for business purposes for the prior fiscal  
38 year and subtract the amount of tangible personal property used  
39 exclusively for business purposes not exempted for that fiscal year.

1 (3) *An amount equal to the value of foregone property tax*  
2 *revenues pursuant to subdivision (b) of Section 3.1 of Article XIII*  
3 *shall be calculated by the county auditor.*

4 (d) *For each fiscal year beginning with the 2018–19 fiscal year*  
5 *to the 2020–21 fiscal year, inclusive, the county auditor shall do*  
6 *the following with the incremental revenues remaining after*  
7 *deducting from those revenues the amounts determined pursuant*  
8 *to subdivision (c):*

9 (1) *Determine the combined weighted average tax rate in each*  
10 *county for K–12 school districts, county offices of education and*  
11 *community college districts. The weighted average tax rate in each*  
12 *county for K–12 school districts, county offices of education and*  
13 *community college districts shall be calculated by the county*  
14 *auditor by averaging the effective combined tax rate for all of the*  
15 *K–12 school districts, the county office of education and all*  
16 *community college districts in each tax rate area using weights*  
17 *for each tax rate area determined by calculating the share of the*  
18 *total assessed value of commercial and industrial property for*  
19 *each tax rate area of the total assessed value of commercial and*  
20 *industrial property as determined pursuant to Chapter 1*  
21 *(commencing with Section 50) of Part 0.5 of Division 1 of the*  
22 *Revenue and Taxation Code, as that chapter read on July 1, 2015,*  
23 *for the 2017–18 fiscal year for all tax rate areas in the county.*

24 (2) *Multiply the incremental revenues remaining after deducting*  
25 *the amounts determined pursuant to subdivision (c) by the*  
26 *combined weighted average tax rate determined pursuant to*  
27 *paragraph (1). Half of the resulting amount of property tax revenue*  
28 *shall be transferred by the county auditor to the Controller on*  
29 *February 1 of each fiscal year and half of the resulting amount of*  
30 *property tax revenue shall be transferred to the Controller on June*  
31 *1 of each fiscal year, and shall be deposited into the Local School*  
32 *and Community College Property Tax Trust Fund for allocation*  
33 *and distribution as set forth in Section 8.7 of Article XIII A.*

34 (3) *The balance of the incremental revenues remaining after*  
35 *deducting the amounts determined pursuant to subdivision (c) and*  
36 *the amount transferred pursuant to paragraph (2) shall be*  
37 *allocated to local agencies pursuant to Chapter 6 (commencing*  
38 *with Section 95) of Part 0.5 of Division 1 of the Revenue and*  
39 *Taxation Code, as that chapter read on July 1, 2015.*

1     (4) Report the incremental revenues available for distribution  
2 determined pursuant to subdivision (b), the deductions attributable  
3 to subdivision (c), and the combined weighted average tax rate in  
4 each county for K–12 school districts, county offices of education,  
5 and community college districts determined pursuant to paragraph  
6 (1), along with supporting documentation, to the Controller who  
7 shall certify that the calculation was properly calculated and post  
8 the percentage figure for each county on the Controller’s Internet  
9 Web site.

10     (e) (1) For the 2021–22 fiscal year, the county assessor shall  
11 perform the calculations specified in paragraphs (1) to (4),  
12 inclusive, of subdivision (a) for that fiscal year. The county auditor  
13 shall report the resulting percentage figure to the Controller who  
14 shall certify that the calculation was properly calculated and post  
15 the percentage figure for each county on the Controller’s Internet  
16 Web site.

17     (2) (A) For the 2021–22 fiscal year and each fiscal year  
18 thereafter, the county auditor shall perform the calculation  
19 specified in paragraph (2) of subdivision (d) using the result of  
20 the calculation in paragraph (1) and the percentage determined  
21 in paragraph (1) of subdivision (d) and shall transfer half the  
22 resulting amount of property tax revenue to the Controller on  
23 February 1 of each fiscal year and transfer half of the resulting  
24 amount of property tax revenue to the Controller on June 1 of each  
25 fiscal year, for deposit in the Local School and Community College  
26 Property Tax Fund for allocation and distribution as set forth in  
27 Section 8.7 of Article XIII A.

28     (B) The balance of the incremental revenues remaining after  
29 deducting the amounts determined pursuant to subdivision (c) and  
30 the amount transferred pursuant to paragraph (A) shall be  
31 allocated to local agencies pursuant to Chapter 6 (commencing  
32 with Section 95) of Part 0.5 of Division 1 of the Revenue and  
33 Taxation Code as that chapter read on July 1, 2015.

34     (C) In making the calculation in subparagraph (A), the county  
35 auditor shall calculate the amount of total revised assessed value  
36 as if no exemption of property taxes were being provided pursuant  
37 to subdivision (b) of Section 3.1 of Article XIII.

38     Eighth— That Section 8.7 is added to Article XVI thereof, to  
39 read:

1     *SEC. 8.7. (a) The Local School and Community College*  
2 *Property Tax Fund is hereby created in the State Treasury to be*  
3 *held in trust for the purposes set forth below and is continuously*  
4 *appropriated for the support of school districts, charter schools,*  
5 *schools operated by county offices of education, and community*  
6 *college districts, as follows:*

7     *(1) Eleven percent (11%) to community colleges. Each year the*  
8 *Controller shall allocate the funds to each community college*  
9 *district based on an equal amount per unit of full-time equivalent*  
10 *student receiving educational services.*

11     *(2) Eighty-nine percent (89%) to school districts, charter*  
12 *schools, and county offices of education for schools operated by*  
13 *the county superintendent of schools.*

14     *(3) Each year the Controller shall allocate the funds to school*  
15 *districts, charter schools, and county offices of education based*  
16 *on the following formula, to be calculated annually by the*  
17 *Superintendent of Public Instruction:*

18     *(A) A base grant based on an equal amount per enrolled student*  
19 *in each school district or charter school, provided, however, that*  
20 *the base grant shall be adjusted by grade span, as follows: no*  
21 *grade span adjustment per enrolled student in grades kindergarten*  
22 *to grade 3, inclusive; 1.5 percent more per enrolled student in*  
23 *grades 4 to 6, inclusive; 4.5 percent more per enrolled student in*  
24 *grades 7 and 8; and 21 percent more per enrolled student in grades*  
25 *9 to 12, inclusive. County offices of education shall receive a base*  
26 *grant per student enrolled in schools operated by the county*  
27 *superintendent of schools that is 33 percent more per enrolled*  
28 *student than the base grant for school districts, but shall receive*  
29 *no grade span adjustments to the base grant.*

30     *(B) A supplemental grant add-on for school districts and charter*  
31 *schools equal to 20 percent of the base grant calculated pursuant*  
32 *to subparagraph (A), multiplied by the percentage of unduplicated*  
33 *pupils in that school district or charter school, and a supplemental*  
34 *grant add-on for county offices of education equal to 35 percent*  
35 *of the base grant calculated pursuant to subparagraph (A),*  
36 *multiplied by the percentage of unduplicated pupils enrolled in*  
37 *schools operated by the county superintendent of schools.*

38     *(C) A concentration grant add-on for school districts and*  
39 *charter schools equal to 50 percent of the base grant calculated*  
40 *pursuant to subparagraph (A), multiplied by the percentage of*

1 unduplicated pupils in that school district or charter school in  
2 excess of 55 percent of the total enrollment in that school district  
3 or charter school, and a concentration grant add-on for county  
4 offices of education equal to 35 percent of the base grant calculated  
5 pursuant to subparagraph (A), multiplied by the percentage of  
6 unduplicated pupils enrolled in schools operated by the county  
7 superintendent of schools in excess of 50 percent of the total  
8 enrollment in those schools.

9 (D) An amount equal to 10.4 percent of the base grant per  
10 enrolled student in kindergarten and grades 1 to 3, inclusive, for  
11 school districts and charter schools that maintain an average class  
12 enrollment of not more than 24 students for each schoolsite in  
13 kindergarten and grades 1 to 3, inclusive, unless a collectively  
14 bargained alternative annual average class enrollment for each  
15 schoolsite in those grades is agreed to by the school district or  
16 charter school.

17 (E) The Superintendent of Public Instruction shall subtract from  
18 the total of the amounts computed pursuant to subparagraphs (A)  
19 to (D), inclusive, the amount of property tax revenue received by  
20 a basic aid school district or basic aid charter school that exceeds  
21 the total amount of funding it would have been entitled to that  
22 fiscal year pursuant to the local control funding formula  
23 established pursuant to Article 2 (commencing with Section 42238)  
24 of Chapter 7 of Part 24 of Division 3 of Title 2 of the Education  
25 Code, as that section read on July 1, 2015. For purposes of this  
26 section, a school district or charter school that does not receive  
27 an apportionment of state funds pursuant to the local control  
28 funding formula shall be considered a basic aid school district or  
29 a basic aid charter school.

30 (F) For purposes of this section, enrollment shall be measured  
31 in units of average daily attendance or its equivalent, and  
32 "unduplicated pupil" shall mean a student who is classified as  
33 either an English learner, eligible for a free or reduced-price meal,  
34 or a foster youth, as defined in Section 42238.01 of the Education  
35 Code, provided that a student may only be counted once for  
36 purposes of making supplemental and concentration grant  
37 adjustments, regardless of whether she or he falls within more  
38 than one of these student subgroups. Students shall not be counted  
39 as enrolled in a school operated by a county superintendent of  
40 schools if they are otherwise counted as enrolled in a school

1 district for purposes of calculating that school district's local  
2 control funding formula allocation.

3 (b) Moneys in the Local School and Community College  
4 Property Tax Fund are dedicated to the support of the K-14  
5 educational program for instructional improvement and  
6 accountability, and shall not be used to pay administrative costs.  
7 School districts, charter schools, and county offices of education  
8 shall demonstrate through their local control and accountability  
9 plans that they are increasing or improving services for  
10 unduplicated pupils in proportion to the increase in funds allocated  
11 pursuant to subparagraphs (B) and (C) of paragraph (3) of  
12 subdivision (a).

13 (c) Notwithstanding any other law, the moneys deposited in the  
14 Local School and Community College Property Tax Fund shall  
15 not be subject to appropriation, reversion, or transfer by the  
16 Legislature, the Governor, the Director of Finance, or the  
17 Controller for any purpose other than those specified in this  
18 section, nor shall such revenues be loaned to the General Fund  
19 or any other fund of the state or any local government fund.

20 (d) Moneys allocated to community college districts, county  
21 offices of education, school districts, or charter schools from the  
22 Local School and Community College Property Tax Fund shall  
23 supplement, and shall not replace, other funding for education.  
24 Funds deposited into the Local School and Community College  
25 Property Tax Fund and allocated from the Local School and  
26 Community College Property Tax Fund shall not be deemed to be  
27 part of "total allocations to school districts and community college  
28 districts from General Fund proceeds of taxes appropriated  
29 pursuant to Article XIII B and allocated local proceeds of taxes"  
30 for purposes of paragraphs (2) and (3) of subdivision (b) of Section  
31 8 or for purposes of Section 21. Revenues derived from the taxes  
32 imposed pursuant to Section 2.5 of Article XIII A shall not be  
33 deemed to be "General Fund revenues which may be appropriated  
34 pursuant to Article XIII B" for purposes of paragraph (1) of  
35 subdivision (b) of Section 8, Section 20, or Section 21, nor shall  
36 they be considered in the determination of "per capita General  
37 Fund revenues" for purposes of subdivisions (b) and (e) of Section  
38 8.

1 *Ninth— This measure shall become operative on January 1,*  
2 *2018, except that subdivision (a) of Section 3.1 of Article XIII shall*  
3 *become operative on January 1, 2019.*

4 ~~*Resolved by the Senate, the Assembly concurring, That the*~~  
5 ~~*Legislature of the State of California at its 2015–16 Regular*~~  
6 ~~*Session commencing on the first day of December 2014, two-thirds*~~  
7 ~~*of the membership of each house concurring, hereby proposes to*~~  
8 ~~*the people of the State of California, that the Constitution of the*~~  
9 ~~*State be amended as follows:*~~

10 ~~*First— That Section 4 of Article XIII A thereof is amended to*~~  
11 ~~*read:*~~

12 ~~*Section 4. A city, county, or special district, upon the approval*~~  
13 ~~*of 55 percent of its voters voting on the proposition, may impose*~~  
14 ~~*a special tax within that city, county, or special district, except ad*~~  
15 ~~*valorem taxes on real property or a transactions tax or sales tax on*~~  
16 ~~*the sale of real property within that city, county, or special district.*~~

17 ~~*Second— That Section 2 of Article XIII C thereof is amended*~~  
18 ~~*to read:*~~

19 ~~*SEC. 2. Notwithstanding any other provision of this*~~  
20 ~~*Constitution:*~~

21 ~~*(a) Any tax imposed by any local government is either a general*~~  
22 ~~*tax or a special tax. A special district or agency, including a school*~~  
23 ~~*district, has no authority to levy a general tax.*~~

24 ~~*(b) A local government shall not impose, extend, or increase*~~  
25 ~~*any general tax unless and until that tax is submitted to the*~~  
26 ~~*electorate and approved by a majority vote. A general tax is not*~~  
27 ~~*deemed to have been increased if it is imposed at a rate not higher*~~  
28 ~~*than the maximum rate so approved. The election required by this*~~  
29 ~~*subdivision shall be consolidated with a regularly scheduled general*~~  
30 ~~*election for members of the governing body of the local*~~  
31 ~~*government, except in cases of emergency declared by a unanimous*~~  
32 ~~*vote of the governing body.*~~

33 ~~*(c) Any general tax imposed, extended, or increased, without*~~  
34 ~~*voter approval, by any local government on or after January 1,*~~  
35 ~~*1995, and prior to November 6, 1996, may continue to be imposed*~~  
36 ~~*only if that general tax is approved by a majority vote of the voters*~~  
37 ~~*voting in an election on the issue of the imposition, which election*~~  
38 ~~*shall be held no later than November 6, 1998, and in compliance*~~  
39 ~~*with subdivision (b).*~~

1 ~~(d) (1) A local government shall not impose, extend, or increase~~  
2 ~~any special tax unless and until that tax is submitted to the~~  
3 ~~electorate and approved by 55 percent of the voters voting on the~~  
4 ~~proposition, and all of the following requirements are met:~~

5 ~~(A) The ballot proposition contains a specific list of programs~~  
6 ~~and purposes to be funded, and a requirement that tax proceeds be~~  
7 ~~spent solely for those programs and purposes.~~

8 ~~(B) The ballot proposition includes a requirement for the annual~~  
9 ~~independent audit of the amount of tax proceeds collected and the~~  
10 ~~specified purposes and programs funded.~~

11 ~~(C) The ballot proposition requires the governing board to create~~  
12 ~~a citizens' oversight committee to review all expenditures of~~  
13 ~~proceeds and financial audits, and report its findings to the~~  
14 ~~governing board and public.~~

15 ~~(2) A special tax shall not be deemed to have been increased if~~  
16 ~~it is imposed at a rate not higher than the maximum rate so~~  
17 ~~approved.~~

18 ~~Third—That Section 3 of Article XIII D thereof is amended~~  
19 ~~to read:~~

20 ~~SEC. 3. (a) An agency shall not assess a tax, assessment, fee,~~  
21 ~~or charge upon any parcel of property or upon any person as an~~  
22 ~~incident of property ownership except:~~

23 ~~(1) The ad valorem property tax imposed pursuant to Article~~  
24 ~~XIII and Article XIII A.~~

25 ~~(2) Any special tax receiving The approval of that percentage~~  
26 ~~of voters on the proposition as required by this Constitution.~~

27 ~~(3) Assessments as provided by this article.~~

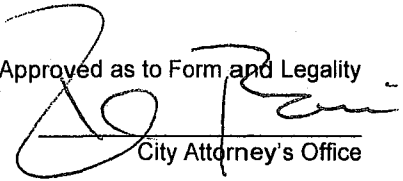
28 ~~(4) Fees or charges for property-related services as provided by~~  
29 ~~this article.~~

30 ~~(b) For purposes of this article, fees for the provision of electrical~~  
31 ~~or gas service are not charges or fees imposed as an incident of~~  
32 ~~property ownership.~~



15 JUN 11 PM 3:53

Approved as to Form and Legality



City Attorney's Office

## OAKLAND CITY COUNCIL

Resolution No. \_\_\_\_\_ C.M.S.

INTRODUCED BY COUNCIL MEMBERS KALB, GIBSON MCELHANEY, & KAPLAN

### RESOLUTION IN SUPPORT OF SENATE CONSTITUTIONAL AMENDMENT 5 (HANCOCK AND MITCHELL) TO CLOSE PROPOSITION 13'S COMMERCIAL PROPERTY TAX LOOPHOLE

**WHEREAS**, voters in the state of California approved Proposition 13 in 1978; and

**WHEREAS**, Proposition 13 created limits on the property taxes paid by residential and commercial property owners; and

**WHEREAS**, residential and commercial property values in California are reassessed upon change of ownership; and

**WHEREAS**, on average, California residential property changes hands relatively frequently while change of ownership for commercial property is far more complicated and therefore generates reassessments much less often; and

**WHEREAS**, commercial property owners are able to avoid reassessment of their property by limiting the portion of ownership that changes hands at any one time to ensure that no single party owns more than 50 percent; and

**WHEREAS**, over the past 35 years, Proposition 13 has shifted the proportionate tax burden away from commercial properties to residential properties; and

**WHEREAS**, Proposition 13 effectively creates a condition that allows larger corporations the ability to benefit from city, county and state services, but does not require them to pay their fair share of property taxes, thereby putting a disproportionate burden on residential property owners; and

**WHEREAS**, in large part because of Proposition 13, California has been forced to rely on volatile revenue sources like income and sales taxes instead of more stable property taxes; and

**WHEREAS**, California continues to face chronic budget crises because revenue sources are disproportionately tied to economic cycles, causing deficits and requiring cuts to vital services; and

**WHEREAS**, the budget crises in California have been particularly detrimental for education funding, including negatively impacting the Oakland Unified School District and public institutions through the state; and

**WHEREAS**, Proposition 13 in effect has become anti-competitive in that new entrepreneurs and businesses must pay fair market value for their property, while commercial property owners who have owned their property for a longer time pay disproportionately lower property tax rates; and

**WHEREAS**, regularly reassessing non-residential property would, according to an analysis of data by researchers at the USC Program for Environmental and Regional Equity, generate

approximately \$9 billion in additional revenue for public schools and other public services by 2019-20, and shift a sizeable portion of the tax burden from homeowners, renters, and working families back to corporations and commercial landholders; and

**WHEREAS**, Senate Constitutional Amendment (SCA) 5, the Property Tax Fairness Amendment, introduced by Senators Loni Hancock and Holly Mitchell, would establish the regular and fair reassessment of commercial and industrial property to market value while protecting farmers and small businesses and maintaining Proposition 13 protections for residential properties; now therefore be it

**RESOLVED**: That the Oakland City Council hereby supports SCA 5 and its placement by the California Legislature before the voters on the November 2016 general election ballot.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES -            BROOKS, CAMPBELL-WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID, AND  
                      PRESIDENT GIBSON MCELHANEY

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_

LATONDA SIMMONS  
City Clerk and Clerk of the Council of the City of  
Oakland, California