

Proposition 13: FACTORS INCREASING PROPERTY TAX



Those who have owned their homes for a while easily see the value of Prop 13. Many of us remember that before Prop 13 the average tax rate in California was 3% of assessed value and there was no limit on annual increases. In those days, if a house on your block sold for much more than you paid for your house, you shuddered in fear when you received your next property tax bill. Chances are, your new taxes would be based on what your new neighbor was willing to pay for his/her home. Things got so bad in the late 1970s that people were actually losing their homes because of uncontrolled tax increases. Thanks to Howard Jarvis, Paul Gann and Prop 13, the assessment rate is now lonely one percent for all California property and annual tax increases are limited to no more than two percent. When property is sold it is then re-assessed at market value, but the rate remains at 2% and the new owner is then protected by the 1% cap on annual increases. However, to a new neighbor who is from out-of-state, or new to the housing market, Prop 13 may still be a mystery. Here are some questions commonly asked by newcomers to the neighborhood and some answers you may find helpful.

COMMON QUESTIONS:

Q. *What good is Prop 13 to me? I'm not covered!*

A. Every owner of property in the state is covered. Proposition 13 is Article XIII A of the California Constitution.

Q. *Why am I paying more in property taxes than some of my neighbors who have similar houses?*

A. Under Prop 13, you determine how much your property taxes will be. Your taxes are not based on your neighbors', but are based on the price you voluntarily agreed to pay for your new home.

Q. *We all get the same services, but I pay more. How can this be fair?*

A. In California, just like other states, services have never been related to the amount you pay in property tax. If services were tied to what you paid, you might see four fire trucks assigned to a costly home, while only one would protect a less expensive residence. In fact, property taxes are not allocated for specific services. They go into the general fund along with other taxes and it is local public officials who determine how the money will be spent.

Q. *Well, it still seems like I'm paying too much. Don't you agree?*

A. We all feel that way, but in fact, thanks to Prop 13, the tax rate for all Californians is only a third of what it was. If you think things are bad now, multiply your tax bills by three and see what you get.

Q. *That's easy for you to say, you're still paying less than I am.*

A. That may be true, but we've been paying for years. It's the neighbors that were here ahead of you that paid for all these local improvements you now enjoy...

