

Howard Jarvis Taxpayers Association

# California Commentary

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## Know Your Property Tax Bill

By Jon Coupal

Every year, about the time we start seeing pumpkins, an unpleasant, official looking envelope appears in property owners' mailboxes.

For most homeowners, the only solace when confronted by our property tax bill is knowing that, without Proposition 13, the amount owed would be nearly *three times greater*.

The Howard Jarvis Taxpayers Association reminds property owners that, although not common, mistakes on property tax bills do occur. We urge every property owner to review their annual tax bill to understand the various charges and make certain that they are not being dunned for more than they are legally obligated to pay. The best way to check a tax bill is to have your previous year's bill handy for reference.

There are three categories of charges on the typical property tax bill. They are the General Tax Levy, Voted Indebtedness/Taxes, and Direct Assessments.

### General Tax Levy

The General Tax Levy is what most people think of when talking about property taxes. It is based on the assessed value of land, improvements, and fixtures. This so-called ad valorem property tax, usually makes up the largest part of the tax bill and it is the amount that is limited directly by Proposition 13.

Prior to Proposition 13, the property tax rate varied by county, but averaged 2.6 percent of a property's market value. There was *no limit* on the amount taxes could be increased in subsequent years. Property tax increases of 20 percent or more per year were not unusual prior to the passage of Proposition 13 in 1978.

Proposition 13 established a statewide uniform tax rate of one percent of assessed value at the time of purchase, and limited annual increases in assessed value to no more than two percent. From a practical standpoint, this means that once the base year value of your property is established, the General Tax Levy cannot be increased more than two percent each year. This allows all property owners to predict their property tax bills into the future and budget accordingly.

When property is sold, the new owner's tax will reflect the current market value of the property, but future increases are limited by Proposition 13's two percent cap on annual increases. Thus, Proposition 13 protects everyone!

The best way to check to make sure that your current General Tax Levy is correct is to compare it with the previous year's bill. The increase should be no more than two percent, unless there have been improvements to the property — like adding a room to the house — or you received a temporary tax reduction in a previous year based on a decline in the property's value.

For more information, contact: Kris Vosburgh, Executive Director

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Although a temporary tax reduction can mean a future tax increase larger than two percent, you can *never* be charged more than you would have paid had you not received the temporary reduction.

### Voted Indebtedness/Taxes

Voted Indebtedness/Taxes is made up of those bonds and per parcel property taxes approved by local voters.

Local general obligation bonds for libraries, parks, police and fire facilities, and other capital improvements are repaid *exclusively by property owners*. Because a minority of the population is required to pay the entire amount, the California Constitution of 1879 established a *two-thirds* vote for approval of these bonds. This assures a strong community consensus before obligating property owners to repay debt for 20 or 30 years.

Until the year 2000, local school bonds also required a two-thirds vote, but the passage of Proposition 39 — backed by a small group of wealthy Silicon Valley businessmen — lowered the vote to 55 percent. Because the 55 percent requirement guarantees that nearly all school bonds will pass, *regardless of merit*, many homeowners are seeing a significant tax increase in the Voted Indebtedness column on their property tax bills.

Less common than bonds are per parcel property taxes. These are taxes based on property ownership, *not* on property value. Under Propositions 13 and 218, they require a two-thirds vote. The amount of parcel tax is typically the *same* for each parcel *without* regard to the value of the parcel.

It is interesting to note that some of the wealthy Silicon Valley backers of lowering the two-thirds vote for local school bonds in 2000

were also behind Proposition 88, a measure to impose a new *state* parcel tax on property, which appeared on the November 2006 ballot.

### Direct Assessments

Ironically, under the system in place for over a century, property taxes go into the general fund and are used for local services unrelated to property. For services to property, such as sidewalks and sewers, property owners frequently pay *extra*. These charges are known as direct assessments.

Until recently, direct assessments were the method of choice by local governments to wring more money from property owners. No scheme was too far fetched — in one community property owners were charged for the quality of their view of the ocean.

Because of the rampant abuse of the ability to levy direct assessments against property, in 1996 taxpayers qualified and approved Proposition 218, the “Right to Vote on Taxes Act.” Proposition 218, written and sponsored by the Howard Jarvis Taxpayers Association, guarantees property owners a meaningful say in approving new assessments.

Now, before an assessment can be imposed or increased, property owners must be informed in writing and be given the opportunity to vote on the new assessment or assessment increase.

For more information, taxpayers can visit HJTA’s website at <http://www.hjta.org> or the website of their county assessor.

Another excellent resource is the website of the California State Board of Equalization, the state agency responsible for administering and enforcing laws related to property taxes. Its website is <http://www.boe.ca.gov>.

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If you have other questions about your property tax bill you should contact the office of your county assessor. But keep in mind that the assessor is usually responsible for only the one percent ad valorem tax. Other “below the line” items are placed there by cities, counties, school districts, and special districts.

Thankfully, most county tax collectors include contact information for each of the levies being imposed. But in any event, don’t be afraid to ask. It’s *your* money and you have a right to be certain that your property tax bill is correct.

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*JON COUPAL is an attorney and president of the Howard Jarvis Taxpayers Association — California’s largest taxpayer organization which is dedicated to the protection of Proposition 13 and promoting taxpayer rights. He can be reached through the Association’s website: <http://www.hjta.org>.*