



## EXECUTIVE SUMMARY

Forty years ago, in the Los Angeles County Hall of Administration, a middle-aged woman pleaded with county officials to reduce her property taxes. She thought that if she could talk directly to tax administrators, she could gain their understanding. She soon realized that her 30-mile trip from the San Fernando Valley to Los Angeles had been in vain.

Like many Californians who owned homes or businesses in the 1960s and 1970s, the woman could not pay her escalating, and often unpredictable property taxes. County officials said her taxes were correct according to state law, and she was told she had to pay the bill. The dispute with county officials and the frustration that followed was too much for the woman, and she died from a heart attack before she could leave the building.<sup>1</sup>

Watching the event unfold was a man by the name of Howard Jarvis, a new activist in the fight against high property taxation. The scene made Jarvis "mad as hell,"<sup>2</sup> and he spent the next decade fighting California's unpredictable property tax system that assessed homeowners and businesses at values based on the subjective determination of an assessor. His efforts came to fruition on June 6, 1978, with passage of Proposition 13.

Three decades later, opponents of Proposition 13 are again seeking to replace the current property tax system with one that would bring back many of the same problems Proposition 13 fixed: unpredictability, unstable revenue and subjective assessor valuations. Like Proposition 13's opponents 31 years ago, the initiative's current opponents argue that owners of business and other non-homeowner property subject to Proposition 13 do not pay their fair share of the property tax. They say a shift has occurred within the property tax system, and that homeowners are paying most of the state's overall property tax. As a supposed "solution," these individuals argue that California should adopt a split roll – a form of property taxation where the assessment roll is split in two and business and other non-homeowner property pay increased taxes. There is a great deal of uncertainty over how much a split roll would cost taxpayers. During a State Board of Equalization meeting with California's assessors in August 2009, estimates ranged from \$1 billion to \$10 billion per year.

However, many businesses argue that such increases in property taxation would force them to close up shop, or pass along increased property tax expenses to consumers through increased prices for their products and services. If a split roll were to be adopted, small businesses would be hit the hardest. Currently, California has the highest corporate tax rate in the West and has some of the highest income and sales tax rates in the nation. With

California ranking near the bottom in most U.S. jobs climate studies, business owners say a split roll would only further California's message to employers that this state doesn't want them to locate here.

Today, Proposition 13 is more than three decades old. And because it remains overwhelmingly popular with Californians,<sup>3</sup> it is considered the "third rail" of California politics, not to be touched by anyone.

This study seeks to determine how things have changed after three decades under Proposition 13. How stable is California's property tax system? Has the property tax burden truly shifted from business and other non-homeowner property to homeowners?

### ***Summary of Findings***

This study finds that Proposition 13 has made the property tax stable and predictable for property owners and local government by ending the guesswork and worry that plagued the system in the 1960s and 1970s. Also, this study found that owners of all business and other non-homeowner property subject to Proposition 13 are paying a larger percentage of the property tax, and that assessed values of business and non-homeowner property subject to Proposition 13 have outpaced homeowner assessments. In other words, there is no evidence that the property tax burden has shifted from business and non-homeowner property subject to Proposition 13 to homeowners.

### ***Findings on Assessed Values***<sup>4</sup>

- The assessed value of business and non-homeowner property subject to Proposition 13 has grown an average of 8.4 percent per year, while homeowner property has grown an average of 8.1 percent. Thus, the property taxes paid on business and non-homeowner property subject to Proposition 13 have outpaced homeowners' property tax burden (see Figure 2 and Table 1).
- Proposition 13 has not shifted the property tax burden to homeowners (see Figures 1, 3, 4).
- In 2008-09, the assessed value of business and other non-homeowner property was \$827 billion higher than the assessed value of homeowner property (see Table 3, Columns B and G).
- Proposition 13 assessed values are a stable revenue source, and have increased by an average annual rate of 8.3 percent (see Table 2).

### ***Findings on Market Values***<sup>5</sup>

- From 1988-89 through 2007-08, commercial and industrial property was assessed at 74.3 percent of full market value, while homeowners were assessed at 65.7 percent of full market value (see Figure 6 and Table 4).
- If all properties were raised to full market value, homeowners would pay a larger percentage of the property tax than they do now (see Figures 5 and 6, and Table 4).
- There has not been a property tax shift from business and non-homeowner property subject to Proposition 13 to homeowners (see Figure 5 and Table 4).

### ***Findings on Assessed Values and the Home Median Sales Price***<sup>6</sup>

- The assessed value of homes, collectively, has gone up an average of 8.1 percent since 1979. Part of this increase is simply due to the increase in the number of homes. Table 5 shows that for individual homeowners, their average annual assessed value under Proposition 13 has increased 6.9 percent. This is higher than the 2 percent cap because many of these homes were subject to a change of ownership, and this brings up the average. Collectively, as shown in Table 1, business and non-homeowner property subject to Proposition 13 has increased in value at an average annual rate of 8.4 percent. This shows that Proposition 13 has not shifted the property tax burden to homeowners (see Figure 7 and Tables 1 and 5).
- Under Proposition 13, property tax assessments have provided a stable and increasing flow of revenue to local governments, compared to the volatile characteristics of real estate market values (see Figure 7 and Table 5).
- Assessments are now more objective for most properties, as they reflect the sales price or cost of new construction rather than an assessor's opinion of value, or sales of other properties (see Figure 7).
- In 2008, when real estate market values plummeted, the average assessed value of a homeowner's property grew during that same time period because of Proposition 13 (2.7 percent in 2008-09, see Figure 7 and Table 5).

## Conclusion

Proposition 13 has protected taxpayers during its 31 years of enactment, and at the same time has ensured that there is a stable, yet growing budget base for local governments.

More importantly, Proposition 13 did what it was supposed to do. Before Proposition 13, Californians would open their property tax bills and wonder if they could make ends meet. At that time, government revenue was directly tied to swings in real estate values. Today, homeowners still are the largest beneficiaries of Proposition 13, bearing the smallest share of the property tax burden. Most telling may be how many Californians still support the initiative. Approved in 1978 with 64.8 percent of the vote, a poll released in May 2008 showed that, 67 percent of likely voters responded that "passing Proposition 13 has turned out to be mostly a good thing for California."<sup>7</sup>

<sup>1</sup> Fox, Joel. *The Legend of Proposition 13: The Great California Tax Revolt*. p. 19. Xlibris Corporation. 2003.

<sup>2</sup> "Mad as Hell" is also the title of Howard Jarvis' autobiography: "I'm Mad as Hell," Berkeley Publishing Group, September 1985.

<sup>3</sup> Public Policy Institute of California. *Just the Facts: Proposition 13: 30 Years Later*. May 2008.

<sup>4</sup> For definitions of "business and non-homeowner property subject to Proposition 13" and "homeowner property," please refer to the methodology description on page 21.

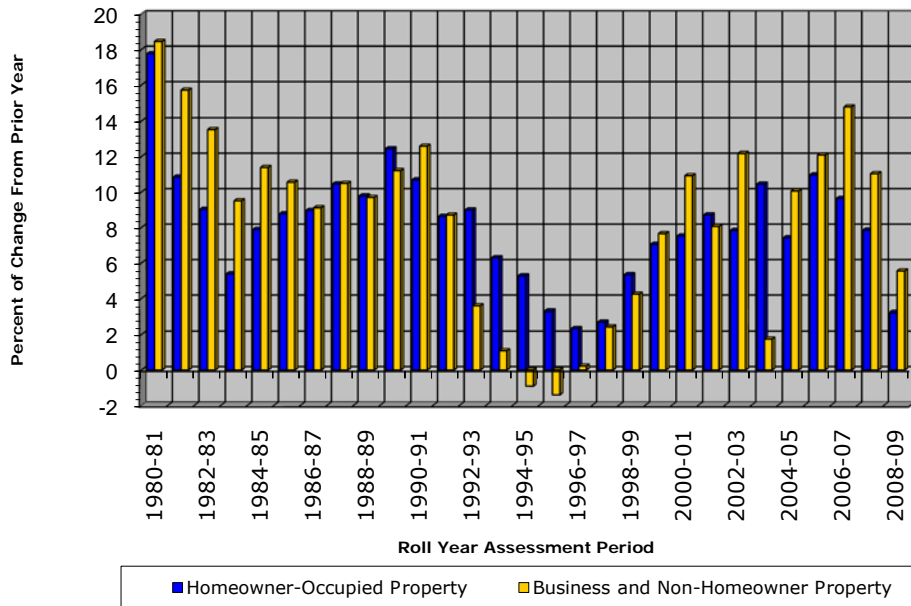
<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Public Policy Institute of California. *Just the Facts: Proposition 13: 30 Years Later*. May 2008.

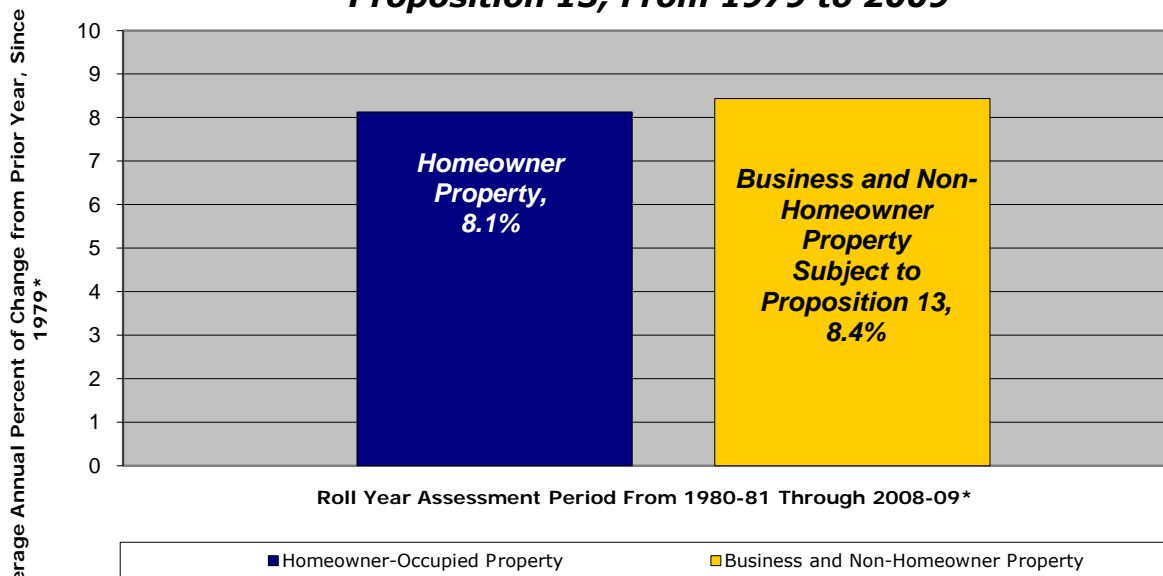
## *Figures*

**Figure 1**  
**Assessed Values of Property Subject to Proposition 13\*\***



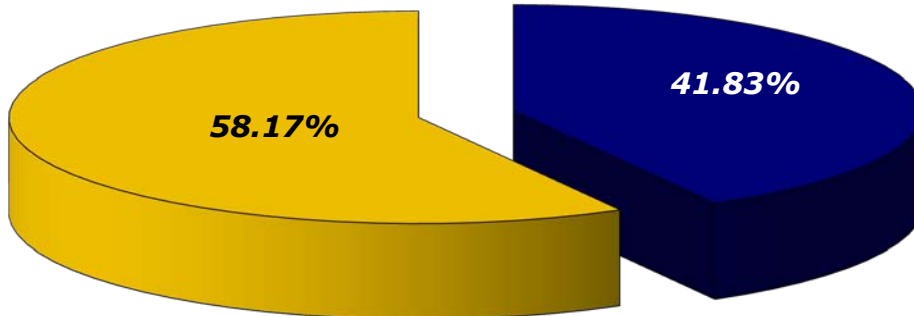
\*Note: Until 1981-82, property was assessed at 25 percent of "full" value. This graph accounts for changes in assessment. For a description of the assessment changes, please see Table 3 Notes.  
 \*\*Note: For definitions of "Business and Non-Homeowner" and "Homeowner" property, please refer to the methodology.  
 Source: Data from Table 3, Columns B and G.

**Figure 2**  
**Annual Growth in Assessed Value of Homeowner Property and Business and Non-Homeowner Property Subject to Proposition 13, From 1979 to 2009\*\***



\*Note: Until 1981-82, property was assessed at 25 percent of "full" value. This graph accounts for changes in assessment. For a description of the changes in assessment, see Table 3 Notes.  
 \*\*Note: For definitions of "Business and Non-Homeowner" and "Homeowner" property, please refer to the methodology.  
 Source: Data from Table 3, columns B and G.

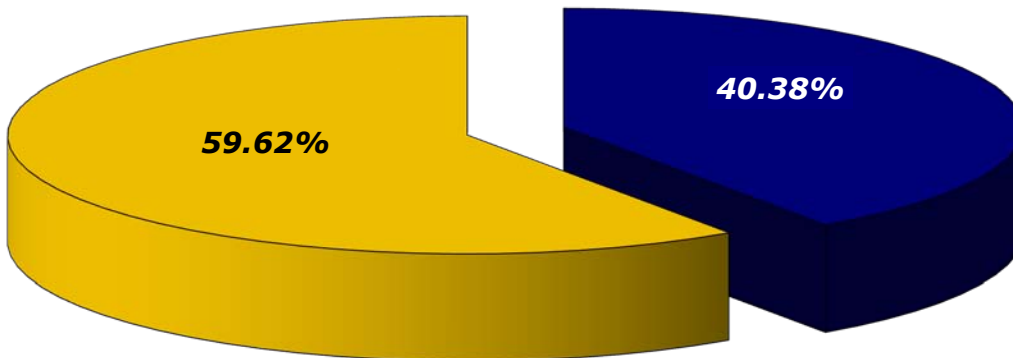
Figure 3  
**Share of Property Tax Values for Properties Subject to Proposition 13, 1979-80\***



■ Homeowner-Occupied Property  
■ Business and Non-Homeowner Property Subject to Proposition 13

**\*Note:** For definitions of "Business and Non-Homeowner" and "Homeowner" property, please see the methodology.  
**Source:** State Board of Equalization Assessed Value of Properties Receiving the Homeowners' Exemption as a Percentage of Total Assessed Value.

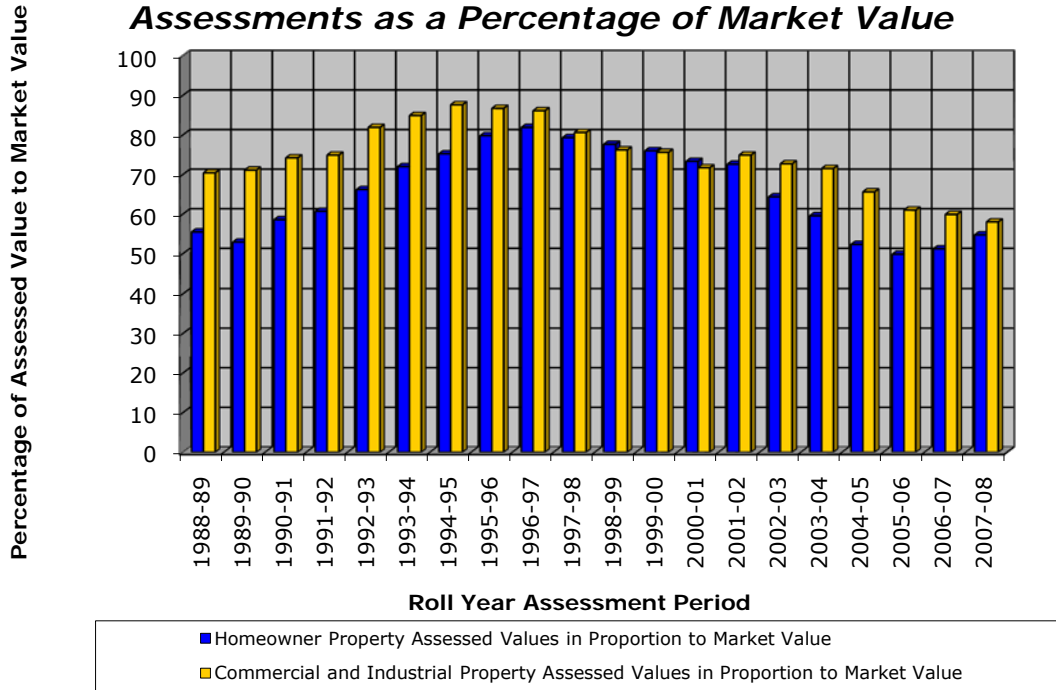
Figure 4  
**Share of Property Tax Values for Properties Subject to Proposition 13, 2008-09\***



■ Homeowner-Occupied Property  
■ Business and Non-Homeowner Property Subject to Proposition 13

**\*Note:** For definitions of "Business and Non-Homeowner" and "Homeowner" property, please see the methodology.  
**Source:** State Board of Equalization Assessed Value of Properties Receiving the Homeowners' Exemption as a Percentage of Total Assessed Value.

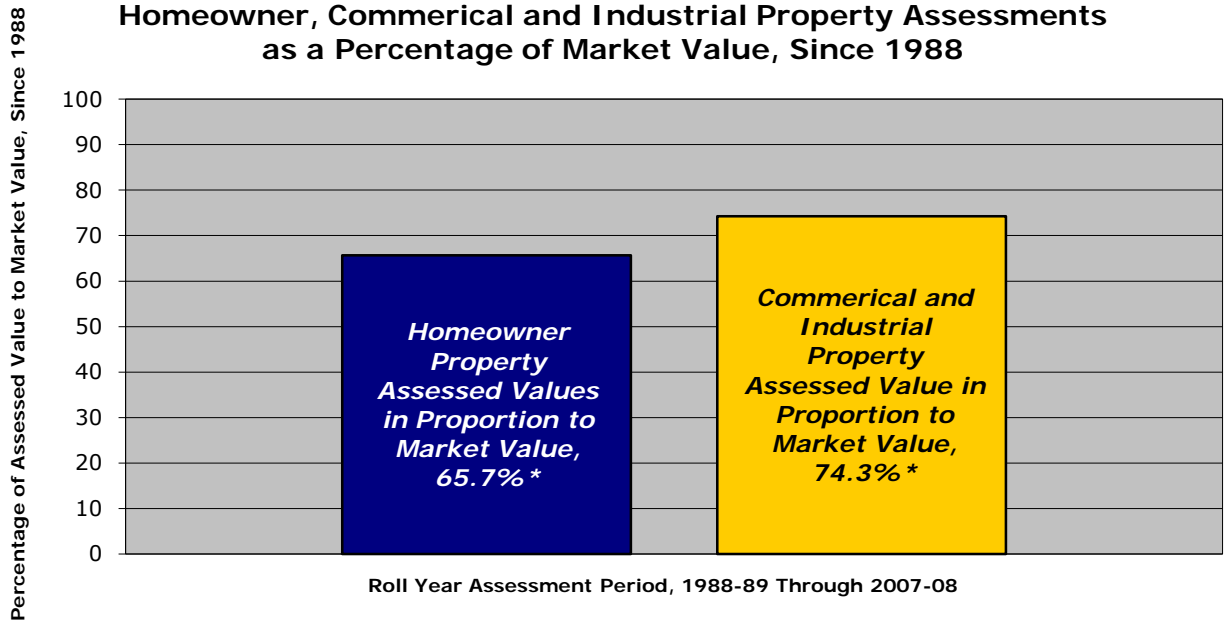
**Figure 5\***  
**Homeowner vs. Commercial and Industrial Assessments as a Percentage of Market Value**



Source: See Table 4 for notes and calculations.

\*Note: For definitions of "commercial and industrial" and "homeowner" property, please see the methodology.

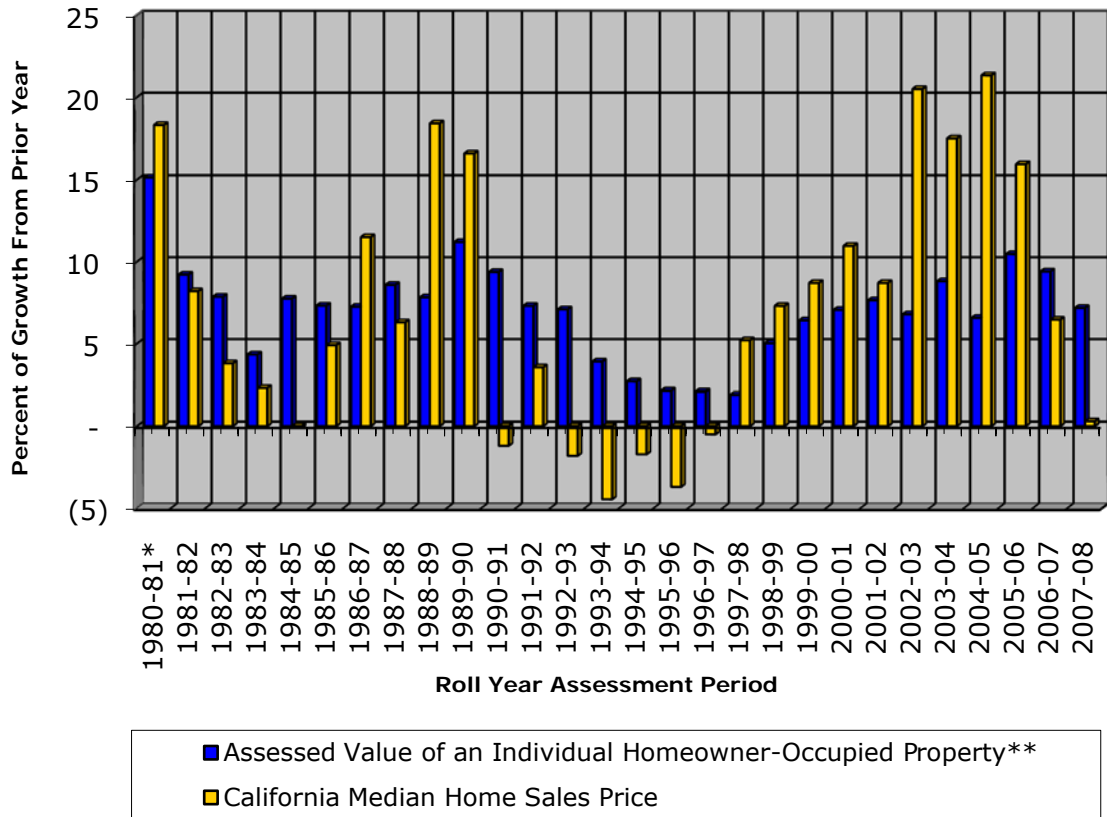
**Figure 6\***  
**Homeowner, Commercial and Industrial Property Assessments as a Percentage of Market Value, Since 1988**



Source: See Table 4 for notes and calculations.

\*Note: For definitions of "commercial and industrial" and "homeowner" property, please see the methodology.

**Figure 7**  
**Annual Growth of Property Taxes on Homes, Compared to**  
**Annual Growth in California Median Home Sales Prices, Post-**  
**Proposition 13**



\* **Note:** Until 1981-82, property was assessed at 25 percent of "full" value. This graph accounts for changes in assessment. For a description of the assessment changes, refer to Table 5 Notes.

\*\* **Note:** Data was calculated by dividing "Column A" by "Column B" on Table 5.

**Source:** See Table 5 for notes and calculations.

## ***Tables***

Table 1

**Assessed Values of Homeowner Property and Business and  
Non-Homeowner Property Subject to Proposition 13**

Assessment Period	A*		B**	
	Homeowner Occupied Property	Percent Increase by Year	All Business and Non-Homeowner Property Subject to Proposition 13	Percent Increase by Year
1977-78*	-	-	-	-
1978-79*	-	-	-	-
1979-80*	\$ 45.6	-	\$ 63.4	-
1980-81*	\$ 53.7	17.8	\$ 75.1	18.5
1981-82	\$ 238.1	10.8	\$ 347.6	15.7
1982-83	\$ 259.6	9.0	\$ 394.6	13.5
1983-84	\$ 273.6	5.4	\$ 432.1	9.5
1984-85	\$ 295.2	7.9	\$ 481.3	11.4
1985-86	\$ 321.1	8.8	\$ 532.1	10.6
1986-87	\$ 349.9	9.0	\$ 580.6	9.1
1987-88	\$ 386.5	10.5	\$ 641.5	10.5
1988-89	\$ 424.3	9.8	\$ 703.7	9.7
1989-90	\$ 477.1	12.4	\$ 782.6	11.2
1990-91	\$ 528.1	10.7	\$ 881.1	12.6
1991-92	\$ 573.7	8.6	\$ 957.8	8.7
1992-93	\$ 625.3	9.0	\$ 992.2	3.6
1993-94	\$ 664.7	6.3	\$ 1,003.0	1.1
1994-95	\$ 699.8	5.3	\$ 993.9	-0.9
1995-96	\$ 722.9	3.3	\$ 980.0	-1.4
1996-97	\$ 739.8	2.3	\$ 982.2	0.2
1997-98	\$ 759.8	2.7	\$ 1,006.1	2.4
1998-99	\$ 800.4	5.3	\$ 1,048.8	4.2
1999-00	\$ 856.9	7.1	\$ 1,129.1	7.7
2000-01	\$ 921.4	7.5	\$ 1,252.4	10.9
2001-02	\$ 1,001.7	8.7	\$ 1,353.4	8.1
2002-03	\$ 1,080.2	7.8	\$ 1,518.2	12.2
2003-04	\$ 1,193.1	10.5	\$ 1,544.7	1.7
2004-05	\$ 1,281.7	7.4	\$ 1,700.0	10.1
2005-06	\$ 1,422.3	11.0	\$ 1,905.5	12.1
2006-07	\$ 1,559.4	9.6	\$ 2,186.8	14.8
2007-08	\$ 1,681.9	7.9	\$ 2,428.2	11.0
2008-09	\$ 1,736.0	3.2	\$ 2,563.0	5.6
<b>Average Annual Percent Increase from 1979-80 to 2008-09</b>	-	8.1	-	8.4

\*Source: See Table 3, Column B or State Board of Equalization Assessed Value of Properties Receiving the Homeowners' Exemption as a Percentage of Total Assessed Value.

\*\*Source: See Table 3, Column G as calculated.

Assessment Period	A	
	All Proposition 13 Property***	Percent Increase by Year
1979-80*	\$ 109.0	-
1980-81*	\$ 128.8	18.2
1981-82	\$ 585.7	13.7
1982-83	\$ 654.2	11.7
1983-84	\$ 705.7	7.9
1984-85	\$ 776.5	10.0
1985-86	\$ 853.2	9.9
1986-87	\$ 930.5	9.1
1987-88	\$ 1,028.0	10.5
1988-89	\$ 1,128.0	9.7
1989-90	\$ 1,259.7	11.7
1990-91	\$ 1,409.2	11.9
1991-92	\$ 1,531.5	8.7
1992-93	\$ 1,617.5	5.6
1993-94	\$ 1,667.7	3.1
1994-95	\$ 1,693.7	1.6
1995-96	\$ 1,702.9	0.5
1996-97	\$ 1,722.0	1.1
1997-98	\$ 1,765.9	2.5
1998-99	\$ 1,849.2	4.7
1999-00	\$ 1,986.0	7.4
2000-01	\$ 2,173.8	9.5
2001-02	\$ 2,355.1	8.3
2002-03	\$ 2,598.4	10.3
2003-04	\$ 2,737.8	5.4
2004-05	\$ 2,981.7	8.9
2005-06	\$ 3,327.8	11.6
2006-07	\$ 3,746.2	12.6
2007-08	\$ 4,110.1	9.7
2008-09	\$ 4,299.0	4.6
<b>Average Annual Percent Increase From 1979-80 Through 2008-09</b>		<b>8.3</b>

**Note:** Dollar amounts are in billions and have been rounded to the nearest tenth.

**\*Note:** Until 1981-82, property was assessed at 25 percent of "full value." To calculate comparable percentages, pre-"full value" property was adjusted. To adjust pre-1981-82 property to "full value," multiple value by 4.

**\*\*Note:** Data calculated from Table 3 by adding columns B and G.

**\*\*\*Note:** All property in this column is subject to assessment provisions of Proposition 13.

**Source:** See Table 3 for notes and calculations.

Assessment Period	A		B		C		D		E		F		G	
	All Property	Percent Increase by Year	Homeowner Occupied Property	Percent Increase by Year	State Assessed Property-Non Prop. 13	Percent Increase by Year	State Assessed Railroad Property Values	Percent Increase by Year	Locally Assessed Tangible Personal Property, Non Prop. 13	Percent Increase by Year	All Locally Assessed Non-Homeowner Property Subject to Prop. 13	Percent Increase by Year	All Business and Non-Homeowner Property Subject to Prop. 13	Percent Increase by Year
1977-78	\$ 106.7	-	-	-	-	-	-	-	-	-	-	-	-	-
1978-79	\$ 116.7	9.4	-	-	-	-	-	-	-	-	-	-	-	-
1979-80	\$ 132.8	13.8	\$ 45.6	-	\$ 7.0	-	\$ 0.4	-	\$ 16.8	-	\$ 63.0	-	63.4	-
1980-81	\$ 144.7	9.0	\$ 53.7	17.8	\$ 7.5	7.1	\$ 0.4	0.0	\$ 8.4	-50.0	\$ 74.7	18.6	75.1	18.5
1981-82	\$ 657.9	13.7	\$ 238.1	10.8	\$ 33.8	12.7	\$ 1.9	18.8	\$ 38.4	14.3	\$ 345.7	15.7	347.6	15.7
1982-83	\$ 737.1	12.0	\$ 259.6	9.0	\$ 38.9	15.1	\$ 1.9	0.0	\$ 44.0	14.6	\$ 392.7	13.6	394.6	13.5
1983-84	\$ 797.4	8.2	\$ 273.6	5.4	\$ 45.0	15.7	\$ 2.2	15.8	\$ 46.7	6.1	\$ 429.9	9.5	432.1	9.5
1984-85	\$ 878.7	10.2	\$ 295.2	7.9	\$ 49.9	10.9	\$ 2.3	4.5	\$ 52.3	12.0	\$ 479.0	11.4	481.3	11.4
1985-86	\$ 968.6	10.2	\$ 321.1	8.8	\$ 54.6	9.4	\$ 2.2	-6.2	\$ 60.9	16.4	\$ 529.9	10.6	532.1	10.6
1986-87	\$ 1,058.6	9.3	\$ 349.9	9.0	\$ 61.6	12.9	\$ 2.4	11.3	\$ 66.5	9.2	\$ 578.2	9.1	580.6	9.1
1987-88	\$ 1,165.1	10.1	\$ 386.5	10.5	\$ 61.0	-1.0	\$ 3.0	25.0	\$ 72.8	9.5	\$ 641.8	11.0	641.5	10.5
1988-89	\$ 1,275.5	9.5	\$ 424.3	9.8	\$ 65.0	6.6	\$ 2.3	-23.3	\$ 78.7	8.1	\$ 705.2	9.9	703.7	9.7
1989-90	\$ 1,412.5	10.7	\$ 477.1	12.4	\$ 67.4	3.7	\$ 2.3	0.0	\$ 85.4	8.5	\$ 780.3	10.6	782.6	11.2
1990-91	\$ 1,578.0	11.7	\$ 528.1	10.7	\$ 72.8	8.0	\$ 2.3	0.8	\$ 96.0	12.4	\$ 878.8	12.6	881.1	12.6
1991-92	\$ 1,702.9	7.9	\$ 573.7	8.6	\$ 70.6	-3.0	\$ 2.7	16.5	\$ 100.8	5.0	\$ 955.1	8.7	957.8	8.7
1992-93	\$ 1,789.8	5.1	\$ 625.3	9.0	\$ 70.4	-0.3	\$ 2.1	-22.2	\$ 101.9	1.1	\$ 990.1	3.7	992.2	3.6
1993-94	\$ 1,839.9	2.8	\$ 664.7	6.3	\$ 66.5	-5.5	\$ 2.2	4.8	\$ 105.7	3.7	\$ 1,000.8	1.1	1,003.0	1.1
1994-95	\$ 1,863.4	1.3	\$ 699.8	5.3	\$ 66.8	0.5	\$ 2.2	0.0	\$ 102.9	-2.6	\$ 991.7	-0.9	993.9	-0.9
1995-96	\$ 1,876.0	0.7	\$ 722.9	3.3	\$ 66.9	0.1	\$ 1.9	-13.6	\$ 106.2	3.2	\$ 978.1	-1.4	980.0	-1.4
1996-97	\$ 1,897.3	1.1	\$ 739.8	2.3	\$ 65.1	-2.7	\$ 1.7	-10.5	\$ 110.2	3.8	\$ 980.5	0.2	982.2	0.2
1997-98	\$ 1,950.7	2.8	\$ 759.8	2.7	\$ 66.8	2.6	\$ 1.9	11.8	\$ 118.0	7.1	\$ 1,004.2	2.4	1,006.1	2.4
1998-99	\$ 2,044.3	4.8	\$ 800.4	5.3	\$ 67.1	0.4	\$ 2.1	10.5	\$ 128.0	8.5	\$ 1,046.7	4.2	1,048.8	4.2
1999-00	\$ 2,184.4	6.9	\$ 856.9	7.1	\$ 66.6	-0.7	\$ 1.8	-14.3	\$ 131.8	3.0	\$ 1,127.3	7.7	1,129.1	7.7
2000-01	\$ 2,355.4	7.8	\$ 921.4	7.5	\$ 61.3	-8.0	\$ 1.7	-5.6	\$ 140.2	6.4	\$ 1,230.8	9.2	1,252.4	10.9
2001-02	\$ 2,570.2	9.1	\$ 1,001.7	8.7	\$ 61.6	0.5	\$ 1.7	0.0	\$ 153.4	9.4	\$ 1,351.8	9.8	1,353.4	8.1
2002-03	\$ 2,756.0	7.2	\$ 1,080.2	7.8	\$ 63.5	3.1	\$ 1.7	0.0	\$ 153.8	0.3	\$ 1,456.8	7.8	1,518.2	12.2
2003-04	\$ 2,957.8	7.3	\$ 1,193.1	10.5	\$ 67.5	6.3	\$ 1.7	0.0	\$ 152.5	-0.8	\$ 1,543.0	5.9	1,544.7	1.7
2004-05	\$ 3,193.6	8.0	\$ 1,281.7	7.4	\$ 63.7	-5.6	\$ 1.9	11.8	\$ 148.2	-2.8	\$ 1,698.1	10.1	1,700.0	10.1
2005-06	\$ 3,542.2	10.9	\$ 1,422.3	11.0	\$ 65.2	2.4	\$ 1.8	-5.3	\$ 149.2	0.7	\$ 1,903.7	12.1	1,905.5	12.1
2006-07	\$ 3,971.2	12.1	\$ 1,559.4	9.6	\$ 66.0	1.2	\$ 1.6	-11.1	\$ 159.4	6.8	\$ 2,184.8	14.8	2,186.8	14.8
2007-08	\$ 4,350.7	9.6	\$ 1,681.9	7.9	\$ 70.2	6.3	\$ 1.5	-6.3	\$ 170.5	6.9	\$ 2,426.7	11.1	2,428.2	11.0
2008-09	\$ 4,555.2	4.7	\$ 1,736.0	3.2	\$ 75.7	7.9	\$ 1.7	12.6	\$ 180.5	5.9	\$ 2,561.3	5.5	2,563.0	5.6
<b>Average Annual Percent Increase From 1979-80 Through 2007-08</b>	-	8.0	-	8.1	-	3.7	-	0.9	-	4.4	-	8.4	-	8.4

\*Note: See "Table 3 Notes" for calculations, notes and sources.

## Table 3 Notes

### ***Assessed Values of Proposition 13 Property***

#### ***Columns A Through G***

- Dollar amounts are in billions. All numbers have been rounded to the nearest tenth.
- Until 1981-82, property was assessed at 25 percent of “full value.” To calculate comparable percentages, pre-“full value” property was adjusted by multiplying the value by four.
- The most recent assessment roll may be subject to change once the Board of Equalization finalizes its computations.

#### ***Column A – All Property***

- “All Property” includes properties subject to the homeowners’ exemption, but excludes all other exemptions, including those for veterans, churches, religious properties, colleges, schools below the college grade level, hospitals, and charitable properties.
- Statistical data for “All Property” can be found in the *State Board of Equalization Annual Reports, Table 4 - Summary of Assessed Values of Property Subject to Local Government Property Taxes, and Average Tax Rates*. Figures can be found under *Net Tangible Property Totals, Net of “All Other” Exemptions*.

#### ***Column B – Homeowner-Occupied Property***

- Data from the *State Board of Equalization Assessed Value of Property Receiving the Homeowners’ Exemption as a Percentage of Total Assessed Value*. Figures for this column can be found under *Assessed Value Including HOE, but Excluding All Other Exemptions, HOE Properties*. To date, this report is not available online, but can be obtained from the State Board of Equalization Research and Statistics Division.
- Data was not computed for the 1978-79 and 1979-80 Assessment Period.
- In this report, we may refer to this category as homeowner property. For a more detailed definition of homeowner property, please refer to page 21.

Table 3 Notes Continued

**Column C – State Assessed Property Non-Proposition 13**

- Data from the *State Board of Equalization Annual Reports, Table 4*. Figures can be found under *State Board of Equalization, Gross Tangible Property Totals*.
- Railroad assessments have been subtracted from this column because they are under the provisions of Proposition 13. Data for railroad assessments were obtained from the *State Board of Equalization Annual Reports, Table 12* categorized as “Under provisions of Section 751 of the Revenue and Taxation Code, Railroad Values.”

**Column D – State-Assessed Railroad Property Values**

- Data for railroad assessments were obtained from the *State Board of Equalization Annual Reports, Table 12* categorized as “Under provisions of Section 751 of the Revenue and Taxation Code, Railroad Values.”

**Column E – Locally Assessed Tangible Personal Property Non-Proposition 13**

- Data from the *State Board of Equalization Annual Reports, Table 4*. Figures can be found under *County Assessors, Tangible Personal Property*.

**Column F – All Locally Assessed Business and Non-Homeowner Property Under the Provisions of Proposition 13**

- Data was not computed for the 1978-79 and 1979-80 Assessment Periods.
- Column F is calculated by subtracting Columns B through E from “All Properties” (Column A).

**Column G – All Business and Non-Homeowner Property Under the Provisions of Proposition 13**

- Column G is calculated by adding Columns F and D to incorporate both locally-assessed and state-assessed property under the provisions of Proposition 13.

Table 4\*

**Homeowner versus Commercial and Industrial Assessments as a Percentage of Market Value**

Year	A		B	C	D	E	F
	Assessed Value of Homeowner Occupied Property (in Non-Adjusted* Billions of Dollars)	Assessed Value of Homeowner Occupied Property (in Adjusted Billions of Dollars)	California Median Home Price (in Thousands of Dollars)	Number of Homeowner-Occupied Properties	Market Value of Homeowner Occupied Property (in Billions of Dollars)	Assessed Value as a Percent of Market Value of Homeowner Occupied Property	Commerical and Industrial Property Assessed Values in Proportion to Market Value
1979-80	\$ 45.6	\$ 182.4	\$ 84,150	4,015,155	\$ 337.9	54.0	No data computed
1980-81	\$ 53.7	\$ 214.8	\$ 99,550	4,106,865	\$ 408.8	52.5	No data computed
1981-82	-	\$ 238.1	\$ 107,710	4,168,446	\$ 449.0	53.0	No data computed
1982-83	-	\$ 259.6	\$ 111,800	4,213,623	\$ 471.1	55.1	No data computed
1983-84	-	\$ 273.6	\$ 114,370	4,256,233	\$ 486.8	56.2	No data computed
1984-85	-	\$ 295.2	\$ 114,260	4,262,308	\$ 487.0	60.6	No data computed
1985-86	-	\$ 321.1	\$ 119,860	4,320,163	\$ 517.8	62.0	No data computed
1986-87	-	\$ 349.9	\$ 133,640	4,389,568	\$ 586.6	59.6	Data not available
1987-88	-	\$ 386.5	\$ 142,060	4,465,562	\$ 634.4	60.9	Data not available
1988-89	-	\$ 424.3	\$ 168,200	4,546,806	\$ 764.8	55.5	70.4
1989-90	-	\$ 477.1	\$ 196,120	4,597,769	\$ 901.7	52.9	71.1
1990-91	-	\$ 528.1	\$ 193,770	4,653,348	\$ 901.7	58.6	74.2
1991-92	-	\$ 573.7	\$ 200,660	4,711,088	\$ 945.3	60.7	74.9
1992-93	-	\$ 625.3	\$ 197,030	4,794,810	\$ 944.7	66.2	81.9
1993-94	-	\$ 664.7	\$ 188,240	4,905,416	\$ 923.4	72.0	84.9
1994-95	-	\$ 699.8	\$ 185,010	5,028,595	\$ 930.3	75.2	87.6
1995-96	-	\$ 722.9	\$ 178,160	5,085,321	\$ 906.0	79.8	86.7
1996-97	-	\$ 739.8	\$ 177,270	5,097,388	\$ 903.6	81.9	86.1
1997-98	-	\$ 759.8	\$ 186,490	5,137,686	\$ 958.1	79.3	80.6
1998-99	-	\$ 800.4	\$ 200,100	5,153,444	\$ 1,031.2	77.6	76.2
1999-00	-	\$ 856.9	\$ 217,510	5,184,593	\$ 1,127.7	76.0	75.6
2000-01	-	\$ 921.4	\$ 241,350	5,207,251	\$ 1,256.8	73.3	71.7
2001-02	-	\$ 1,001.7	\$ 262,350	5,258,883	\$ 1,379.7	72.6	74.9
2002-03	-	\$ 1,080.2	\$ 316,130	5,310,622	\$ 1,678.8	64.3	72.7
2003-04	-	\$ 1,193.1	\$ 371,520	5,391,011	\$ 2,002.9	59.6	71.5
2004-05	-	\$ 1,281.7	\$ 450,770	5,434,285	\$ 2,449.6	52.3	65.6
2005-06	-	\$ 1,422.3	\$ 522,670	5,459,361	\$ 2,853.4	49.8	61.0
2006-07	-	\$ 1,559.4	\$ 556,430	5,471,116	\$ 3,044.3	51.2	59.9
2007-08	-	\$ 1,681.9	\$ 558,100	5,505,693	\$ 3,072.7	54.7	58.0
2008-09	-	\$ 1,736.0	n/a	5,535,394	n/a	n/a	n/a
<b>Average Percentage of Market Value Assessments From 1988</b>						<b>65.7</b>	<b>74.3</b>

\*Note: See Table 4 Notes for notes, calculations, and sources.

## Table 4 Notes

### ***Assessed Values of Homeowner vs. Commercial and Industrial Property Subject to Proposition 13***

#### ***Column A – Assessed Value of Homeowner-Occupied Property***

- Data from the *State Board of Equalization Report on Assessed Value of Homeowner Property*.
- Until the assessment period of 1981-82, property was assessed at 25 percent of full market value. Data for years prior to 1981 show values for both non-adjusted and adjusted assessment ratios. To adjust homeowner assessment value from 25 percent to 100 percent, the values were multiplied by 4. All other calculations based off of this column use the adjusted value.

#### ***Column B – California Median Home Sales Price***

- Data from the *California Statistical Abstract, Table I-11*, published by the Department of Finance.
- Data for 2008-09 will be available in the 2009-10 California Statistical Abstract upon its release in 2010. Because this data is not available, no data from 2008-09 was included in the averages for a market value comparison.

#### ***Column C – Number of Homeowner-Occupied Properties***

- Data from the *State Board of Equalization Annual Reports – Table 9*. Figures can be found under Exemptions, Homeowners' Exemptions.

#### ***Column D – Market Value of Homeowner-Occupied Property***

- Data determined by the number from Column C (*Number of Homeowner-Occupied Properties*) multiplied by Column B (*the California Median Sales Price*).

#### ***Column E – Assessed Value as a Percentage of Market Value of Homeowner-Occupied Property***

- Determined by dividing Column A (*Assessed Value of Homeowner-Occupied Property*) by Column D (*Market Value of Homeowner-Occupied Property*).

## Table 4 Notes Continued

### **Column F – Commercial and Industrial Property Assessed Values in Proportion to Market Value**

- All Commercial and Industrial Property percentages are based off the BOE roll year assessments.
- Data from the *State Board of Equalization Ratio of Assessed Value to Market Value of Commercial/Industrial Property Other Than Rail Transportation Property* as published by the BOE in May each year. This is known as the "4-R Act Ratio." (Federal law requires railroad property to be assessed at the same ratio of market value as all other business property.)
- Legislation requiring the BOE to determine the ratio of assessed value to market value for commercial and industrial property was not adopted by the Legislature until 1986, in AB 2890 (Hannigan).
- Due to mold problems at the State Board of Equalization headquarters in Sacramento, records for the roll years of 1986-87 and 1987-88 were temporarily moved to storage in 2007. Currently, these files are not accessible. BOE staff expects to regain access to these files in October 2009.

Table 5

**Annual Growth of Property Taxes on Homes, Compared to Annual Growth in California  
Median Home Sales Prices, Post-Proposition 13**

Year	A		B	C		D	
	Homeowner-Occupied Property**+	Percent Increase by Year	Number of Homeowner-Occupied Properties	Assessed Value of an Individual Homeowner-Occupied Property***	Percent Increase by Year	California Median Home Sales Price	Percent Increase by Year
1979-80*	\$ 45.6	-	4,015,155	\$ 11,357	-	\$ 84,150	-
1980-81*	\$ 53.7	17.8	4,106,865	\$ 13,076	15.1	\$ 99,550	18.3
1981-82	\$ 238.1	10.8	4,168,446	\$ 57,120	9.2	\$ 107,710	8.2
1982-83	\$ 259.6	9.0	4,213,623	\$ 61,610	7.9	\$ 111,800	3.8
1983-84	\$ 273.6	5.4	4,256,233	\$ 64,282	4.3	\$ 114,370	2.3
1984-85	\$ 295.2	7.9	4,262,308	\$ 69,258	7.7	\$ 114,260	(0.1)
1985-86	\$ 321.1	8.8	4,320,163	\$ 74,326	7.3	\$ 119,860	4.9
1986-87	\$ 349.9	9.0	4,389,568	\$ 79,712	7.2	\$ 133,640	11.5
1987-88	\$ 386.5	10.5	4,465,562	\$ 86,551	8.6	\$ 142,060	6.3
1988-89	\$ 424.3	9.8	4,546,806	\$ 93,318	7.8	\$ 168,200	18.4
1989-90	\$ 477.1	12.4	4,597,769	\$ 103,768	11.2	\$ 196,120	16.6
1990-91	\$ 528.1	10.7	4,653,348	\$ 113,488	9.4	\$ 193,770	(1.2)
1991-92	\$ 573.7	8.6	4,711,088	\$ 121,777	7.3	\$ 200,660	3.6
1992-93	\$ 625.3	9.0	4,794,810	\$ 130,412	7.1	\$ 197,030	(1.8)
1993-94	\$ 664.7	6.3	4,905,416	\$ 135,503	3.9	\$ 188,240	(4.5)
1994-95	\$ 699.8	5.3	5,028,595	\$ 139,164	2.7	\$ 185,010	(1.7)
1995-96	\$ 722.9	3.3	5,085,321	\$ 142,154	2.1	\$ 178,160	(3.7)
1996-97	\$ 739.8	2.3	5,097,388	\$ 145,133	2.1	\$ 177,270	(0.5)
1997-98	\$ 759.8	2.7	5,137,686	\$ 147,888	1.9	\$ 186,490	5.2
1998-99	\$ 800.4	5.3	5,153,444	\$ 155,314	5.0	\$ 200,100	7.3
1999-00	\$ 856.9	7.1	5,184,593	\$ 165,278	6.4	\$ 217,510	8.7
2000-01	\$ 921.4	7.5	5,207,251	\$ 176,946	7.1	\$ 241,350	11.0
2001-02	\$ 1,001.7	8.7	5,258,883	\$ 190,478	7.6	\$ 262,350	8.7
2002-03	\$ 1,080.2	7.8	5,310,622	\$ 203,404	6.8	\$ 316,130	20.5
2003-04	\$ 1,193.1	10.5	5,391,011	\$ 221,313	8.8	\$ 371,520	17.5
2004-05	\$ 1,281.7	7.4	5,434,285	\$ 235,854	6.6	\$ 450,770	21.3
2005-06	\$ 1,422.3	11.0	5,459,361	\$ 260,525	10.5	\$ 522,670	16.0
2006-07	\$ 1,559.4	9.6	5,471,116	\$ 285,024	9.4	\$ 556,430	6.5
2007-08	\$ 1,681.9	7.9	5,505,693	\$ 305,484	7.2	\$ 558,100	0.3
2008-09****	\$ 1,736.0	3.2	5,535,394	\$ 313,618	2.7	N/A	-
<b>Average Annual Percent Increase From 1979-80 Through 2007-08</b>	-	8.3	-	-	7.1	-	7.3
<b>Average Annual Percent Increase From 1979-80 Through 2008-09****</b>	-	8.1	-	-	6.9	-	N/A

+Note: Dollar amounts are in billions and have been rounded to the nearest tenth.

\*Note: Until 1981-82, property was assessed at 25 percent of "full" value. Above "Percent Increase by Year" accounts for assessment changes.

\*\*Note: Data was not computed for the 1976-77, 1977-78, and 1978-79 Assessment Periods.

\*\*\*Note: Data calculated by dividing "Column A" by "Column B."

\*\*\*\*Note: Data for the California Median Home Sales Price will not be available until the 2009-10 California Statistical Abstract is released in 2010. Because no data is available for this year, all data for this year has been excluded from the total average, and is listed as "N/A."

Sources: "Columns A" is from the State Board of Equalization Assessed Value of Properties Receiving the Homeowners' Exemptions. "Column B" is from the State Board of Equalization Annual Reports, Table 9. "Column D" is from the California Statistical Abstract, Table I-11, as published by the Department of Finance.

## ***Methodology and Definitions***

## ***Definitions & Methodology***

The findings in this study are based upon the following property definitions:

### **Homeowner Property.**

This study defines a homeowner property as an owner-occupied housing unit that obtained a homeowner's exemption. The data on homeowners' exemptions is reported by assessors to the State Board of Equalization. Throughout this report, the term "Homeowner Property" may be used interchangeably with "Homeowner-Occupied Property." Note that homeowner property does not include all residential properties (see "rental property" below).

### **Business and Non-Homeowner Property.**

Business and Non-Homeowner Property is all Proposition 13 assessed property, which includes rental, commercial, and industrial property; property held for capital gains; and state-assessed railroad property.

### **Commercial and Industrial Property.**

This study defines locally assessed commercial and industrial property as "Business and Non-Homeowner Property," but excludes rental property. Such commercial and industrial properties are used to determine the 4-R Act Ratio, which is required by federal law and relates to the assessment of railroads.

### **Rental Property.**

Throughout this report, rental property has been included in the category of "Business and Non-Homeowner Property Subject to Proposition 13." Rental property that is subject to Proposition 13 may include, but is not limited to, rented single-family homes, apartments, or vacation rentals. Rental property is not included in the homeowner column because this study sought to utilize a realistic understanding of rental property. By definition, rental properties produce income either directly from rent payments or from anticipated capital gains. Such rental property should be classified with "business and non-homeowner property." Further, the Board of Equalization keeps data only on the assessed value of homeowner-occupied property. There is no statewide data on values of rented single-family residential property, and such data

## ***Definitions & Methodology Continued***

can not be computed for years prior to Proposition 13 for proper comparative analysis.

### **Railroad Property.**

This study defines railroad property as identified by the Board of Equalization in the *Annual Reports, Table 12*.

### **Assessed Values.**

- The data evaluated in this report was gathered from the *State Board of Equalization Annual Reports* and the *State Board of Equalization Report on Assessed Value of Homeowner Property*. While this study is a comprehensive look at all available data, full records from the State Board of Equalization on homeowner assessment values were not published prior to 1979-80.
- To make fair and equal comparisons, this study's conclusions are based upon assessment periods where all information is available. Assessment periods with all available data are 1979-80 through 2008-09.

### **Market Values.**

- The data evaluated in this report was gathered from the State Board of Equalization. Specifically, this study looks at data from the *State Board of Equalization Annual Reports*, the *State Board of Equalization Ratio of Assessed Value of Business Property*, and the *State Board of Equalization Report on Assessed Value of Homeowner Property*. While this study is a comprehensive look at all available data, full records from the State Board of Equalization on homeowner assessment values were never published prior to 1979-80 and no data was ever published on business assessment values prior to 1986-87, when legislation required the BOE to record such data. Data for the assessment periods of 1986-87 and 1987-88 were not accessible. To make fair and equal comparisons, this study's conclusions are based upon assessment periods where all information is available. Assessment periods with all available data are 1988-89 through 2008-09.
- Data for the median sales price of homes are from the California Association of Realtors, as reported in the *California Statistical Abstracts*.

### ***Definitions & Methodology Continued***

- This study compares growth of assessed value on homeowner property (properties receiving the homeowners' exemption) with the growth in assessed value of all other Proposition. 13 assessed property and with property not subject to Proposition 13 assessment provisions.

#### **Property Tax and the Median Home Sales Price**

- The data evaluated in this report was gathered from the *State Board of Equalization Annual Reports* and the *State Board of Equalization Report on Assessed Value of Homeowner Property*. Data on the median sales price of homes are from the California Department of Finance, as gathered from the California Association of Realtors and reported in the California Statistical Abstracts. While this study is a comprehensive look at all available data, full records from the State Board of Equalization on homeowner assessment values were never published prior to 1979-80. To make fair and equal comparisons, this study's conclusions are based upon assessment periods where all information is available. Assessment periods with all available data are 1979-80 through 2008-09.

## ***About the California Taxpayers' Association***

**The California Taxpayers' Association was founded in 1926. Our mission is to protect taxpayers from unnecessary taxes and to promote government efficiency. We serve our members through research and advocacy on significant tax and spending issues in the legislative, executive and judicial branches of government.**

**For questions, comments, or additional information on this study, contact the California Taxpayers' Association.**

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