PROPOSITION 13:
ITS IMPACT ON CALIFORNIA AND IMPLICATIONS

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INTRODUCTION

In June of 1978, California voters enacted Proposition 13 by a vote of 65 percent to 35 percent. Proposition 13 reduced local property tax revenues by approximately $6.1 billion (53 percent) virtually overnight by capping property tax rates at one percent and rolling back property values for tax purposes to the 1975-76 level. Growth in property tax revenues was slowed by provisions capping annual increases in property tax bills at two percent and allowing reassessment only when property changes ownership. Proposition 13 also made raising taxes more difficult by requiring state tax increases to receive the approval of two-thirds of the legislature and by imposing restrictions on the taxing authority of local governments. Exit polls suggest that the measure garnered broad support among voters of all incomes and educational levels, losing only among blacks, public employees, renters, and self-described liberals.

Proposition 13 inaugurated a “taxpayer revolt” that spread across the country. Over the years since the passage of Proposition 13, neither proponents’ wildest promises nor the opponents’ harshest fears have come to pass. Yet Proposition 13 fundamentally changed how public services are financed and administered at all levels of government in California. The relative prosperity of the 1980s enabled the state to assume a larger share of the cost of public services, particularly education. The onset of the recession in the early 1990s, however, made Proposition 13’s impact on California more apparent. During the course of the state’s repeated fiscal crises in the first half of the 1990s, a series of budget shortfalls led state lawmakers to shift costs back to the local level in order to balance the state budget. These actions pushed many local jurisdictions, particularly counties, toward fiscal crises.

This paper is designed to provide the reader with a brief introduction to the factors that led to the enactment of Proposition 13, its impact on both the level and distribution of public spending, and the policy issues raised by the measure’s constraints on the local governments taxing authority. The limitations on local governments’ ability to increase revenues raise a number of issues in an era where “devolution” increasingly shifts programmatic and financial responsibility from the federal government to the states and from the state to local governments. Recent changes in welfare and other safety net programs for low income families, children, and the elderly, as well as broader efforts to balance the federal budget, all assume that states and localities are poised to take on new responsibilities. Yet in light of Proposition 13’s impact on California, one must first ask whether California’s communities have the fiscal resources to fulfill these new expectations.

THE ROOTS OF PROPOSITION 13

The roots of the taxpayer revolt can be traced to rapidly rising local property tax bills, a bulging state surplus, and legislative inaction. By 1977, California property tax payments, measured as a percentage of property values, had risen to the eighth highest in the country. While property tax rates peaked in the early 1970s, rising property values continued to push tax bills higher. Prior to Proposition 13, counties’ share of cost for the Medi-Cal and SSI/
SSP programs was tied to the assessed valuation of property in each county. Increases in property value pushed counties’ costs for these programs higher and limited the ability of local officials to lower tax rates as a means of providing relief. At the same time, state revenues rose faster than inflation due to the strength of the economy and the fact that the state share of total program costs for Medi-Cal and SSI/SSP fell as that of counties rose. As a result of the combination of a strong economy and the balance of revenues and responsibilities between the state and county governments, the state accumulated a $3.8 billion surplus by 1977-78.

Homeowners’ resentment justifiably mounted since rising tax bills failed to translate into improvements in the quality or quantity of public services. The legislature responded to the growing crisis with the introduction of three major reform packages in 1977. The measures differed in the magnitude of relief offered, the method of distributing relief among taxpayers, the balance of revenue increases and decreases between homeowners and businesses, and the method used to finance the reduction in local property taxes. After a long summer of negotiations, proposals, and counterproposals, legislators failed to reach a compromise among competing proposals for reform.

When the legislature returned in 1978, an election year for statewide officeholders, Howard Jarvis and Paul Gann had already submitted 1.2 million signatures placing the initiative that became Proposition 13 on the June ballot. Governor Jerry Brown opposed efforts to use the state’s surplus to buy relief for property tax payers. Republicans seized on the taxpayer revolt as an election year issue, and the Democrat-dominated legislature failed to produce a compromise measure capable of achieving broad-based support. The legislature belatedly reached agreement to place a competitor to Proposition 13, SB 1, on the ballot as Proposition 8. The compromise proved to be too little, too late. Voters approved Proposition 13 by a 65 percent to 35 percent margin, while defeating Proposition 8 by a vote of 47 percent to 53 percent.

**LEGISLATIVE IMPLEMENTATION OF PROPOSITION 13**

In the immediate aftermath of Proposition 13, the most difficult issue was left in the hands of the legislature: how to distribute a significantly diminished pot of tax revenues among local jurisdictions. The initial task of implementing Proposition 13 was somewhat eased by the state’s budget surplus. Three weeks after the passage of Proposition 13, the legislature passed Senate Bill 154 (SB 154), providing relief to local government to cushion the immediate impact of the loss of property tax revenues.

In 1979, the legislature passed Assembly Bill 8 (AB 8), which was intended as a permanent resolution to the issue of how to distribute significantly reduced local property tax revenues. By providing local governments with a predictable source of revenue, the legislature hoped to provide local governments with fiscal certainty and prevent the need for ongoing state assistance. In what became known as “the bailout,” AB 8 reallocated approximately $2.7 billion in property tax revenues from schools to cities, counties, and special districts. This transaction reduced schools’ reliance on property tax revenues and helped counties, cities, and special districts cope by giving them a share of the moneys that formerly went to education. In return, the state assumed a greater share of responsibility for school finance.
As a result of Proposition 13 and AB 8, the state’s share of funding for elementary and secondary schools and community colleges nearly doubled, increasing from 36 percent in 1977-78 to 65 percent in 1979-80. The state also increased its share of costs for a number of social service and health programs, including the cost of providing medical care to the indigent.

AB 8 attempted to mirror the pre-Proposition 13 distribution of non-school property taxes on a county by county basis. Jurisdictions that levied relatively low property tax rates prior to Proposition 13 received relatively small shares of post-Proposition 13 revenues. This method locked in the previous status quo, albeit at a much lower level of aggregate revenues. What the AB 8 system failed to reflect was local jurisdiction’s pre-Proposition 13 ability to adjust their property tax revenues in response to local needs for revenues. Low tax counties or cities became locked into a low tax position, while jurisdictions that had previously imposed higher tax rates maintained a larger share of revenues under the AB 8 system.

AB 8 provided additional aid to counties by assuming the share of funding for Medi-Cal, SSI/SSP, and Boarding Home and Institutions Care paid by counties prior to the passage of Proposition 13. In addition, the state increased its share of costs for a number of social service and health programs, including the cost of medical care for the indigent. These changes reflected a continued recognition by the legislature that Proposition 13’s property tax limitations disproportionately affected counties.

The AB 8 system remained in place for over a decade. However, in response to the state’s repeated budget crises of the early 1990s, the legislature moved to “reverse the AB 8 bailout” by shifting property tax dollars from local government back to schools first in 1992 and again in 1993. Revenues transferred from local governments were used to offset the amount of state assistance provided to schools and community colleges on a dollar for dollar basis. Over two years, local governments lost $3.6 billion in property tax revenues. Schools received exactly what they would have in the absence of the shifts, and state costs were reduced by the amount of property tax revenues transferred to school. These shifts strained the finances of local governments, already burdened by the effects of the recession. With few options open to replace lost revenues, most reduced services. Parks, libraries, and

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**What Did Proposition 13 Do?**

Proposition 13 made six basic changes to the state’s constitution:

1. **One percent rate cap.** Proposition 13 capped, with limited exceptions, property tax rates at one percent of full cash value at the time of acquisition. Prior to Proposition 13, local jurisdictions independently established their tax rates and the total property tax rate was the composite of the individual rates.

2. **Assessment rollback.** Proposition 13 rolled back property values for tax purposes to their 1975-76 level.

3. **Responsibility for allocating property tax transferred to the state.** Proposition 13 gave state lawmakers responsibility for allocating property tax revenues among local jurisdictions. Prior to Proposition 13, jurisdictions established their tax rates independently and their property tax revenues depended on the rate levied and the value of the property located within the jurisdiction’s boundaries.

4. **Reassessment upon change of ownership.** Proposition 13 replaced the practice of annually reassessing property at full cash value with a system based on cost at acquisition. Under Proposition 13, property is assessed at market value for tax purposes only when it changes ownership. Increases in value are limited to an annual inflation factor of no more than two percent.

5. **Vote requirement for state taxes.** Proposition 13 requires any measure enacted for the purpose of increasing state revenues to be approved by a two-thirds vote of each house of the legislature.

6. **Voter approval for local ‘special’ taxes.** Proposition 13 requires taxes raised by local governments for a designated or “special” purpose to be approved by two-thirds of the voters.
services for the poor bore the brunt of the reductions.

**Proposition 13’s Impact on Property Taxpayers**

Proponents of Proposition 13 argued that the measure would provide sorely needed relief to homeowners and prevent the elderly and the poor from being taxed out of their homes. In fact, the primary beneficiaries of Proposition 13 are those who owned their property prior to June 1978, whether homeowners or businesses. In an effort to analyze the impact of Proposition 13 at the household level, economists Arthur O'Sullivan, Terry Sexton, and Steven Sheffrin matched property tax records for properties representing over half the market value of California real estate with state income tax records. Their research, the most extensive to date, found that Proposition 13 was successful in lowering the burden of taxation on elderly homeowners. This finding stems from the fact that elderly households are approximately three times more likely to own a home with a 1975 base year than are younger households. The researchers also found that a disproportionate share of lower income homeowners owned homes with a 1975 base year. As a result, lower income households benefited from Proposition 13’s protections for long-time owners.

If Proposition 13’s winners are elderly and low income homeowners, young families are among the relative losers. While new purchasers pay less in property taxes than they would have in the absence of Proposition 13, they receive a smaller share of the overall savings. Proposition 13 negatively affects younger households in several respects. First, since young homeowners are new purchasers, they pay taxes on homes assessed at or close to market value. As a result, they pay more in property taxes than long-time owners of equivalent homes. Second, young households tend to be more mobile than older and low income households. Since Proposition 13 rewards homeowners that keep their homes with lower taxes, younger, more mobile households are less likely to enjoy the benefits that come from long term homeownership.

Critics of Proposition 13 predicted that the amendment’s passage would reduce businesses’ share of the property tax burden at the expense of homeowners. This prediction assumed that residential property changes hands more frequently than commercial property. As a result of this higher turnover rate, critics believed residential property would be reassessed more often than commercial property, and thus would end up paying a larger percentage of the property tax. In order to test this hypothesis, O’Sullivan, Sexton, and Sheffrin examined the effective tax rates imposed on commercial and residential property. They found that residential property, including rental property, was taxed at an effective rate of 0.55 percent in 1990-91, while commercial and industrial property was taxed at an effective rate of 0.57 percent. This comparison suggests that contrary to initial predictions, residential property has not borne a disproportionate share of the property tax burden.

Other data suggests that the share of the total property tax bill paid by homeowners as compared to owners of other types of property has remained fairly constant in the years since the passage of Proposition 13. In 1979-80, immediately after the passage of Proposition 13, owner occupied residential property made up 37.2 percent of the state’s total assessed value. The share of total property revenues paid by homeowners’ declined in the 1980s and then increased in the 1990s, ending at a high of 38.5 percent in 1995-96. Nearly all of this relatively small shift occurred in 1994-95 and 1995-96 and reflects a substantial decline in the value of commercial property during the 1990s.
Commercial property owners did receive nearly two-thirds of the tax savings resulting from Proposition 13, reflecting their ownership of a larger share of the state’s property. Predictions that Proposition 13 would shift a greater share of the property tax burden from commercial to residential property have proven wrong for several reasons. First, residential property changed ownership less frequently than anticipated due to high interest rates and the recessions of the early eighties and nineties. Property owned by small businesses, on the other hand, changed hands more often than expected. While property owned by publicly held corporations only rarely changes ownership, thereby triggering reassessment to market value, under the definition of change of ownership adopted by the legislature when it implemented Proposition 13, a significant fraction of manufacturing and other commercial property is typically retooled on a periodic basis. Retooled, newly added, and modified properties are assessed at market value under Proposition 13’s rules, boosting businesses’ share of assessed valuation. This, in turn, has kept homeowners’ share of the property tax at a fairly constant level.

While Proposition 13 succeeded at lowering the burden of property taxation on lower-income households and senior citizens, it was not a particularly efficient means of assisting homeowners. In the year following the passage of Proposition 13, homeowners received 24 percent ($1.7 billion) of the measure’s tax benefits. Other entities, owners of commercial property and the state and federal government, received the remaining 76 percent of the revenues lost to local governments. In addition, Proposition 13’s reassessment provisions produced wide disparities in the amount of taxes paid by similarly situated property owners over time. Some critics argue that the benefits enjoyed by long-term businesses place new businesses at a competitive disadvantage. While it may be appropriate to provide relief to long-time homeowners who invest in property for shelter, they contend that it is inappropriate to provide similar treatment to businesses that invest in property for its income producing ability.

**Who Won, Who Lost?**

Ironically, the state and the federal governments were among Proposition 13’s biggest winners. In the first year after the passage of Proposition 13, the federal government reaped a $1.6 billion windfall, equivalent to 22 percent of the reduction in property tax revenues (Figure 1). State revenues increased by $1 billion, equal to 14 percent of the savings from the property tax cut. The gain to the federal and state governments resulted from the fact that property taxes can be claimed as a deduction by both personal and business owners.
income taxpayers. By reducing the amount of deductions claimed, Proposition 13 increased the amount Californians paid in income taxes to the state and federal government. In total, more than one-third of the amount Californians saved in lower property tax bills was paid to the state and federal governments in the form of higher income taxes.

Local governments were the obvious and largest losers. Local governments realized an immediate and ongoing reduction in their property tax revenues. Proposition 13 reduced property tax revenues by 53 percent. This reduction is equivalent to a loss of $17 billion based on 1996-97 property tax collections, more than the amount collected from any of the state’s taxes except for the personal income tax.17 Moreover, the requirement that “special” taxes be submitted to the voters and approved by a two-thirds vote limited the options available to raise replacement revenues.

The immediate impact of Proposition 13 depended on each jurisdiction’s property tax rates prior to Proposition 13. The ongoing impact depended on the growth in tax revenues over time and a jurisdiction’s ability to access alternative revenue sources. Jurisdictions with high tax rates prior to Proposition 13 received a larger share of the property tax in each of the methods devised to allocate revenues after the measure’s passage. Low tax rate jurisdictions received a smaller share of revenues. While AB 8 provided counties, cities, and special districts with a greater share of the local property tax dollar, the property tax shifts of the early 1990s partially reversed the AB 8 “bailout” and moved the distribution of dollars closer to its pre-Proposition 13 pattern (Figure 2).

**Public Services and Public Spending: Changes Since the Passage of Proposition 13**

Contrary to public perception, government, as a whole, is smaller in California today than it was prior to the passage of Proposition 13, as reflected by a number of measures. In 1976-77, California was among the highest tax states in the country, ranking sixth among the 50 states and District of Columbia with respect to combined state and local general revenues (excluding transfers from other levels of government). By 1992-93, California ranked 27th.18
The decline in property tax collections was even more dramatic, with California dropping from 4th in 1976-77 to 34th in 1992-93. Not only have state and local revenues declined in California, they have remained below the national average in all but two years since 1978.19 Moreover, state and local spending is lower today than prior to the passage of Proposition 13 when adjusted for inflation and population. The number of government employees is down and spending for general government functions has declined substantially.

In addition to reducing the amount of revenues available to fund public services, Proposition 13 shifted the burden of paying for public services from the local to state level and among different groups of taxpayers. The initial loss to local government, after taking into account funds from the state’s surplus, was equivalent to a 9.5 percent across-the-board reduction in 1978-79 spending.20 Faced with a rising demand for services and reductions in federal aid, many other states raised taxes during the 1980s and 1990s. As a result of political and structural constraints, revenues increased much more slowly in California. From 1976-77 to 1992-93, state and local revenues as a share of personal income increased by 0.7 percent in the nation as a whole, while dropping 14.1 percent in California.21 The state increasingly relied on sales and income taxes, while local governments imposed user fees, utility user, and other local taxes.

Measures of the aggregate impact of Proposition 13 mask disparities in the impact on different levels of local government. Jurisdictions varied significantly in their ability to secure replacement revenues. In addition, some effects are difficult to quantify, such as the shift to a greater state responsibility for financing education and county services. Any comparison of state and local revenues and expenditures over time is complicated by numerous transfers of program responsibility and revenues. However, a comparison of revenues and expenditures on a per capita, inflation adjusted basis provides an indication of the cumulative impact of changes in tax and expenditure policies. As illustrated in Figure 3, the proportion of revenues from different sources has shifted significantly since the passage of Proposition 13. Similarly, the market basket of services purchased with public dollars has changed, with more dollars devoted to services, and significantly less going toward the general government “bureaucracy” (Figure 4).22

The largest shift in post-Proposition 13 spending patterns occurred in the funding of K-12 education. Per capita school revenues generated from local property tax declined by 52 percent between 1977-78 and 1993-94 in inflation adjusted dollars. Increased state and federal aid made up for part of this decline. However, the total of school funding provided by state, local, federal, and miscellaneous dollars still dropped by 14 percent over the same period when adjusted for inflation and population.23 On a per student basis, the drop in support for public education is striking both in absolute terms and relative to the amount spent by other states. Prior to Proposition 13, California’s per pupil spending exceeded the national average. Since 1977-78, California’s rank among the states has dropped from 18 to 42. In 1977-78, California spent 5.7 percent more on its public schools per pupil than the national average. By 1994-95, California spent 20 percent less.24

Counties suffered the brunt of both the immediate and ongoing impact of Proposition 13. While the state stepped in with immediate assistance, the bailout provided less than full replacement of lost revenues. Counties were also ill-equipped to tap alternate sources of funding. Unlike cities which enjoyed relatively broad taxing authority under the state
Figure 4
How Have Expenditures Changed Since Proposition 13?

Real Per Capita Total State Expenditures
Constant 1995-96 Dollars

Cities: Real Per Capita Expenditures
Constant 1993-94 Dollars

Counties: Real Per Capita Expenditures
Constant 1993-94 Dollars
constitution, counties can only impose taxes with specific, and very limited, state authority. Most of the services provided by counties, such as public assistance and criminal justice, offer little or no fee generating potential. By 1993-94, counties received 80 percent of their revenues as transfers from the state or federal government or taxes controlled by the state. Counties’ locally raised revenues declined by more than a third (35 percent) in inflation and population adjusted terms between 1977-78 and 1993-94. Overall, total county revenues, adjusted for population and inflation, declined by 10 percent between 1977-78 and 1993-94. Counties responded to their limited resources by reducing spending for general governmental functions and public assistance. At the county level, real per capita spending for public assistance, including both the state and county share of welfare and county costs for General Assistance, declined by six percent. County spending for health and sanitation, on the other hand, increased by 15 percent. 25

Since 1978, both cities and counties have suffered a reduction of federal aid. Interestingly, most of this reduction occurred as a result of block grants, revenue sharing, and other funding reductions during the early 1980s. For cities, the reduction in federal aid is responsible for a significant portion of the reduction in total revenues between 1977-78 and 1993-94. Cities fared relatively better in the wake of Proposition 13 as a result of their broader authority to raise revenues. Cities were able to make up for the loss attributable to Proposition 13 by increasing locally levied taxes using authority provided by state law and the state constitution. In addition, cities imposed or increased fees on a number of services ranging from building inspections to parking. However, as a result of reduced federal transfers, and property and sales tax revenues, total real per capita city revenues are down by 14 percent.26

One of the most significant and perhaps ironic effects of Proposition 13 is its influence over local land use decisions. The reduction in the revenue raising ability of the property tax led many local jurisdictions to conclude that providing services to many types of new development cost more than they generated in tax revenues. In some cases, city councils and boards of supervisors imposed fees on new development to fund services and facilities formerly shared by the community at large. In other instances, localities adopted a “no growth” stance toward some types of development, while actively seeking out types of development that produce alternate revenues, specifically sales-tax producing retail trade.

Two types of development have suffered. Housing, which produces limited revenues under Proposition 13’s constraints, but which creates significant demand for schools, public safety, and other services, came to be seen as a drain on local coffers. Low and moderate cost housing, yielding the least property tax revenue per parcel, became particularly unattractive to localities and the least profitable to homebuilders. Fees and assessments required as a condition of development pushed home prices out of reach for many low and middle income families. The other loser was non-retail commercial development and, in particular, manufacturing. Localities increasingly favor sales tax generating development, such as auto malls, over other types of commercial land uses. The need for revenues superseded environmental, job generation, and quality of life considerations, as local governments tried to cover the cost of services provided to new development as well as provide sufficient funds to offset general government uses.27 This tendency came to be known as the fiscalization of land use.
Despite the attention that has focused on local governments’ pursuit of sales tax generating retail development, sales tax actually provided a smaller share of both county and city revenues in 1993-94 than it did in 1975-76. What this debate illustrates however, is the prominence of financial considerations in the decision-making of local policymakers. During times of relative affluence, local governments viewed prospective development from a broader perspective, while today, revenue considerations are often most important.

**CONCLUSION**

Nearly two decades later, Proposition 13 continues to leave a profound mark on California. The state’s nonpartisan Legislative Analyst recently described California’s system of state and local finance as “dysfunctional” and as one which “clearly does not work together to achieve the public’s goals.”28 Many of the causes of this dysfunctionality can be traced back to Proposition 13 or the measures implemented to minimize its impact on local services. Erosion of local governments’ ability to respond to local priorities, scarce resources, and conflicting programmatic and fiscal incentives have all come to typify the provision of public services in California.

Proposition 13 did not just reduce the tax revenue available to local governments, it fundamentally altered how public services are financed and delivered in California. Many services once funded through general taxes are now partially or completely paid for by user fees or benefit assessments, shifting the burden of financing public services away from the public at large. Proposition 218, enacted by the voters in November of 1996 and sponsored by the sponsors of Proposition 13, further restricts the ability of local government to raise revenues. Taken together, these changes insure that budgets are increasingly balanced with spending reductions, not revenue increases, regardless of demand for public services.

Had Paul Gann and Howard Jarvis not proposed Proposition 13, growing public discontent and a burgeoning state surplus would have likely put a halt to the rapid rise in taxes that fueled the taxpayer revolt. There are, however, growing signs of discontent with many of Proposition 13 effects on the fiscal relationship between state and local government. The experiences of the 1990s, particularly the property tax shifts, have sparked calls for a return to local control over local revenues. Most of the calls for reform focus on the desirability of restoring an increased degree of control to local government. Specific policy proposals would allow local government to increase revenues, with or without voter approval, for all or some public services. Support is also broad for easing the ability of local government to issue and repay debt to build public infrastructure. Others focus on the need to sort out, rationalize, and realign responsibility for public services between the state and local government. These critics point to a current division of responsibility that is complex and often lacks accountability.

A range of reform efforts have proposed significant revisions to key aspects of Proposition 13. These efforts include the California Constitution Revision Commission, a statutorily created body consisting of legislative and gubernatorial appointees; the Business-Higher Education Forum, a partnership of the state’s higher education institutions and business leaders; the Citizen’s Budget Commission, a privately established “blue ribbon” commission; the State Senate’s Commission on Property Tax Equity; and the state’s
The California of the 1990s is a very different California from that of 1978. Revenue and expenditure figures alone do not reveal whether the need for government services is the same today as it was 20 years ago, nor do they account for outside factors that may drive up the cost of providing some public services. A number of factors put pressure on California’s state and local governments to raise revenues, including mandatory sentencing laws, inflation in health care costs, a growing bilingual student population, and rising poverty rates. While California’s population has increased by nearly half since 1978, the number of individuals living below the poverty line has more than doubled. Unemployment in the state remains significantly above the national average and school enrollments are rising, resulting in increased demands for public services. What revenues and expenditures do not tell us is whether the 1978 status quo is sufficient to meet the needs of an increasingly diverse California in 1997 and beyond.


10 The effective tax rate is the ‘real’ tax rate; it is the amount of property tax paid as a percentage of the property’s market value. This is different from the statutory tax rate, which is the legal rate established by law. Under Proposition 13, both residential and commercial properties are taxed at one percent of its value at the time of acquisition plus an annual inflation adjustment limited to no more than two percent. Their effective tax rates, however, are not necessarily the same.


12 State Board of Equalization, *Assessed Value of Properties Receiving the Homeowners Exemption as a Percent of Total Assessed Value From 1978-79 through 1985-96*, March 1996, and personal conversation with Jeff Reynolds, State Board of Equalization, July 2, 1996. This comparison does not reflect the reduction in property taxes paid by businesses as a result of the elimination of the tax on business inventories in 1980.

13 One-third of the reduction in property taxes accrued to homeowners. These figures do not reflect the increase in state and federal income taxes due to a reduction in the amount of deductions claimed.

14 Modifications to property are assessed at market value under Proposition 13’s provisions relating to new construction. Other factors that have maintained businesses’ share of the property tax burden at a relatively constant burden include the fact that businesses pay taxes on “personal property” such as equipment and furniture which is assessed annually at market value. Homeowners do not pay personal property taxes. Corporate property is reassessed at the time of purchase or if a company changes ownership in a transaction where a majority of the ownership interests (i.e., shares of stock) change hands in a single transaction. In most instances, this means that corporate property is only reassessed if it is sold.


16 Ibid.


18 California Budget Project, *How Does California Compare* (Sacramento: 1996), p. 6. Rankings are based on revenues measured as a percentage of personal income.


22 For the state, other revenues include horseracing fees, fuel taxes, a number of minor revenues, and transfers; other expenditures include those for the Legislature, Judiciary, and Executive functions, the State and Consumer Services Agency, Agriculture, Resources, and the Environment. For cities, other revenues include special benefit assessments, licenses and forfeitures, other revenues, and revenues from the use of money and property; other city expenditures include culture, leisure, community development, and miscellaneous programs. For counties, other revenues include licenses, permits, franchises, fines, forfeitures, penalties, and revenues from the use of money and property; other county expenditures include public ways and facilities, education, recreation and culture, and debt service.


25 California Budget Project calculations based on data contained in the State Controller’s *Annual Report Concerning the Financial Transactions of Counties*.

26 CBP calculations based on data contained in State Controller, *Annual Reports Concerning Financial Transactions of Cities*. Includes enterprise activities.
