

HJTA is the Taxpayers' Resource • www.hjta.org



Taxing Times

“Eternal vigilance is the price of liberty.”
Often quoted by
Howard Jarvis

The Official Newsletter of the Howard Jarvis Taxpayers Association ★ Howard Jarvis, Founder ★ Vol. 44, Issue 2 ★ Spring 2018

NEW THREATS TO PROPOSITION 13 AIM FOR NOVEMBER BALLOT

In a serious threat to Proposition 13, a coalition of groups that favor higher taxes is circulating petitions for a “split-roll” initiative that would sharply raise property taxes on businesses throughout California.

The California Schools and Local Communities Funding Act of 2018 is the latest attempt to begin the dismantling of Proposition 13 by dividing property owners and removing Prop. 13's protections from the least popular. This time, it's the owners of business and industrial properties.

The proposed initiative would require regular assessments of most commercial properties to market value, resulting in sharp and repeated tax increases that could be ruinous for businesses that have owned their property for a long time.

But while the tax increase would hurt California businesses and could mean fewer new jobs or even layoffs, the revenue from this

tax increase would be a drop in the bucket compared to the state's long-term budget challenges. The Legislative Analyst's Office estimates that this measure would bring in about \$9 billion per year, which sounds like a lot until you remember that public-employee pensions in California are underfunded by an estimated \$200 billion to \$1 trillion.

How long would it be before the same coalition of tax-increase proponents was back for another slice of California property owners, and another, until they came for all homeowners?

CHIPPING AWAY AT PROP. 13 PROTECTIONS

Meanwhile, another attack on Proposition 13 is waiting in the state Capitol, where an effort in the Legislature to squeeze more money out of property owners could put two dangerous measures on the November 2018 statewide ballot.



Lawmakers have proposed a pair of constitutional amendments that would change Proposition 13 to make it easier to pass bonds and parcel taxes.

Under Prop. 13, most local taxes require the approval of two-thirds of voters. But Assembly Constitutional Amendment 4 would cut that requirement down to 55 percent for sales taxes, parcel

taxes or bonds to fund affordable housing infrastructure and projects.

And Senate Constitutional Amendment 6 would cut the two-thirds vote requirement down to 55 percent for taxes to fund transportation projects.

Currently, only school bonds pass with less than a two-thirds vote, a change made by voters in

Continued on page 11

Taxing Times



Published by the Howard Jarvis Taxpayers Association (HJTA) and the American Tax Reduction Movement (ATRM). Susan Shelley, Editor. ISSN: 1092-8766
Members of HJTA and ATRM enjoy dual Membership.

Headquarters

621 S. Westmoreland Avenue, Suite 202
Los Angeles, CA 90005-3971
(213) 384-9656

Give Voters a Voice

See page 3

Fire Tax Update

See page 5

Follow the Money

See page 7

PRESIDENT'S MESSAGE

WE'RE RISING TO THE CHALLENGE

By Jon Coupal

There is no doubt that, for taxpayers and businesses, California continues to be a very hostile environment. The statistics on California's tax and regulatory burdens are stunning: We have the highest income tax rate in America, the highest state sales tax rate, the highest corporate income tax rate west of the Mississippi and the highest fuel costs. While our state budget is balanced (in the technical sense), we are carrying a massive load of debt, mostly in the form of unfunded pension obligations. Our government's ever-growing appetite for taxing and spending certainly hasn't led to greater prosperity — California has the highest effective poverty rate in America. Clearly, all is not golden in the Golden State.

Despite these challenges, HJTA has hope for the future. Of greatest importance, we start 2018 with Proposition 13 intact. *We have thwarted all direct challenges in the California Legislature that would weaken taxpayers' most cherished protection.*

In addition to our continued defense of Proposition 13 in 2018, we are supporting a repeal of the massive car and gas tax increase imposed without voter approval by Sacramento politicians last year. This *\$5.2 billion annual tax increase* was wholly without justification. Even before those increases, California's car tax and gas tax burden was in the top five of all 50 states. We support repairing and maintaining our roads. California politicians can and should reprioritize their spending so that our vital transportation needs are met without raising taxes.

On the initiative front, we are preparing to fight a new proposal for a "split roll" property tax. The advocates of higher taxes are circulating petitions for an initiative that would revoke Proposition 13's protections from industrial and commercial properties. For 40 years, we have defeated all previous "split roll" proposals in the Legislature and at the ballot box. Prop. 13's

enemies believe they can push their tax hike over the finish line this year, and we are ready for battle.

HJTA is supporting an initiative sponsored by the California Association of REALTORS® that would allow seniors to transfer their Prop. 13 base-year value to a new home in any county in California. Currently, there are restrictions on "portability," which deter homeowners age 55 and older from downsizing. Expanding portability will also help address the state's housing crisis by freeing up existing housing stock for younger families with children.

A continuing concern for taxpayers in 2018 is the fact that the Legislature is dangerously close to a two-thirds supermajority of tax-and-spend politicians in both houses, meaning they have the ability to place anti-Proposition 13 amendments on the statewide ballot at will. However, because of several sexual harassment scandals, the majority party has had a difficult time maintaining that threshold. Taxpayers must continue to *vigorously* support those candidates who have a proven track record of defending Proposition 13 and opposing tax hikes.

Our website at www.hjta.org has a new section that will show our recommendations and endorsements for upcoming elections. Look for "Election Information" under the "Resources" tab in the main menu.

Our legal team continues its defense of California's taxpayers in the courtroom, with more than 20 active cases proceeding. One of our more important (and interesting) cases involves a challenge to Senate Bill 1107, which purports to allow public funds to be used for political advocacy. HJTA and others argued that SB 1107 violated the Political Reform Act's ban on using public funds to campaign. We were victorious in the trial court. The attorney general has appealed the case, but we are confident our win will be affirmed.

HJTA's presence in the media continues to be a vital part of our outreach to educate citizens about the importance of Proposition 13 and HJTA. We're interviewed often by reporters covering tax issues for TV, radio, print and online media. Combined with frequent speaking engagements throughout the state and a strong social media presence, HJTA is one of the most recognized

Continued on page 9



BOARD OF DIRECTORS



Gloria Phillips	Bill Kelso
John Suttie	Gary Holme
Craig Mordoh, <i>Chairman</i>	Trevor Grimm, <i>Secretary and General Counsel</i>

PRESERVE THE BENEFITS OF PROPOSITION 13

At the Howard Jarvis Taxpayers Association, we have received a number of inquiries from those wishing to help us preserve the benefits of Proposition 13 for their children, grandchildren and heirs. If you would like more information about making an endowment to the Howard Jarvis Taxpayers Association or the Howard Jarvis Taxpayers Foundation, visit www.hjta.org and click on Heritage Society, write to us at 621 S. Westmoreland Ave., Suite 202, Los Angeles, CA 90005, e-mail us at info@hjta.org, or call us at 213-384-9656.



Heritage Society

We thank and appreciate the following for their generous donations:

The Selck Family,
in the name of Lester John Selck and Jane Selck

The Gardner Grout Foundation

The Benson Foundation

The Allan W. and Elizabeth A. Meredith Trust

Baker Family Donor Advised Fund
at the Rancho Santa Fe Foundation

The Stanley E. Corbin Trust

The V. Lorel Bergeron Trust

A big "Thank You" to the Members of the *Heritage Society* who help make our work on behalf of taxpayers possible!

YOUR QUESTIONS ANSWERED

“IS HJTA AN OCTOPUS?”

Ms. C. of Los Altos asks: “What’s the difference between the Howard Jarvis Taxpayers Association and the Howard Jarvis Taxpayers Foundation, and why are some donations tax-deductible and others not, and what is the ‘No New Taxes’ committee? It seems to me you are turning into an octopus.”

Thank you for writing, Ms. C. We’re happy to answer your question.

The Howard Jarvis Taxpayers Association is a tax-exempt 501(c)(4) nonprofit organization, and the Howard Jarvis Taxpayers Foundation is a tax-exempt 501(c)(3). Those are IRS designations, as you know. The Foundation engages in educational and legal work, and donations to the Foundation are tax-deductible. Donations to the Association, which engages in important political advocacy for taxpayers, are not deductible.

The Association can lobby for taxpayers on legislation, but it’s not allowed under California law to advocate on ballot measures. To do that, HJTA formed a committee called “No New Taxes.” NNT is required to report to the state of California, and the public, on any

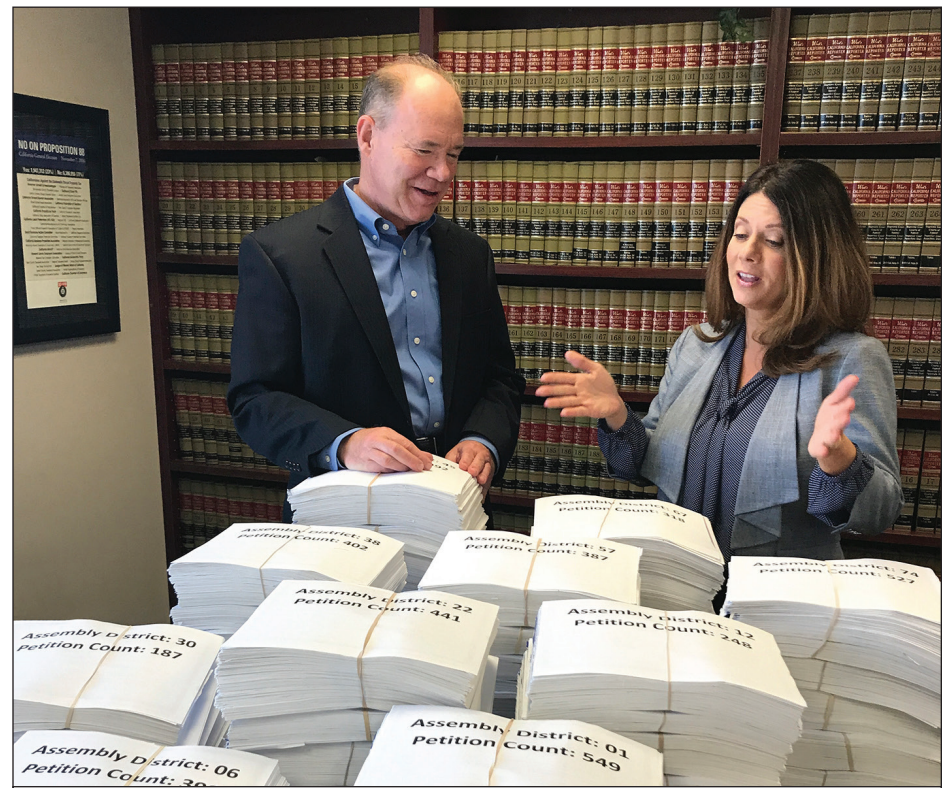
fundraising or spending related to advocacy for or against ballot measures.

For example, NNT will be campaigning against a proposed November ballot initiative that seeks to undermine Proposition 13 by removing protection for business properties. We think that’s “Phase 1” of a plan to dismantle Proposition 13 entirely, and we’re not just opposing it, we’re going to war against it.

So think of the “No New Taxes” committee as the taxpayers’ Department of Defense.

We have also opened a committee called “Reject the Gas Tax” as well as “Californians Against Car and Gas Tax Hikes, a Committee to Recall Josh Newman.”

Many of our letters to Members include a petition or certificate of support about an important issue. When you sign and return them to us, we sort them by legislative district and deliver them to your state representatives. That’s one important way that your Howard Jarvis Taxpayers Association brings your concerns into the state Capitol and makes sure your voice is heard.



HJTA President Jon Coupal and Assembly Member Melissa Melendez review HJTA Member petitions about to be delivered to the Legislature. Melendez, unlike many of her colleagues, is a staunch supporter of Proposition 13.

We always appreciate it when our Members take the time to sign and return the petitions and certificates, and to register their opinion in writing so lawmakers can get a good look at the long list of people in their own district who are fed up with high taxes.

So you see, we’re not an octopus at all. When it comes to fighting for taxpayers, we’re a killer whale.

Thanks again for writing, and for being a valued Member of the Howard Jarvis Taxpayers Association! □

GIVE VOTERS A VOICE ON TRANSPORTATION TAXES

By Jon Coupal, HJTA President

The Howard Jarvis Taxpayers Association is a member of a broad-based coalition seeking to roll back last year’s gas and car tax hikes and require that any future increases be approved by voters in a statewide election. The measure, Voter Approval for Increases in the Gas and Car Tax, is targeted for the November 2018 ballot.

Our starting point, as it is with all discussions of taxes in California, is whether *any* higher taxes are necessary. We already have the highest income tax rate in America, the highest

state sales tax rate, the highest corporate income tax rate west of the Mississippi and the second-highest fuel tax. And even with Proposition 13, we rank 17th out of 50 states in per capita property tax collections. Virtually all other states are able to build and maintain their roads with a tax burden at a fraction of what it is in California.

It is also important to note that the proposed initiative does not repeal the entirety of either the gas or car tax. *In fact, even if this measure were to pass, California*

will still be in the top five of all states in both taxes.

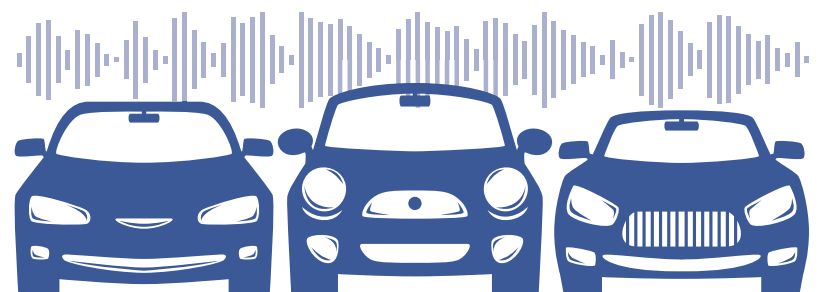
The rollback of the gas and car tax is also consistent with Governor Jerry Brown’s previous promise that he would not support any new taxes without voter approval. The Voter Approval initiative simply holds the governor to his word.

Support for the Voter Approval initiative should in no way be construed as opposition to adequate funding for roads. Indeed, the opposite is true. For decades, taxpayer groups

have pointed out that existing transportation dollars were being wrongfully diverted to other purposes. For example, \$1 billion in annual truck weight fees that were supposed to repair our roads were diverted to pay off general obligation bond debt. And even when the annual bond payments were made, the rest of the truck weight fees were placed into the General Fund to the tune of about \$1.4 billion over the last 10 years.

Here’s another question to which taxpayers are entitled a

Continued on page 11



THE LEGAL FRONT

CLEANING UP AFTER THE NEW \$75 RECORDING TAX

By Timothy A. Bittle, HJTA Director of Legal Affairs

New taxes are often imposed without a lot of thought about the policy or consequences of such taxation. Rent control is a classic example. Cities that thought the way to combat high rents was to not stimulate competition by encouraging housing construction, but rather to adopt strict regulations controlling the amount of rent a landlord could charge, saw their already-inadequate supply of rental housing drastically shrink as landlords converted their buildings to other uses, such as condos and hotels, to escape the confiscatory regulations.

Today we are witnessing another example of unintended consequences flowing from a poorly considered new tax. Last year the Legislature passed, and the governor signed, Senate Bill 2, which imposed a new \$75 tax on the recording of real estate instruments and notices. County recorders must collect the tax and remit it to the state, ostensibly to combat homelessness and provide affordable housing.

From a policy perspective, just as landlords who are providing rental housing are not to blame for a rental housing shortage, so too homeowners who are responsibly providing shelter for their own families are not to blame for others' homelessness or the price of housing. In both cases, the blame goes to overregulation and overtaxation that discourage housing construction and drive up new-home prices. And in both cases, the way to fix the problem is not through even more regulation and taxation.

From a fiscal perspective, one wonders why the party controlling the Legislature and governor's office believe they need more money when the state has record reserves, and state revenue is beating projections by double digits (thanks in large part to new federal tax and regulatory policies that have stimulated domestic business investment and hiring).

Nevertheless, property owners are now saddled with a new \$75 tax for each document recorded anytime they buy a home, sell a home, take out a loan, refinance a loan, pay off a loan, hire a contractor, or pay off a contractor, not to mention less common recordings such as child support liens and releases, tax liens and releases, court judgment liens and releases, etc.

Roughly half of the documents listed above are recorded for the benefit of the property owner. The other half are recorded against the property owner for the benefit of someone else. For example, when a bank loans money to a property owner, it records a "deed of trust" to protect its right to be repaid. When a contractor performs work on a house, he records a "mechanic's lien" to protect his right to be paid. When a property owner is late paying taxes or falls behind in child support payments, liens are recorded to ensure those debts are paid.

Here's where the unintended consequences come in. The IRS, California Department of Child Support Services, Employment Development Department, Franchise Tax Board, and others, record hundreds of thousands of

lien releases for the benefit of property owners whenever the owner pays off a tax debt, an insurance debt, a child support debt, etc. However, these agencies refuse to pay the new tax. They argue that federal and state agencies should be exempt from paying a tax to a local county recorder. Consequently, the local recorders are returning the lien releases to these agencies *unrecorded* because they were not accompanied by a check for the new tax.

Property owners are the victims of this feud. Credit scores are being damaged, sales are not closing, the distribution of estates are being held up, loans are being denied, penalties are being imposed, and more, because official records make it appear that individuals and businesses owe debts that in fact have been paid off.

To assist property owners and county recorders (who are just trying to follow the law), Howard Jarvis Taxpayers Association has prepared a legal analysis of the statute that imposed the new tax, and the law surrounding it, explaining who may be exempt from the new tax, and when the exemption applies.

HJTA is circulating this analysis to the recorders of all 58 counties, many of whom are expressing their sincere appreciation for our help clarifying the muddy waters of this new tax. HJTA also plans to support a clean-up bill in the current legislative session to fix the unintended problems created by this poorly reasoned new tax. □

INTRODUCING SUSAN SHELLEY, OUR NEW VP OF COMMUNICATIONS



The newest addition to the HJTA team is known to Southern California newspaper readers as someone who stands up for the interests of taxpayers and uncovers the truth about government schemes and boondoggles.

"We are extraordinarily proud to have hired Southern California News Group columnist Susan Shelley as our Vice President of Communications," said HJTA President Jon Coupal. "Susan is a well-recognized voice in Southern California for her insightful analysis and advocacy for taxpayers."

Susan's columns appear twice weekly in SCNG's 11 daily newspapers, which include the *Los Angeles Daily News* and the *Orange County Register*, and she also serves on the news group's editorial board. Her most recent book, *How Trump Won*, is a collection of columns written during the 2016 presidential campaign.

A former candidate for the state Assembly in the west San Fernando Valley, Susan is active in the community and is the president of Valley VOTE, a nonpartisan civic organization that meets monthly to raise awareness of important, sometimes aggravating state and local issues.

"Susan will not only substantially enhance our overall communications and media efforts, but will provide an added presence to our Los Angeles office," said Jon Coupal.

Susan can be reached by email at Susan@hjta.org.

Can't wait for the next issue of *Taxing Times*?

Get daily tax news and updates at our website.

HJTA.ORG



HJTA HONORS THE 2017 TAXFIGHTER OF THE YEAR

By Kris Vosburgh



HJTA President Jon Coupal presents a \$1,000 check to Marissa Burt, named by the Howard Jarvis Taxpayers Association as the 2017 Taxfighter of the Year.

When a small water district in Sacramento County declared, with no reasonable justification, its intention to increase water rates by more than 83 percent over five years, Marissa Burt, with the help of a dedicated group of neighbors, proved ratepayers can take on an agency bureaucracy and win.

The Howard Jarvis Taxpayers Association was proud to honor Marissa as HJTA Taxfighter of the Year for 2017.

“Marissa and her neighbors represent the best in local taxpayer activism,” said HJTA President Jon Coupal. “They were not intimidated by so-called experts,

and using Proposition 218 and advice from the Howard Jarvis Taxpayers Association, succeeded in rolling back the excessive rate increase, benefiting the entire community.”

Proposition 218, the Right to Vote on Taxes Act, was written by HJTA and approved by voters in 1996. It includes procedures for a majority of ratepayers to protest and block water rate increases.

Having already borrowed \$5.6 million in 2010, the Del Paso Manor Water District (DPMWD) claimed that the rate increase was needed to allow the district to go another \$5.6 million into debt.

“After consulting with friends and neighbors, we came to the conclusion that a large increase for the primary purpose of taking on additional debt was an overreach and not justified at this time,” said Marissa. “We agreed that a modest increase for operations and maintenance would have been more appropriate. We also felt the district needed to focus on getting their house in order before going to the customers for more money.”

Among ratepayer concerns: The district neglected to perform a rate study, was still using manual accounting, had not updated their master plan since it was created in 2009, had no policy and procedures manual, and had ignored a 2003 grand jury recommendation to



Sacramento County resident Marissa Burt, pictured with her children at the HJTA offices, was honored for rallying the community to successfully fight an unjustified increase in water rates.



FIRE TAX UPDATE

HJTA appeals court ruling dismissing fire-tax lawsuit

The Howard Jarvis Taxpayers Association has filed an appeal of the decision by the Sacramento Superior Court dismissing its legal challenge against the state’s past collection of a “fire prevention fee” from rural homeowners.

“Dismissal of this case was an abuse of discretion and rewards the state for creating delay,” said HJTA’s director of legal affairs, Tim Bittle.

HJTA has been fighting the state’s fire prevention fee on two fronts since it was first imposed, suing in court and lobbying in the Legislature. Approximately 800,000 rural property owners living in State Responsibility Areas (SRAs) have been assessed an annual fee of up to \$152.33 per habitable structure. Because most property owners in the SRAs receive no service or benefit for it, HJTA contends that the fee is actually an illegal tax that needed, but did not receive, a two-thirds vote in the Legislature.

HJTA’s lobbying efforts in Sacramento paid off last year when the Legislature agreed to suspend the fee and instead fund fire prevention with revenue from the Greenhouse Gas Reduction Fund, which is funded from the state’s cap-and-trade program. But HJTA argued in court that its lawsuit did not become moot because the court could still award refunds for thousands of property owners who paid the fee under protest.

However, in December the judge used her discretion to side with the attorney general and dismiss the case, even though the case had been

presented to the court for disposition on the merits just days earlier. The case was fully briefed and HJTA lawyers had filed hundreds of pages of state budgetary evidence showing how fee revenue was being spent, together with 600 affidavits from rural property owners testifying that they paid the fee but received nothing in return for it. The attorney general’s office had filed its opposition papers as well, which represented a significant investment of taxpayer dollars. Despite this, the judge decided not to read or rule on the briefs and evidence. Instead she dismissed the case on the grounds that it should have been set for hearing sooner, ignoring an earlier ruling that, due to its complexity, the case was exempt from any specific deadline.

“In the first two years, the state kept the case tied up in procedural motions,” Bittle said. “Then it fought our ability to represent all payers as a class. Then it insisted we publish notice of the case in 19 different newspapers. Finally, it buried us in over 12,000 pages of discovery responses that took months to read and sort in order to find the hidden evidence that proved our case. And now the attorney general complains that we waited too long? That’s crooked.”

“We don’t want to say it’s a rigged system,” said HJTA President Jon Coupal. “But we are appealing this ruling as a bizarre miscarriage of justice, and we will continue to fight for the refunds that are owed to rural Californians for this illegal and now suspended tax.”

FireTaxProtest.org

Continued on page 9

REPORT FROM THE CAPITOL

UNDER THE CAPITOL DOME: DISTRACTIONS ABOUND FOR LEGISLATORS

By David Wolfe, HJTA Legislative Director

Writing this column for the first *Taxing Times* of 2018 is a challenge. Our publication deadline falls right around the legislative bill introduction deadline. Over a two-week period in February, over 2,000 bills were introduced.

HJTA diligently reviews these bills for all the potential implications (usually negative) for taxpayers and takes official positions where appropriate. This includes going into the Capitol and testifying. HJTA is the only association with a full-time lobbyist fighting exclusively on behalf of taxpayers.

For California legislators, it has been a year full of distractions. As of this writing, four legislators have resigned or taken a leave of absence over sexual harassment allegations. These scandals continue to dominate in both the mainstream media and in introduced legislation, with nearly 50 bills on the topic.

The Legislature also continues to wage war with the Trump administration. The most recent

salvo is Senate Bill 227, which would create a “charitable” fund within the state’s General Fund in an attempt to turn state taxes into a charitable donation that would be fully deductible on federal tax returns. The bill is an attempt to get around a limitation on the deduction for state and local taxes that was part of the federal tax reform measure signed into law last year.

But SB 227 may be too clever by half. Should the bill be signed into law, the Internal Revenue Service will likely declare this whole scheme impermissible. Charitable gifts are supposed to be voluntary and given without compulsion, and there’s nothing voluntary about paying state taxes to California.

These distractions are limiting discussion of other important priorities, including a lack of affordable housing and California’s 20 percent poverty rate.

The good news is that the first two months of the year haven’t seen any new attacks on Proposition

13’s two-thirds vote protections. Two measures, however, remain as holdovers from last year. Assembly Constitutional Amendment 4 would lower the two-thirds vote requirement to 55 percent for local bonds and special taxes to fund affordable housing and other infrastructure projects. And Senate Constitutional Amendment 6 would lower the threshold to 55 percent for measures that fund transportation projects. Both of these bills remain active and can be taken up at any time.

Because a record \$130 billion state General Fund budget is not enough money for California politicians, a number of bills introduced would increase taxes, making our state’s business climate even less competitive:

- Senate Bill 1398 would increase the applicable corporate tax rate by 50 percent for companies that experience a 10 percent decrease in full-time employees and then replace them with either contract or foreign

workers.

- Senate Bill 993 is State Senator Bob Hertzberg’s most recent attempt to impose a sales tax on services, adding a new, regressive tax to what is already the highest sales tax in the nation.
- Assembly Constitutional Amendment 22 would impose a new corporate tax on companies with revenue over \$1 million, essentially removing any tax break they might have received from the federal tax reform package.

On the positive side, Senate Bill 1210 would lower income tax rates by 0.5 percent for individuals making \$100,000 or less.

We will continue to monitor these and other bills until the legislative session ends on August 31. Be sure to check the “Legislative Updates” section of www.hjta.org for updates on important legislation. As always, it remains a pleasure to serve you in Sacramento. □

ATRM Report

The American Tax Reduction Movement (ATRM) was founded by Howard Jarvis to develop and promote public policies advocating the reduction of property taxes throughout the United States. ATRM has been involved with education and support of tax reduction proposals in Nevada, Arizona, Florida and Idaho.

Members of HJTA enjoy dual membership in ATRM.

Here’s an update of property tax news from around the country:

IN TEXAS, Governor Greg Abbott said, “Enough is enough,” and unveiled a plan in January to “rein in skyrocketing property

taxes.” Abbott’s plan would limit local governments’ annual property tax revenue growth to 2.5 percent. Anything higher would require approval from two-thirds of voters.

“Texans are fed up with property taxes being raised with impunity,” Abbott said. “They are tired of endless government spending while honest, hard-working people struggle just to keep up with paying their tax bills.”

IN NEBRASKA, where the average effective property tax rate of 1.88 percent is the sixth highest in the country, signature gathering has begun on a petition that would provide \$1.1 billion

in tax relief to property owners. The “Yes to Property Tax Relief” effort needs about 85,000 valid signatures from registered voters by July 5 to get the measure on the November ballot.

The proposal would give Nebraska property owners an income tax credit or a check for an amount equal to 50 percent of the school property taxes they pay.

IN ILLINOIS, an independent study has found that Cook County Assessor Joseph Berrios has been issuing error-filled property assessments that overvalued lower-priced homes and undervalued more costly ones, creating effective

property tax rates that were in the neighborhood of 24 percent lower for a \$600,000 home than for a \$300,000 home.

The study confirmed the findings of the *Chicago Tribune*, which reported the disparities in a story titled, “The Tax Divide.” The assessor’s office relies on outdated valuation methods and obsolete technology, the independent study concluded.

IN NEW JERSEY, the state with the nation’s highest property taxes, residents paid a record average of \$8,690 in 2017, according to state data. That’s up 1.6 percent from the previous year.

CAUTION! BILLIONS IN BONDS AHEAD

The statewide June ballot will ask voters to weigh in on Proposition 68, the California Drought, Water, Parks, Climate, Coastal Protection and Outdoor Access for All Act, which would authorize \$4.1 billion of bonds for water and parks projects.

If that sounds familiar, it may be that you're remembering back to 2002, when voters approved Proposition 40, the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act, authorizing the sale of bonds totaling \$2.6 billion.

Or you might be remembering 2006, when voters approved Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act, authorizing bonds in the amount of \$5.4 billion.

Then again, you could be recalling 2014, when voters approved Proposition 1, the Water Quality, Supply and Infrastructure Improvement Act, giving the go-ahead for another \$7.5 billion in bonds.

That's a total of \$15.5 billion of bonds — borrowed money — that Californians are currently repaying, plus interest.

The nonpartisan Legislative Analyst's Office estimates that if voters approve Proposition 68, the bonds it authorizes will cost California taxpayers, with interest, \$7.8 billion. That's just a guess. If interest rates go up more than expected, the cost could be even higher.

Water projects and parks are important priorities, and that's why they should be funded from current tax revenues, not thrown onto the backs of future taxpayers. The Proposition 68 bonds would be paid back over 40 years. That's two generations of Californians who will start out in life burdened by debt for the long-ago programs and pet projects of today's politicians.

Your Howard Jarvis Taxpayers Association has authored a ballot argument against Proposition 68. We support parks, water projects and environmental protection, but we think the state's current budget, which we're told has an expected surplus of \$6 billion, has enough money to pay for these important priorities without taking on additional debt. □

FOLLOW THE MONEY REPORT REVEALS BILLIONS IN WASTE, FRAUD AND ABUSE

By Eric Eisenhammer, HJTA Director of Grassroots Operations

When I first started working at the Howard Jarvis Taxpayers Association, one of my responsibilities was answering the phone at the Sacramento office.

I received a call one day from an irate gentleman who wanted to share his viewpoint in support of tax increases. He felt new taxes were necessary to fund important services. I told him that Sacramento already had more than enough money to fund essential services. The real problem, I said, was that much of our hard-earned tax dollars are wasted. He responded angrily that there are no examples of government waste.

Out of that conversation, the *Follow the Money* report was born. So much waste is uncovered all the time through government audits, media investigations and independent research that I realized it would be useful for taxpayers if we had these examples in an easy-to-read document. Then we could share it with those we know who may be unaware of the extent of the waste, fraud and abuse that occurs in our government.

Now, HJTA releases *Follow the Money* annually on Tax Day — a time of year when fiscal conservatives are joined by many of our friends and neighbors in

asking whether our state's high tax burden is really necessary.

Examples of waste exposed and documented in this year's report include the following:

- The state auditor found that an overhaul of the state's accounting system begun in 2005 is still not complete and will now cost an additional \$237 million and take two more years. The project's total cost is nearing \$1 billion, and one contractor involved stands to make nearly \$300 million.
- State legislators were exposed by the Associated Press for spending over \$3 million on mail to constituents, much of which was sent immediately before elections, indicating state politicians are using taxpayer money to boost their political campaigns.
- An instance of cronyism in Sacramento County, which two gravel-mining companies alleged put them out of business, resulted in a compensatory judgment of over \$100 million awarded to the impacted companies.
- A former UC Berkeley chancellor will receive a \$434,000 salary to pursue his personal enrichment. The reason

is a pork-laden University of California compensation policy that allows top executives to continue receiving generous salaries even after they have quit working.

Californians of different political persuasions might disagree on the appropriate size and scope of government, but most people agree we have a right to expect our tax dollars to be spent responsibly and for their stated purposes.

With motorists feeling the wallop of billions in new gas and car taxes that Sacramento supposedly needs for roads, there could be no better time for taxpayers to demand a better accounting of where our money actually goes.

Although politicians and their special-interest boosters constantly insist beleaguered taxpayers must pay even more, the *Follow the Money* report puts the lie to their claims. Sacramento has no shortage of money. They consistently fail to manage our tax dollars responsibly.

The *Follow the Money* report is available online at www.hjta.org. Click on "Resources" in the upper menu and then click on "Studies and Reports" for the latest as well as past editions of *Follow the Money*. □

This column appeared in a number of California newspapers.

THERE ARE EASIER WAYS TO HELP STATE TAXPAYERS AFTER FEDERAL TAX REFORM

California Commentary from the Howard Jarvis Taxpayers Association – January 6

With great weeping and gnashing of teeth, California Democrats have excoriated the Republican-controlled Congress and President Trump for the passage of the recently enacted tax reform measure.

You wouldn't know it from mainstream media rhetoric, but most Californians will be better off from the legislation due mostly to the reduced tax rates and a near doubling of the standard deduction. Nonetheless, some higher-wealth citizens might pay slightly more because of the \$10,000 cap on state and local tax deductions. This is particularly true for those who pay high income and property taxes.

Whether it's a legitimate effort to help those few Californians who may be disadvantaged by the new federal law, or just another scheme to demonstrate anti-Trump "street cred," Democrats are trying to find ways to neutralize or counter the higher taxes on the state's well-to-do. (And here we thought Republicans were the party of the rich.)

One strategy is to find a way to convert the deduction that Californians currently take for state and local taxes into some other deduction recognized by the IRS. Specifically, it's a proposal just announced by California state Senate Leader Kevin de León to

allow tax filers to make "charitable contributions" to the state.

Exactly how this would work isn't clear, but here's the basic strategy: Allow taxpayers — again, this would just be a small percentage of Californians — to make charitable contributions to state coffers in exchange for a tax credit. Then, they could deduct that contribution on their federal return because the new tax reform law doesn't limit charitable deductions unless they exceed 60 percent of adjusted gross income.

For example, let's say Joe Taxpayer, a successful wealth manager who lives in San

Continued on page 10

THE GUESSING GAME

HOW HIGH WOULD YOUR TAXES BE WITHOUT PROPOSITION 13?

TRY OUR NEW TAX CALCULATOR ONLINE AND FIND OUT!

Once or twice you may have heard a homeowner say, "I don't have Prop. 13." Or "I'm not under Prop. 13." Or maybe, "I've only owned my house for a few years, so Prop. 13 doesn't help me."

Well, they couldn't be more wrong.

All real property in California is under Prop. 13, and it protects every property owner from the sudden and unpredictable reassessments that once were part of life in California.

Before Proposition 13, the market value of your home was also the approximate assessed value of your home. The statewide average tax rate on property was 2.67 percent of assessed value.

Proposition 13 limited the assessed value of property to the purchase price, plus an annual increase of no more than two percent per year, and it cut the tax rate on property to one percent of the assessed value.

How much would you be paying in property tax today if Proposition 13 had never passed?

Try our new Guessing Game tax calculator on the www.hjta.org website and find out!

Guess no more! Your property taxes may be a game to politicians but not to Howard Jarvis Taxpayers Association, the taxpayer's resource. Enter the estimated current market value of your home to find out how much you could be paying in property taxes without Proposition 13.

Enter the approximate current market value of your home:

\$

Before Proposition 13, the market value of your home was also the approximate assessed value of your home, and the statewide average tax rate on property was 2.67 percent of assessed value. Without Proposition 13, your annual property taxes would be approximately...

CLICK TO FIND OUT!

\$ *

Proposition 13 limited the assessed value of property to the purchase price plus two percent per year, and cut the tax rate on property to one percent of the assessed value. And it made it harder for politicians to raise other taxes, requiring a two-thirds vote instead of a simple majority.

Protect Proposition 13. It has been protecting California taxpayers since 1978.

DONATE **JOIN US!**

* The estimated property tax amount calculated above is based on pre-Prop. 13 taxation levels. Please consult your property tax bill for your actual property tax amount.

© 2018 Howard Jarvis Taxpayers Association



HOWARD JARVIS
TAXPAYERS
ASSOCIATION

**IS THE
TAXPAYERS'
RESOURCE**

Visit the
HJTA
website
at
www.hjta.org.

Thank you
to all HJTA
Members
for making
this work
on your
behalf possible.



FOUNDATION REPORT

Government agencies run amok

The Howard Jarvis Taxpayers Foundation was proud to sponsor a Sacramento Valley Lincoln Club breakfast featuring one of the nation's preeminent scholars in constitutional history, Columbia

Law School professor Philip Hamburger.

Professor Hamburger's new 68-page book, *The Administrative Threat*, is a forceful argument that government administrative

agencies are now exercising power over citizens in ways that are "dangerous and unlawful," and not widely recognized. "Americans must live under a dual system of government — one part established

by the Constitution and another circumventing it," he writes.

The January event was cosponsored by the Pacific Legal Foundation and hosted by state Senator Jim Nielsen. □



HJTA President Jon Coupal with author, keynote speaker and Columbia Law School professor Philip Hamburger.



HJTA President Jon Coupal spoke about the threat to taxpayers from out-of-control government agencies.



The Howard Jarvis Taxpayers Foundation sponsored a breakfast held by the Sacramento Valley Lincoln Club. Jon Coupal and HJTA staff attorney Laura Murray pictured.

PRESIDENT'S MESSAGE

Continued from page 2

advocacy organizations in all of California.

Finally, we are excited to be marking the 40th anniversary of Proposition 13 all year long with a Membership drive and a chalkboard filled with ideas for the future. **Sign up for e-mail notifications on our website at www.hjta.org,** and we'll let you know when there's something coming up in your area.

We greatly appreciate your membership and your dedicated support. Thank you! □

HJTA HONORS THE 2017 TAXFIGHTER OF THE YEAR

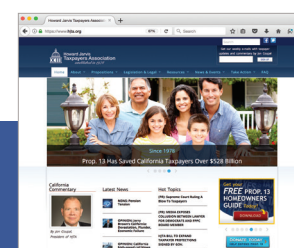
Continued from page 5

implement a website for increased transparency.

After consulting with HJTA, Marissa created a petition that complied with the Proposition 218 protest procedure. "My family along with several neighbors distributed the petitions to 1,800 doorsteps shortly after the initial notice," Marissa said. "Over the next 45 days, neighbors dropped off or mailed their signed petitions to my home. We also spent many evenings going door-to-door, speaking to ratepayers and

collecting signatures. Proposition 218 required 900 signed petitions to defeat the rate hike, and we received almost 1,000."

Coupal praised Marissa for her contribution to her community: "We want to recognize Marissa and all those unsung taxpayer heroes who improve our lives by volunteering their time and energy to act as watchdogs over public agency spending, and who prod government to make more efficient use of taxpayers' and ratepayers' dollars." □



HJTA.ORG

is your source for everything Proposition 13 and for information valuable to California taxpayers.

This column appeared in a number of California newspapers.

CALIFORNIA, A STATE OF UNINTENDED CONSEQUENCES

California Commentary from the Howard Jarvis Taxpayers Association – January 12

California is notorious for enacting laws that result in outcomes precisely opposite to what the law was designed to address. Think of trying to cure obesity by prescribing donuts.

Let's start with high-speed rail (HSR). One of the "problems" HSR is supposed to address is climate change. The theory is that the rail project will supplant greenhouse gas-emitting automobile traffic. But because of the cost of tickets, lack of promised speed and general inconvenience, transportation experts are in near-universal agreement that HSR will not take cars off the road. In the meantime, the construction of the project is itself putting millions of tons of greenhouse gas (GHG) emissions in the air. Even California's nonpartisan Legislative Analyst's Office acknowledged that HSR is a net producer of GHG emissions and will be for the foreseeable future.

How about minimum wage policies? The theory is that low-income people need a "living wage" in order to survive. But if those policies reduce workforce

participation and increase unemployment, how does this help low-income people who now have to rely on welfare? If California were serious about its higher-than-average unemployment rate, especially among urban youth, it would relax some of these laws rather than contribute to the disaffection of young people.

California's hostility to new construction is manifested by byzantine and burdensome housing regulations. These environmental and labor regulations increase the cost of housing, pricing many citizens out of the market and forcing them to either live on the streets or find substandard and unsafe housing. Thirty-three people died in the infamous Oakland "Ghost Ship" loft fire in 2016 despite Oakland being one of the most heavily regulated cities in America.

Another counterproductive housing policy is the recently imposed "recording tax." This one makes no sense at all. Anyone recording a property-related document with their county

recorder is now required to pay a tax of up to \$225, ostensibly to help fund housing programs in the state. Only in California do we fund housing affordability programs by making real estate transactions more expensive.

Which brings us to the latest silly idea coming out of Sacramento: making it easier for local governments to impose rent control.

Back in 1995 (when complete insanity had not yet gripped California), the Legislature enacted the Costa-Hawkins Act, which prohibited rent control on newly constructed residential housing. It also allowed for "vacancy decontrol," whereby the owners of rent-controlled buildings could raise the rent to market rate for new tenants when former tenants moved out voluntarily.

For two decades, Costa-Hawkins has incentivized new housing construction as building investors were assured they could recover a reasonable rate of return. If lack of rent control were the cause of the current

housing crisis, we would have known years ago. Authorizing the return of destructive rent-control policies now would be profoundly counterproductive.

A report from the Legislative Analyst's Office in 2015 stated what appears to most rational people as simple common sense: "The key remedy to California's housing challenges is a substantial increase in private home building in the state's coastal urban communities." That the repeal of Costa-Hawkins would dry up private investment in housing construction is self-evident. Suppressing the free market rarely leads to more goods or services. That reality will be painfully true for affordable housing if destructive rent-control laws are given a green light.

At least for now, the noise emanating from the army of radical tenant interests wasn't sufficient to cause the Legislature to completely abandon common sense, because the bill failed to clear its first committee hearing this week. But the pressure is unlikely to abate anytime soon. □

THERE ARE EASIER WAYS TO HELP STATE TAXPAYERS *Continued from page 7*

Francisco, has \$50,000 in state income and property taxes in 2018. Under the new law, he can only deduct \$10,000 of that on his federal return. Looking for a way to keep the remaining \$40,000 worth of deductions, he would make a \$40,000 charitable contribution to the state in exchange for a tax credit of the same amount on his state return. Then, he would claim a \$40,000 charitable deduction on his federal return in addition to his \$10,000 state and local tax (SALT) deduction.

File this under "too clever by half."

First, the IRS itself might take a dim view of a tax avoidance strategy whereby a state enacts laws that, in essence, allow state taxpayers to pay their state taxes in a manner specifically designed to avoid federal tax liability. The

argument would be that these payments would be outside the scope of traditional charitable contributions, such as to a church, the Red Cross or a college.

Second, even if this were a defensible strategy under existing law, Democrats should realize that what Congress giveth, Congress can taketh away. Disallowing this strategy via congressional enactment would not be difficult at all.

Finally, the Democrats pushing this strategy (most notably I've-got-to-be-relevant-to-challenge-Dianne-Feinstein Kevin de León) are missing the easiest solution to the problem of California being at a relative disadvantage due to the reduction of the SALT deduction: lower California taxes. This is not rocket science.

Whether one loves or hates the

policies emanating from the nation's capital, it is impossible to deny that tax reform, sane regulatory policies and a pro-business mentality has invigorated America's economy. For eight years we were told that two percent economic growth was "the new normal" because of technological changes and an evolving world economy where the U.S. was merely a player and nothing exceptional. How foolish that sounds now with rapid growth in GDP in just one year.

Although it is unlikely that they will do so, the Democrats who control every lever of power in California ought to at least pause and consider major tax, regulatory and spending reform. Across-the-board tax reductions would significantly lessen whatever harm has been inflicted on wealthy Californians due to the loss of the

SALT deduction.

It should be noted that, in large part, California's own Nancy Pelosi is to blame for the loss of the SALT deduction. She gambled that by holding every single Democrat in the House of Representatives off the bill, they could defeat it. But if both she and Chuck Schumer on the Senate side had for a brief moment curbed their Trump Derangement Syndrome, these powerful representatives of the high-tax states may have prevented this from happening.

Instead of over-the-top rhetoric about how evil the tax reform bill is (something that does not hold up to even cursory review), California Democrats ought to adopt policies that would actually work, grow the economy and provide tax relief for California's nearly 40 million residents. □

NEW THREATS TO PROPOSITION 13 *Continued from page 1*

2000 with the approval of Proposition 39. That measure amended the state constitution to require the approval of only 55 percent of voters for school bonds.

What was the impact on taxpayers? From 1986 through June 1999, school districts in California sponsored 731 general obligation bond measures, which are repaid by local property owners through an increase in property taxes. Only 54 percent of those measures passed.

Then came Proposition 39, with its lower threshold of 55 percent voter approval for school bonds. From 2004 to 2016, local school districts proposed 1,018 bond measures, and 83 percent passed. Proposition 39 effectively added an extra \$27 billion to the bottom of property tax bills across the state.

Unless ACA 4 and SCA 6 are stopped, it's likely that taxpayers will soon see their property tax bills explode with new charges for housing and transportation projects. And if this tactic is

successful, it certainly will be tried again and again, until Proposition 13's two-thirds vote protection against higher taxes is worn away.

ACA 4 and SCA 6 need a two-thirds vote in each house of the state Legislature in order to get on the ballot, but once on the ballot, they need only a simple majority to pass.

HJTA SUPPORTS INITIATIVE TO EXPAND PROP. 13'S PROTECTIONS

In better news for taxpayers, signature gathering is under way for a proposed initiative that would expand the portability of Proposition 13 by allowing homeowners age 55 and older to transfer the property tax base (assessed value) on their current home to a new home anywhere in the state. HJTA supports this measure, which would give older homeowners the freedom to move without facing an unaffordable increase in property taxes.

Under current law, homeowners may transfer their property tax base to a newly purchased home, but only in the same county or a county that accepts the transfers, only if the new home is of equal or lesser value, and only once in a lifetime. This initiative, which is sponsored by the California Association of REALTORS®, would remove those restrictions.

Another initiative currently out for signature gathering is the Tax Fairness, Transparency and Accountability Act of 2018. This measure addresses the growing burden of local taxes, fees and charges imposed on Californians without the approval of two-thirds of voters, due to court-created loopholes and vaguely worded laws. HJTA supports this measure, which would require a two-thirds vote of the Legislature at the state level, and the approval of two-thirds of voters at the local level, for increases in state and local taxes no matter what they're called or by whom they are proposed. □

GIVE VOTERS A VOICE ON TRANSPORTATION TAXES

Continued from page 3

truthful answer: How is it that General Fund spending has gone up \$36 billion over the last six years *with not a cent going for transportation?*

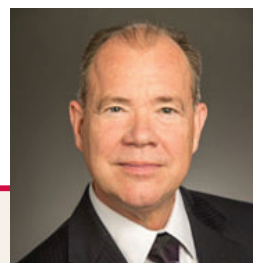
Another beef we have with the gas and car tax increase is that it does little, if anything, to relieve congestion. The nonpartisan Legislative Analyst's Office (LAO) estimates that only about \$150 million out of \$5.2 billion will go to additional roads.

The last complaint our coalition has with the massive car tax increase is the abject lack of meaningful reforms. Nothing has been done to address the overstaffing of Caltrans, which the LAO estimates costs taxpayers \$1 billion annually. Likewise, there are no labor reforms

(either limiting project labor agreements or providing for contracting out), no California Environmental Quality Act reforms, and 30 percent of the new money can be used for non-highway purposes such as research, rail, transit and bike paths.

Getting serious about transportation policy in California means first rolling back last year's tax increases. Let's force our political leadership to come back to the voters with better policies and, if higher taxes are called for, let them justify it and bring real reforms to the table. □

Editor's Note: You can find updates and help support the effort to qualify and pass this important ballot initiative at www.RejectTheGasTax.com.



**THANK YOU,
HJTA
MEMBERS...**

**...for helping
to protect
Proposition 13 and
for supporting
our work on
your behalf!**

TAX BYTES

TAXPAYERS CLOCKED

A psychiatric technician at Atascadero State Hospital racked up more than \$7,500 in improper overtime pay in one year by arriving late, leaving early, taking long lunches and not reporting it on his timesheets.

OVERSIGHT OUT OF MIND, PART 1

A supervisor at the Department of Water Resources collected \$5,200 in six months for days when she had taken an unpaid leave of absence, because two managers didn't verify her attendance records.

OVERSIGHT OUT OF MIND, PART 2

An employee at the Department of Industrial Relations earned \$5,400 for 328 hours of doing no work at all because his supervisor neglected to give him any work to do.

CAR IN THE SHOP?

A professor at UC Davis billed the university for limousine rides and other improper travel expenses totaling \$1,200, and the school paid it.

NOT FAR TO GO

State employees held an illegal raffle that included the unauthorized sale of alcoholic beverages in the office. They work at the California Department of Corrections and Rehabilitation.

Source: California State Auditor

THANK YOU FOR RECRUITING NEW PROP. 13 SUPPORTERS!

HJTA's hat is off to all of you who have recruited new Members to the taxpayers' cause. Please keep up the good work!

The tax revolt that passed Proposition 13 has always depended on grassroots supporters. Howard Jarvis always fought for average taxpayers who pay

government's bills, and we at HJTA continue his crusade.

Everyone knows at least one person, and probably more, who should join our movement.

The vast majority of those who know about Proposition 13 support it, but many are not aware that their taxpayer protections are

under constant attack by Sacramento politicians.

Taxpayers' best defense is an informed public. You can support Proposition 13 by helping HJTA recruit new Members who will strengthen the taxpayers' cause in Sacramento and throughout the state.

Please use the coupons below to send us the name

and address of at least one taxpayer who would benefit from learning more about Proposition 13 and the tax-fighting work of HJTA. If you know of more than one, provide their information or pass a coupon on to them, and we will be glad to reach out to them as well.

HJTA MEMBERS: HELP HJTA HELP YOU

The Howard Jarvis Taxpayers Association is California's number-one taxpayer advocacy organization. By recruiting new Members, we strengthen the taxpayers' cause in Sacramento and throughout the state.

Help protect Proposition 13! Every HJTA Member knows at least one person who should join HJTA. Please pass along this coupon or just send us their names and addresses. HJTA will send them information on our ongoing work and a membership application. Thank you!

Mail to: HJTA, 621 South Westmoreland Avenue, Suite 202, Los Angeles, CA 90005-3971

Please send information on the tax-fighting work of the Howard Jarvis Taxpayers Association and a membership application to:

Name: _____

Street Address: _____

City: _____ State: _____ Zip: _____

HJTA MEMBERS: HELP HJTA HELP YOU

The Howard Jarvis Taxpayers Association is California's number-one taxpayer advocacy organization. By recruiting new Members, we strengthen the taxpayers' cause in Sacramento and throughout the state.

Help protect Proposition 13! Every HJTA Member knows at least one person who should join HJTA. Please pass along this coupon or just send us their names and addresses. HJTA will send them information on our ongoing work and a membership application. Thank you!

Mail to: HJTA, 621 South Westmoreland Avenue, Suite 202, Los Angeles, CA 90005-3971

Please send information on the tax-fighting work of the Howard Jarvis Taxpayers Association and a membership application to:

Name: _____

Street Address: _____

City: _____ State: _____ Zip: _____