

PROTECTING CALIFORNIA TAXPAYERS



Understanding Proposition 13 and How to Read Your Property Tax Bill



A Service Publication of the
Howard Jarvis
Taxpayers Foundation

PROPOSITION 13: Protecting Homeowners Since 1978

This online guide is designed to help you, the homeowner, maximize your tax savings under Proposition 13 and to understand the value of Proposition 13 to all Californians.

Whether you bought your home last month, or have owned your home for twenty years or more, Proposition 13 is protecting you.

By limiting your property tax increases to 2% annually, Proposition 13 provides the security of knowing what your property taxes will be this year and for years into the future. It allows all homeowners to budget for taxes without the fear of receiving an unaffordable tax bill, a bill so large they will be forced from their homes.



*Proposition 13 has saved
California taxpayers over
\$528 billion since 1978.*

PROPOSITION 13

A LITTLE BACKGROUND

Prior to Proposition 13, property taxes were out of control. The tax rate throughout California averaged almost 3%. There was no limit on annual increases — some homeowners were seeing their property taxes double in one year. In the early 1970s people were losing their homes because they could not afford to pay the higher taxes. Those on fixed incomes were hit especially hard. The politicians did nothing to help them even though state government was carrying billions of dollars in surplus revenue.

In the finest tradition of the Boston Tea Party, California taxpayers, led by Howard Jarvis, stood up and said “No more!” to excessive taxes, gathered over 1.5 million signatures and placed Proposition 13 on the ballot.

On June 6, 1978, nearly two-thirds of California’s voters passed Proposition 13, which limits annual increases in property taxes, gives citizens the right to vote on local taxes, and requires a supermajority of the Legislature to increase state taxes.

THE BASICS

- Proposition 13 imposes a maximum 1% tax rate cap on real property. (Prior to Proposition 13, rates varied from county to county, with some charging as much as 4% on the value of property.)
- Proposition 13 imposes a 2% limit on the annual increases in the taxable value of property. What this means is that the basic property tax cannot be increased more than 2% annually. (Before Proposition 13 there was no limit on increases in taxable value, so if your home’s value increased

by 10%, so did your tax.)

Example: Under Proposition 13, even if a home increases in market value from \$200,000 to \$300,000 in one year, the taxable value — sometimes called the “assessed value,” the value to which the 1% rate would apply — would only be \$204,000 (\$200,000 plus 2%), resulting in a tax increase of only \$40 maximum.

- Proposition 13 imposes a two-thirds voter approval requirement for local “special taxes” (those taxes earmarked for a specific purpose) and majority voter approval to increase local “general taxes” (those taxes distributed through the normal budgetary process). It also requires a two-thirds vote to approve per-parcel property taxes — taxes based on owning property within a community or district, not on the value of the property.
- Proposition 13 also requires that state tax increases imposed by the California Legislature be approved by a two-thirds vote of each house.

PROTECTING ALL HOMEOWNERS

No matter when you bought your home, if you live in California, Proposition 13 is benefiting and protecting you.

Even the most recent homebuyers pay about one-third of the property taxes that they would without Proposition 13. The initiative simply keeps the general level of property taxation lower and fairer. Without Proposition 13 many new buyers could not afford both their mortgage payments and their taxes, and longtime owners, especially those on fixed incomes, could face losing their homes to the tax collector.

Proposition 13 gives homeowners long-term security by providing

predictability in taxes. A tax rate is applied to the value of your home, usually the purchase price, to determine your tax bill. Proposition 13 helps you by limiting the maximum tax rate to 1%. If a home has a value of \$200,000, the owner will see a tax bill of \$2,000.

But what happens when the value of your property goes up? In other states, if the value of your home doubles, so does your property tax bill. But because of Proposition 13, here in California the taxable value of your home can only go up 2% per year.

Thanks to Proposition 13, homeowners know exactly what their taxes will be next year, in five years, and in 30 years — reassuring information for those who plan to live in their homes when they retire.



HJTA is dedicated to the protection of Proposition 13 and promoting taxpayers' rights.

ANSWERS TO EVERYDAY QUESTIONS ABOUT PROPOSITION 13

Q. I just got my property tax bill and I think the County Assessor has increased it more than the 2% allowed by Proposition 13. What can I do about this?

A. Your property tax bill consists of three separate categories of levies:

- **General Tax Levy (covered by Proposition 13)**

The portion of the bill labeled “General Tax Levy,” the tax on land and improvements (structures built on land), is the only amount controlled by Proposition 13, and this tax is limited to a maximum of 1% of the assessed value of your property. It can be no more than 2% greater than the previous year’s tax bill.

- **Voted Indebtedness**

Bonds:

The portion labeled “Voter-Approved Indebtedness” is a levy to repay bonds approved by the voters. This amount varies greatly from county to county depending on the number of local bond issues approved. Under current law, local general obligation bonds require a two-thirds majority vote to pass, except those for schools, which require only

More information
about Proposition 13
is available at
www.hjta.org.



55% voter approval. Property owners are responsible for repaying all local bonds.

Parcel Taxes:

You may also find voter-approved parcel property taxes — a uniform tax on all property within a community or district — on your bill. Under Proposition 13, these must be approved by two-thirds of voters.

• **Direct Assessments**

The portion of the bill labeled “Direct Assessments” is now controlled by the Howard Jarvis Taxpayers Association—sponsored Proposition 218, which strengthened Proposition 13. Assessments that benefit property now require a majority “yes” vote of the property owners, with each owner voting the dollar amount of their assessment.

Fees charged for the property-related services of sewer, water, and refuse collection can be imposed without a majority vote of property owners, but may not be greater than the cost of providing the service.

If you have a question about your property tax bill, you should contact the County Assessor’s office. It’s your money and you have a right to be certain that your bill is correct.

For information on how to contact your County Assessor, go to www.hjta.org under Resources/Important Links.

Q. I just got a notice of an assessment on my property. Can they raise my tax this way?

A. What you most likely received was a notice of intent to form an assessment district.

Thanks to Proposition 218, sponsored by the Howard Jarvis Taxpayers Association and passed by voters in 1996, California property owners

are better protected against assessments, fees and other tricks used to raise taxes by calling them something else.

Prop. 218 requires that an agency seeking to establish an assessment district notify the owners of all property within the proposed district by mail. The notice of the proposed assessment must include a ballot, which the property owner completes and returns to the agency or its designated agent. Each property owner is voting on the dollar amount of their assessment. Only the ballots that are actually returned can be counted, and a majority must be in favor for the assessment to be imposed.

Q. What if my neighbors and I want to change a local tax or assessment?

A. Proposition 218 also gives you the ability to use the initiative process to reduce or repeal a local tax, assessment, fee or charge. By collecting the signatures of 5% of the number of people in the local district who voted in the last election for governor, you can put any locally imposed levy to a vote.

More information on this is available at www.hjta.org.

Q. If after I buy my home it declines in value, what happens? Can I get a tax cut?

A. Sometimes. If your property's market value declines to less than its taxable value under Proposition 13, you can apply to the County Assessor for a decline-in-value tax cut under Proposition 8, passed in 1978, which supplements Proposition 13. If you receive a cut, it is temporary. When the market value of your property increases again, so can your property tax. Although the tax reduction is temporary, the savings are permanent.

It is important to remember that while you can be charged less, you can

never be charged more in any one year than allowed under Proposition 13. This can be easily figured by using an online compound interest calculator and multiplying the base year value — usually the purchase price — of your home by 2% for the number of intervening years. Your maximum property tax liability (general levy of assessment) in the current year is one percent of the total.

Q. When I move to a new home, can I take along my Proposition 13 tax base from my previous home?

A. Probably, if you are over 55 years old and staying within the same county. Maybe, if you are moving across county lines.

Proposition 60, which is based on an idea by Howard Jarvis, allows those over 55 to transfer the Proposition 13 taxable value of their home when they sell that home and buy another in the same county, and meet other conditions specified in the law. These include: (a) both properties must be located in the same county and be eligible for the Homeowners' Exemption; (b) you must be at least 55 years of age; (c) the replacement dwelling must be of *equal or lesser value* (sales price) than the original property; and (d) the replacement dwelling must have been acquired or newly constructed within *two years* of the sale of the original property.

Proposition 90 allows the transfer of the Proposition 13 taxable value to those moving into other counties within the state. However, participation by each county is voluntary and few counties adopted Proposition 90, so it is important to check with the County Assessor's office in the county to which you plan to relocate before selling your present home and buying a new one.

Note that Propositions 60 and 90 provide only a *one-time* exemption. You or your spouse must not previously have been granted this property tax relief.

Q. Can we leave our home to our children or our grandchildren without their having to pay higher taxes?

A. Yes! Proposition 58 allows the transfer of certain property between parents and children without reassessment. However, your children must file for the Proposition 58 exemption at the time of transfer. You can get complete information about Proposition 58 and the necessary forms from your local County Assessor's office.

Proposition 193 allows, if the children are deceased, the transfer of certain property between grandparents and grandchildren without reassessment. However, your grandchildren must file for the Proposition 193 exemption at the time of transfer. You can get complete information about Proposition 193 and the necessary forms from your local County Assessor's office.

Q. I recently bought my home and just got a supplemental assessment notice. What is this and why do I have to pay it?

A. Proposition 13 requires that real property be reassessed whenever a change in ownership occurs. When a transfer occurs, the assessor receives a copy of the deed and makes an appraisal to determine the new market value of the property. (In most cases, the purchase price will be determined to be the current value.) You are then notified of the new assessment, and you have the right to appeal the value if you do not agree with it.

The amount of the supplemental assessment is the difference between the prior assessed value and the new assessment on the property. This value is prorated, based on the number of months remaining in the fiscal year. Thereafter you will be responsible for the full tax based on the new assessed value. The previous owner is liable for the tax due up to the date of sale; you are responsible for the tax after the date of sale.

Although your newly purchased home may now have a higher assessed value for tax purposes, the new value continues under Proposition 13 to be limited to a 2% increase each year.

Q. We've owned our home for a few years and want to add a room to our home. Will our taxes go up?

A. An improvement such as adding a bedroom to an existing home will be assessed at its current value, which will add to your taxes. However, the rest of the property and existing improvements will not be reassessed.

Q. I've been retired for many years, and my only income is Social Security, but the tax on my home keeps going up and it's harder each year for me to pay it. Is there anything I can do to lower my tax bill?

A. You may qualify for the state's property tax postponement program for people who are blind, disabled or 62 years of age or older.

If your total household income is \$35,500 or less, you may have the option of having the state pay all or part of your property taxes. This deferred payment is a lien on the property that becomes due upon sale, change of residence or death. For more information on property tax postponement, call your County Assessor for more details on the application process.

Please note: While the property tax postponement legislation, backed by HJTA, was signed by the governor in 2014, it will not take effect until July 1, 2016, because of the time needed to hire and train new staff to implement the program.

Q. As a new homeowner, what is the value of Proposition 13 to me?

A. Your taxes will be based on what you could afford to pay for your home at the time of purchase. No matter when a home is purchased,

Proposition 13 gives the owners long-term security by providing predictability in taxes. When you buy a home, you will know exactly what your taxes will be next year, in five years, and in 30 years — reassuring information if you plan to live in your home when you retire.

Q. I recently purchased a house, and I'm paying much higher property taxes than my neighbor. How can that be fair?

A. Your property taxes are normally based on what you voluntarily agreed to pay for your home. Because Proposition 13 uses acquisition value (usually the purchase price) rather than the current market value as a basis of taxation, it is possible for owners of identical side-by-side properties to have different tax bills. Those who have owned their property longer often see that the current market value is much greater than the taxable value that is limited to a 2% annual increase under Proposition 13.

This cap on increases protects both new and longtime homeowners from being taxed on “paper profits,” the higher market value of a home from which the owner receives no benefit. Many homeowners who bought their property just a few years ago could not afford to buy their own homes at today's prices!

It is also worth noting that the longtime owner has been paying taxes for years, and these taxes have paid for the neighborhood improvements you now enjoy.

If you have just purchased your home and are still uncertain about the value of Proposition 13 to you, just wait until after three or four years of double-digit inflation in the housing market. When you realize that you are saving hundreds, even thousands of dollars a year on your property taxes, you will join the ranks of enthusiastic supporters of Proposition 13.

Q. Does Proposition 13 benefit people who don't own property?

A. While Proposition 13 has become synonymous with property tax limits, it is a complete package designed to check arbitrary tax increases at the state and local level. Proposition 13 requires a two-thirds vote of the Legislature to increase state taxes, and, supplemented by Howard Jarvis Taxpayers Association–sponsored Proposition 218, the Right to Vote on Taxes Act, it requires voter approval of all new local taxes.

Additionally, renters benefit because Proposition 13 makes property taxes predictable and stable, which reduces upward pressure on rent increases.

Q. Do Proposition 13's limitations rob local governments of needed revenue?

A. Under Proposition 13, the property tax is local governments' most reliable source of revenue. Unlike sales and income tax revenue, which fluctuates wildly with the economy, income from property taxes is stable and increases from year to year. And while California's maximum tax rate of one percent is lower than most states, the fact is that California remains a higher-than-average property tax state because homes are much more expensive here.

Q. Who determines how property tax revenues are distributed?

A. Under the California Constitution, the Legislature has authority to determine how property tax revenues are allocated among cities, counties and special districts.

Q. Are there interests that want to change Proposition 13? How secure are my Proposition 13 benefits?

A. After almost 40 years of protecting taxpayers, Proposition 13 remains overwhelmingly popular with the general public. Because Proposition 13 is part of the California Constitution, it can only be amended by subsequent voter approval.

However, there are deep-pocketed, narrow special interests that profit from government spending who continue to push for the elimination or weakening of Proposition 13 taxpayer protections. These forces, including government-employee unions, have been willing to spend millions of dollars to influence the public's perception of Proposition 13 and to set up its being overturned at the ballot box. It is important that taxpayers pay close attention to these threats to their Proposition 13 benefits.



HJTA is committed to keeping property taxes affordable for future generations.



ABOUT THE HOWARD JARVIS TAXPAYERS ASSOCIATION (HJTA)

HJTA was founded by Howard Jarvis, the leader of the 1978 California Tax Revolt, to preserve Proposition 13's benefits for all taxpayers and to advance taxpayers' rights.

Since then Proposition 13 has saved Californians more than \$528 billion, and HJTA has added another \$135 billion in tax savings through court actions and other ballot initiatives.

Some of the many HJTA accomplishments include the passage of Proposition 218, the Right to Vote on Taxes Act, leading the defense of Proposition 13 against challenges to its legality in both the California Supreme Court and the United States Supreme Court, and blocking many tax increase proposals in both the Legislature and on the ballot, including defeating Proposition 1A in 2009, the largest tax increase ever proposed by any state in the history of America.

The screenshot displays the website for the Howard Jarvis Taxpayers Association. The top navigation bar includes links for Home, About, Propositions, Legislation, Resources, News & Events, Take Action, and FAQ. The main content area features a large banner image of a family and a section titled 'About HJTA' with several sub-sections: 'The History of HJTA', 'Howard Jarvis Taxpayers Foundation', 'American Tax Reduction Movement', and 'Contact'. A 'Legal Updates' section is also visible, listing recent studies and reports. A blue callout box at the bottom of the screenshot contains the text: 'Answers to more property tax questions can be found at www.hjta.org'.

HELP HJTA PROTECT YOUR PROPOSITION 13 BENEFITS

Hundreds of politicians, bureaucrats and narrow special interests want to raise your taxes. They work every day to undermine Proposition 13 and increase the tax burden on honest citizens. We work even harder to stop them.

- HJTA maintains a full-time presence in Sacramento. Our legislative advocate testifies before legislative hearings and lobbies elected officials on behalf of you, the taxpayer. Our grassroots lobbying campaigns deliver millions of petitions opposing higher taxes to your elected representatives.
- HJTA monitors, publicizes and fights against threats to taxpayers from all quarters, including efforts to use the ballot to impose new property taxes.
- HJTA attorneys are active in the courts protecting your rights as a taxpayer. HJTA's legal work has saved taxpayers billions of dollars.
- HJTA is working to make home ownership more secure by promoting an increase in the Homeowners' Exemption, which provides a tax deduction on the property tax bill.

Our work is not finished. Please help keep the taxpayer movement strong. Join us and help us protect you from unreasonable and unfair taxation.

The Howard Jarvis Taxpayers Association is a nonprofit organization. Our sole source of support is voluntary contributions from our loyal members. Our annual dues are only \$15. For this you will receive a personalized

membership card and a subscription to our newsletter, *Taxing Times*.

You will also be enrolled in our Legislative Alert Network, which informs you about fast-breaking developments in Sacramento that affect your taxes. And you will receive regular correspondences from Jon Coupal, the Association's president, on HJTA-sponsored tax-fighting projects and ballot initiatives.

Most important, your membership will enable us to carry on the vital work started by Howard Jarvis — protecting Proposition 13 and saving you thousands of tax dollars.

Please go to www.hjta.org and join us now.



SOME IMPORTANT INFORMATION FOR HOMEOWNERS

(This includes information regarding the annual property tax, supplemental property taxes and the homeowners' exemption.)

ANNUAL PROPERTY TAXES

Annual tax bills are mailed once a year by November 1. The first installment is delinquent on December 10, and the second installment is delinquent on April 10. If you do not receive your tax bill by November 1, call your local assessor's office and request a Substitute Bill.

Even though known taxes are prorated between the buyer and seller during escrow and proper credit is given to each, all annual property taxes may not have been paid to the Tax Collector at the time. By calling your local property tax information number, you can determine if any annual taxes are due and how to obtain a substitute tax bill if necessary. State law makes it your responsibility to pay the taxes whether or not you receive a bill.

SUPPLEMENTAL PROPERTY TAXES

In addition to annual taxes, you may be responsible for paying supplemental property taxes. Supplemental bills are based on the difference between the old assessed value and your new assessed value, which is generally your purchase price. This amount is prorated based on the number of months left in the fiscal year from the date you purchased your home. If the property is reassessed at a lower value than the old assessed value, you will receive a refund.

Supplemental tax bills are your responsibility and will be mailed directly to you by the Treasurer and Tax Collector's office approximately 6 months after your purchase. These bills are not generally paid by impound accounts.

HOMEOWNERS' EXEMPTION

If you own and occupy your home as your principal place of residence, you are eligible for a Homeowners' Exemption that reduces your property tax by about \$70 annually.

Source: assessor.lacounty.gov



HJTA is fighting to reduce wasteful spending of your precious tax dollars.

Proposition 13 benefits homeowners, renters and business owners alike by making property taxes predictable and stable for budgeting.

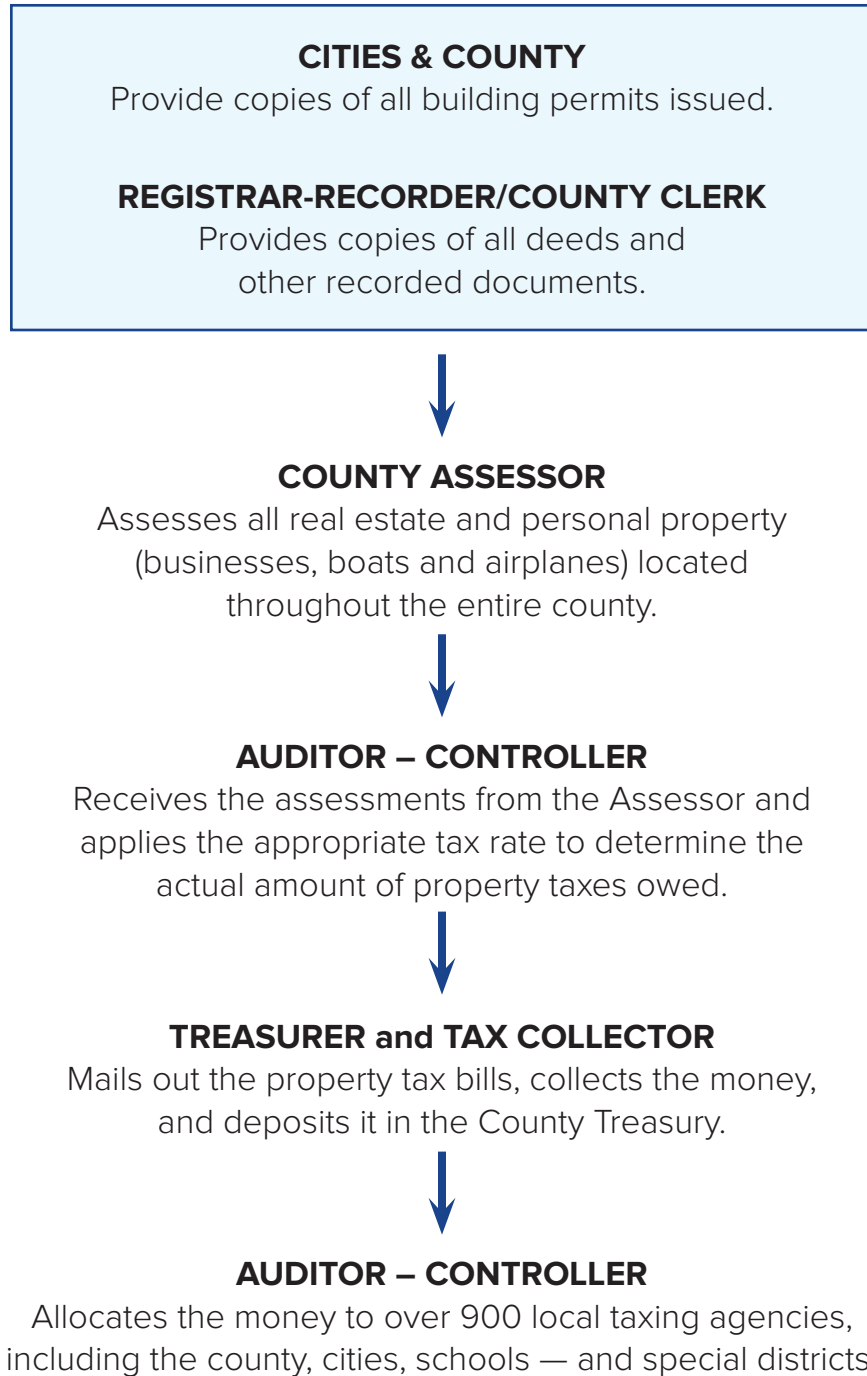


IMPORTANT DATES FOR HOMEOWNERS

January 1	<ul style="list-style-type: none"> • Taxes become a lien on all taxable property at 12:01 AM. • First day to file affidavits and claims for exemptions for real property.
February 1	<ul style="list-style-type: none"> • Second installment of real estate taxes is DUE (DELINQUENT after 5:00 PM on April 10).
February 15	<ul style="list-style-type: none"> • Deadline for timely filing of affidavits and claims for exemptions (late after 5:00 PM; a postmark before midnight is considered timely) for real property, including Veterans' and Disabled Veterans'. • Last day to file for the Homeowners' Exemption claim (late after 5:00 PM; a postmark before midnight is considered timely) to receive the maximum exemption (\$7,000 of assessed value).
April 10	<ul style="list-style-type: none"> • SECOND INSTALLMENT¹ OF REAL ESTATE TAXES BECOMES DELINQUENT AFTER 5:00 PM (a postmark before midnight is considered timely). • Annual payment on the Installment Plan of Redemption is due.
June 1	<ul style="list-style-type: none"> • Mailing of delinquent tax bills for current year and supplementals.
June 30	<ul style="list-style-type: none"> • Last day of the property tax year (fiscal year). • DELINQUENT property becomes TAX DEFAULTED for nonpayment of taxes. If delinquent taxes are not paid in full, the property is subject to the power of sale after five (5) years for residential property, and after three (3) years for nonresidential commercial property. Last day (prior to 5:00 PM) to open an installment plan of redemption on those parcels in their fifth year of delinquency.
July 1	<ul style="list-style-type: none"> • First day of the property tax year (fiscal year). • First day affidavit and claim for homeowner's or renter's assistance may be filed with State Franchise Tax Board (if funding is available).
July 2	<ul style="list-style-type: none"> • First day to file an Assessment Appeal application for equalization of assessment. • First day to file for a decline-in-value review.
September <i>(fourth Monday)</i>	<ul style="list-style-type: none"> • Assessment Appeals hearings commence.
October 1	<ul style="list-style-type: none"> • Beginning day of annual secured tax bill mailing (by Treasurer and Tax Collector).
October 15	<ul style="list-style-type: none"> • Last day affidavit and claim for homeowner's or renter's assistance may be filed (late after 5:00 PM) with State Franchise Tax Board (if funding is available).
October 31	<ul style="list-style-type: none"> • Last day of annual secured tax bill mailing (by Treasurer and Tax Collector).
November 1	<ul style="list-style-type: none"> • First installment of real estate taxes is DUE (DELINQUENT after 5:00 PM on December 10).
November 30	<ul style="list-style-type: none"> • Last DAY TO FILE AN ASSESSMENT APPEAL APPLICATION FOR REDUCTION OF ASSESSMENT MADE IN REGULAR PERIOD IN LOS ANGELES COUNTY. If November 30 falls on a Saturday, Sunday or legal holiday, an application is valid if either filed or post-marked by the next business day. • Last day to file an application for a Decline-in-Value Review with the Assessor's office. If November 30 falls on a Saturday, Sunday or legal holiday, an application is valid if either filed or postmarked by the next business day. This should be done if you feel the market value of your property is below your Proposition 13 value.
December 10	<ul style="list-style-type: none"> • FIRST INSTALLMENT¹ OF REAL ESTATE TAXES BECOMES DELINQUENT AFTER 5:00 PM (a postmark before midnight is considered timely). • Last day to file late Homeowners' Exemption to receive 80% of the exemption. • Last day to file late Veterans' Exemption to receive 80% of the exemption. • Last day to file late Disabled Veterans' Exemption to receive 90% of the exemption. • Last day to terminate Homeowners', Veterans' and Disabled Veterans' exemptions.

¹The property tax year (fiscal year) runs from July 1 to June 30. Property is taxed as of January 1 for payment in the following fiscal year.

HOW THE PROPERTY TAX SYSTEM WORKS



Source: assessor.lacounty.gov

THE BENEFITS OF PROPOSITION 13

PROPOSITION 13 HAS SOMETHING FOR EVERYBODY.

Homeowners benefit because Proposition 13 makes property taxes predictable and stable so homeowners can budget for taxes and remain in their homes.

Renters benefit because Proposition 13 makes property taxes predictable and stable for owners of residential rental property, and this reduces upward pressure on rent increases. Additionally, Proposition 13 increases the likelihood that renters, too, will be able to experience the American Dream of home ownership.

Business owners, especially small business owners, benefit because Proposition 13 makes property taxes predictable for businesses, and it helps owners budget and invest in growing their business. This helps create jobs and improves the economy.

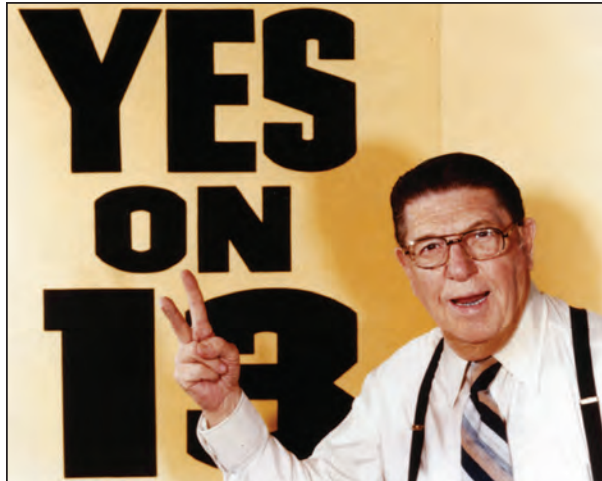
Local government and schools benefit because Proposition 13 provides a reliable, stable and growing revenue source. Even when real property values drop, property tax revenues continue to grow.

Neighborhoods benefit because Proposition 13 stabilizes neighborhoods as residents are no longer driven out by unaffordable tax increases. (Keeping neighborhoods intact was one of the reasons cited by the U.S. Supreme Court in its 1992 decision upholding Proposition 13.)

All taxpayers benefit because Proposition 13 guarantees their right to vote on new local taxes, and it requires a two-thirds vote of the Legislature to increase state taxes.

PROPERTY TAX SAVINGS

In 1978, Howard Jarvis led the largest and most successful Tax Revolt since the American Revolution, mobilizing more than 1,500,000 signers to qualify Proposition 13 for the ballot, and over four million Californian voters to enact Proposition 13 as an amendment to the California Constitution.



Howard Jarvis, leader of the tax revolt that passed Proposition 13

Since then Proposition 13 has saved Californians more than \$528 billion, and the Howard Jarvis Taxpayers Association has added another \$135 billion in tax savings.

Today, Proposition 13 is still overwhelmingly popular because it maintains the security of home ownership and continues to save taxpayers billions of dollars every year.



www.hjta.org

Your handy source for information about Proposition 13, your property tax bill and issues important to taxpayers.

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