



California Split Roll Tax

In California residential and commercial property taxes are currently capped at 1-2%. If passed, a proposed Split Roll Ballot Initiative would eliminate the ceiling on commercial property taxes (residential property tax will not change) and mandate that all commercial property taxes be re-assessed to 2021 market values. Commercial property owners may face significant increases for the foreseeable future.

History

In California escalating property taxes have long been a challenge for residents and businesses. Passed in 1978, Proposition 13 limited property tax increases on both residential and commercial property. The constitutional amendment limits property tax increases to no more than 2% per year, regardless of the market value. Typically an owner would only pay taxes based on the property's real market value when ownership of the property changes.

The measure, if passed, would require immediate reassessment of all commercial, industrial and retail properties throughout California, with regular reassessments every three years. Owners will lose the ability to predict their property taxes and could very well face double-digit increases similar to the property tax rate increases in other states.

At the moment, proponents of the ballot effort include the California Federation of Teachers, the League of Women Voters, and California Calls, a community organization. The campaign opposing this tax increase ("Stop Higher Property Taxes") is supported by a broad-based coalition that includes ICSC, the California Chamber of Commerce, California Taxpayers Association, California Business Roundtable, Howard Jarvis Taxpayers Association, California Business Properties Association (CBPA) and a growing list of local businesses and taxpayer advocates.

What's at stake

- In addition to paying more in taxes because of a new basis, the outcome of the referendum creates vast uncertainty about the level of commercial property tax rates going forward.
- Recent political issues in California, including the Los Angeles school strike, housing and rent control issues, and super majorities in the legislature mean this issue is likely to be contentious and challenging to defeat. The state may dedicate part of any increased revenue to local services and education.
- Commercial property owners and the public need to work together to educate voters about the detrimental effect split roll will have on the state's economic welfare.
- This initiative could destabilize commercial development in California for years to come.

Our position

ICSC opposes this measure as proposed and is working with like-minded coalitions and business groups to educate the public on the issue. This referendum creates vast uncertainty about the level of commercial property tax rates going forward.

If enacted the 2020 ballot initiative could raise over \$11 billion in commercial property taxes in the state, by decoupling the residential and commercial property tax scheme and increasing commercial property taxes.



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