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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. 50, Issue 2 ★ Spring 2024

WILL IT BECOME EASIER TO RAISE TAXES IN CALIFORNIA?

California taxpayers and Proposition 13 are under attack this fall as never before.

Two proposed constitutional amendments would make it easier to raise taxes, and harder for taxpayers to do anything about it.

Assembly Constitutional Amendment (ACA) 1 and ACA 13 were passed by the Legislature last year, each securing the two-thirds vote from lawmakers that moved them forward to the ballot for voter approval, where they need 50% plus one vote to pass.

ACA 1 is a direct attack on Prop-

osition 13, changing Prop. 13's requirement for a two-thirds vote of the electorate to pass special taxes. (Special taxes are those from which the funds are reserved for a specific purpose, as opposed to general taxes that may be used for any purpose.) Instead of the 66.7% vote now required by Prop. 13, special taxes for “infrastructure” and public housing projects would pass with just 55% of the vote.

“Infrastructure” is defined very loosely. It's a term that covers almost everything the government does, even including taxpayer

bailouts of failing public transit systems.

If ACA 1 passes in November, the measure specifies that every special tax of this type on the ballot at the same time will be declared passed with just 55% of the vote, even if voters were told these taxes needed a two-thirds vote.

Watch your local government closely in the coming months. Sometime before the end of June, your city council, county board of supervisors or one of many local special districts may quickly

approve a proposed tax increase for the November ballot.

It's a good idea to go to the website of the city clerk or county elections office to sign up for email notifications of election-related announcements. If you act quickly, you may have time to submit an argument against the tax increases to be published in the voter information guide that is sent to all registered voter households.

The second legislative constitutional amendment proposal on the November ballot, ACA 13, is

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REPEAL THE DEATH TAX FALLS SHORT OF 1 MILLION SIGNATURE GOAL

The Howard Jarvis Taxpayers Association announced in February that nearly 560,000 signatures were collected on petitions to Repeal the Death Tax, less than the 874,641 valid signatures needed to qualify the initiative for the November ballot.

The results of the all-volunteer, grassroots campaign exceeded HJTA's previous effort to restore

the constitutional right for parents to transfer their home and limited other property to their children without any change to the property tax bill. The 2022 initiative campaign collected more than 402,000 signatures, also in an all-volunteer effort without paid signature gatherers.

HJTA's proposed initiative is

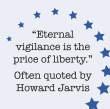
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Tax Relief for Disaster Victims

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Government Sues to Block Taxpayer Protection Act

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Gov. Newsom's \$8 Billion Budget Maneuver

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PRESIDENT'S MESSAGE 

THEY DON'T KNOW WHAT THEY'RE VOTING ON *By Jon Coupal*

Frequent readers of this column will know that the state budget process is a sham. The “budget bill,” which is supposed to be a comprehensive spending plan for the fiscal year reflecting the policy priorities of the state, has morphed into an ongoing legislative process that has no beginning and no end. Even after the budget is “passed,” many details are to be filled in later via a slew of “trailer bills.”

These trailer bills often start out blank except for a single line of text expressing the intent to do something related to the budget. After the real budget is negotiated, largely in secret by the governor and legislative leaders of the Democratic majority, the agreed-upon provisions become “amendments” to the blank bills that can have very little, if anything, to do with the implementation of the budget.

These trailer bills then rush through the Legislature in days or even hours because in a one-party state like California, there is no one to say no.

That’s how Assembly Bill 205 came to be. AB 205 was a budget trailer bill passed in 2022 that did several things related to energy (how exactly any of them relate to the budget, I don’t know), but most controversially, it required investor-owned utility companies to charge a monthly fixed rate for electricity based on the customer’s household income, along with separate rates for usage.

Every Democrat in the Assembly at the time voted for it and all but four Democrats in the Senate did, too. So imagine our surprise when earlier this year, Democrats in the state Legislature announced the introduction of a bill to repeal that part of Assembly Bill 205.

At the press conference announcing the bill, reporter Ashley Zavala, capitol correspondent for KCRA News here in Sacramento, brought up the fact that many of the legislators at the press conference had themselves voted for AB 205 and wondered what

had brought about their change of heart.

“AB 205 should have had a very robust conversation,” said Ventura County Assemblywoman Jacqui Irwin, who is carrying the bill to repeal the income-based electricity charges provision. She noted that it was “part of a huge trailer bill” and she did not think that was the appropriate place for it.

The assemblywoman is right, a trailer bill is not an appropriate place for this. In fact, trailer bills aren’t an appropriate place for anything. They shouldn’t exist. The actual budget should be the budget. But these lawmakers seem to want us to believe that they simply didn’t know what they were voting on.

The problem with this claim is that the provision was not hidden in the fine print. It was highlighted as the second bullet point of their own legislative analysis. Here is what it said: “[AB 205] requires the fixed charge to be established on an income-graduated basis with

no fewer than three income thresholds, such that a low-income ratepayer would realize [a] lower average monthly bill without making any [changes] in usage, as specified.”

So, it is hard to believe that Assemblymembers Chris Ward, Marc Berman, Alex Lee, Sharon Quirk-Silva, Rebecca Bauer-Kahan, Phil Ting, Senator Scott Wiener, and the others who were huddled around Irwin did not know. That is especially true of Ting, as he was the Assembly budget chair at the time, and the bill was “authored” by his committee. And yet, they all voted for AB 205.

Why the change of heart now? Well, they got caught, and these mostly coastal Democrats are likely hearing from their high-income constituents about their already-high electricity bills.

It would be laughable if this were not all so serious, because in the lawsuit filed by the state Legislature and the governor against the Taxpayer Protection

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BOARD OF DIRECTORS

Gloria Phillips	Craig Mordoh	Trevor Grimm
Bill Kelso	Sen. Jim Nielsen <i>(ret.)</i>	<i>In Memoriam – 1938–2019</i>
		Gary Holme <i>In Memoriam – 1943–2022</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 the MENU, then click on “About,” then click on “HJTA Heritage Society”; write to us at 621 S. Westmoreland Ave., Suite 200, Los Angeles, CA 90005; email 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!

HJTA EXPANDS LEGAL TEAM

HJTA is excited to welcome attorney Amy Sparrow to our Department of Legal Affairs.

“Amy brings over 25 years of experience in public finance law,” said HJTA President Jon Coupal. “She has a background in disputes involving property tax, parcel tax, utility users’ tax and property-related fees and assessments, as well as experience with state and federal constitutional challenges. We’re so

pleased that Amy has now joined the HJTA team that fights to protect California taxpayers.”

Amy Sparrow graduated from Boalt Hall School of Law in 1997, after earning a degree in mathematics from UCLA. Her core areas of practice involve Proposition 218 (the Right to Vote on Taxes Act) and Proposition 26, which strengthened the voter approval requirements for charges imposed by government agencies.



Amy Sparrow

REPEAL THE DEATH TAX FALLS SHORT *Continued from page 1*

aimed at restoring the parent-child transfer exclusion from reassessment for a home and limited other property, a right that was removed from the constitution by the fine print of Proposition 19 in 2020.

“Most voters were not aware that Proposition 19 contained a provision that would imperil their own family’s ability to transfer property between the generations without a tax increase,” said HJTA President Jon Coupal. “A \$50 million advertising campaign for Prop. 19 emphasized only its benefits for wildfire victims and for seniors moving to a new home.”

The parent-child transfer exclusion from reassessment originally was added to the state

constitution in 1986. By that time, eight years had passed since the enactment of Proposition 13, and families inheriting their parents’ property were shocked at the increase in the tax bill when the property was reassessed to market value at the time of inheritance.

In response to political pressure, the Legislature created the parent-child transfer exclusion, passed it unanimously, and put it on the ballot as Proposition 58. Voters passed it with over 75% approval.

“Our polling shows that the parent-child transfer exclusion would pass by the same margin today,” Coupal said. “As more Californians learn about what has occurred, and how this ‘death

tax’ provision of Proposition 19 will affect their own families, we believe the political pressure on the Legislature will intensify.”

Sen. Kelly Seyarto (R-Murrieta) previously introduced Senate Constitutional Amendment (SCA) 4, which would restore the parent-child transfer protection to the constitution. SCA 4 was voted down in its first committee hearing despite compelling testimony from witnesses including Los Angeles County Assessor Jeffrey Prang.

SCA 4 was granted reconsideration and could be heard again.

HJTA is currently reviewing all the available data from the initiative effort. “We encourage everyone who is interested to visit

RepealTheDeathTax.com and register in advance to receive a petition if we go forward again,” said Coupal. “With time so limited to qualify a measure for the ballot, it’s important to have contact information for everyone who would like to sign the petition or otherwise support this effort in the future.”

HJTA is asking supporters to sign up on the website because, by law, names and addresses from the initiative petitions cannot be collected, retained or used for any other purpose.

Everyone at HJTA wishes to express our gratitude to everyone who volunteered, donated and signed the petition to Repeal the Death Tax. We greatly appreciate you. □



THE HOWARD JARVIS RADIO SHOW: Now LIVE and Taking Your Calls

The Howard Jarvis Radio Show is now heard live in both Northern and Southern California, every Friday evening at 6:00 p.m. on 560 KSFO and 790 KABC. You can hear it on AM radio from Lake Tahoe to San Diego, and also on KABC.com and KSFO.com on your computer or mobile device wherever you are.

HJTA VP of Communications Susan Shelley hosts the show from the KABC studios in Los

Angeles, joined remotely by HJTA President Jon Coupal and sometimes by Legislative Director Scott Kaufman.

After the broadcast, a recording of the show will be available as the Howard Jarvis Podcast on our website at HJTA.org and wherever you subscribe to podcasts.

“We’re especially enjoying the live show because we can take phone calls from listeners all around the state,” Coupal said.



The call-in number is
1-800-222-5222.

We look forward to
hearing from you!

UNDER THE DOME



KEY COMMITTEE CHANGES OFFER CLUES AS TO WHAT THE ASSEMBLY WILL DO THIS YEAR

By Scott Kaufman, Legislative Director

In November, Speaker of the Assembly Robert Rivas announced his changes to the Standing Committees for the legislative session. The annual tradition is important because it usually portends the agenda for the upcoming year. But while state capitol watchers try to read the tea leaves on the new speaker's committee appointments, it doesn't take a crystal ball to figure out what's going on.

Among the most notable changes, Rivas removed Mia Bonta as the Public Safety Budget chair. Bonta had received criticism for presiding over the office budget of her husband, Attorney General Rob Bonta. Her inability to explain away this seeming conflict of interest amid media scrutiny was an embarrassment to legislative Democrats last session.

Similarly, Reggie Jones-Sawyer is out as the Assembly Public Safety Committee chairman. Jones-Sawyer's soft-on-crime approach led him to stop a set of fentanyl-related public safety bills and one that would classify child sex trafficking as a serious felony. Intense scrutiny from the media, legislative leaders and even Gov. Gavin Newsom made him reverse course on many of them but seemingly not before causing enough embarrassment to get him removed.

Perhaps the most shocking change is that Isaac Bryan is no longer majority leader. He was a Rivas stalwart, but media reports suggest he may have

overplayed his influence with the speaker. Rivas' office said that had nothing to do with the decision, but politics is a popularity contest and there had to be a reason for such a stunning demotion.

You don't need to look at committee assignments to know what's on the menu. It's you, the taxpayer.

As for the new chairs, these appointments are nothing more than spoils of war to regime loyalists who backed Rivas during a contentious speaker battle last session. The chairmanship of a powerful committee gives members leverage over their colleagues and influence with powerful donors, but nothing really changes.

That's because there are no threats to their control. The Democrats have a super-majority, and few legislative districts are competitive beyond intraparty squabbling. That's why they answer only to themselves and the special interests that could mount a primary challenge against them if crossed.

So, what to expect this year? Much of the same. You don't need to look at committee assignments to know what's

on the menu. It's you, the taxpayer. It's always you.

Cecilia Aguiar-Curry was promoted to majority leader. She's the author of Assembly Constitutional Amendment 1. That's a direct attack on Proposition 13 that would remove the taxpayer protection of the two-thirds vote of the electorate required to pass local special taxes.

Buffy Wicks is the new chair of appropriations. The appropriations committee is one of the most powerful positions in the Legislature. Any bill that has an associated cost comes through it and, as CalMatters notes, the chair "has virtually unchecked power to pass, gut or kill bills."

She authored Assembly Bill 1319 that, according to the Bay Area Association of Governments, "will ensure the Bay Area can capitalize on future voter-approved funds" and "[t]ake advantage of the lower vote threshold for regional bonds and special taxes if voters pass ACA 1 (Aguiar-Curry) next November." A \$10 billion to \$20 billion bond measure is already in the works.

Chris Ward, author of Assembly Constitutional Amendment 13, a devious attempt to stop the Taxpayer Protection and Government Accountability Act from passing when it's on the ballot in November 2024, is now the chair of the powerful housing committee.

He also, according to CalMatters, "introduced a strikingly ambitious bill that would have prioritized dense urban

development while putting a cap on sprawl across the state." Watch out for that coming back with force.

Jesse Gabriel authored Assembly Bill 28 that imposes an excise tax in the amount of 11% of the gross receipts from the retail sale in this state of a firearm, firearm precursor part, and ammunition. He now controls the taxpayers' purse strings as chair of the budget committee.

Liz Ortega is the new chair of labor and employment. Politico reports that she "previously served as the statewide political director for AFSCME Local 3299, the University of California's largest employee union." I think we can guess where her loyalties lie.

They answer only to themselves and the special interests that could mount a primary challenge against them if crossed.

The more things change, the more they stay the same. Although, in an amusing aside when the dust settled, one chairmanship sat vacant. It was the Assembly Accountability and Administrative Review Committee. How fitting.

HJTA.ORG

Your source for **everything Proposition 13**



PARCEL TAXES:

HOW LOCAL GOVERNMENTS GET AROUND PROP. 13'S LIMITS TO RAISE YOUR PROPERTY TAXES

“A rose by any other name would smell as sweet,” wrote William Shakespeare in his play, *Romeo and Juliet*. It’s fortunate that he was writing about forbidden love, because if he had been writing about taxes, he might have changed it to, “A property tax by any other name will cost even more,” and his career as a writer would have ended right there.

In California, property taxes are limited by Proposition 13 to 1% of the assessed value of the property, plus the cost of any bonds or other exactions approved by voters. Proposition 13 allows no other *ad valorem* property taxes, meaning taxes based on the value of the property.

Unfortunately, that doesn’t mean there can be no other property taxes. As Shakespeare never wrote, “A property tax by any other name” is a favorite local workaround to raise property taxes.

The other name is “parcel tax.” This is a tax on property, but it’s not based on value. It’s just an additional tax on a “parcel” of property.

Sometimes parcel taxes are flat taxes, the same amount for every parcel of real property, regardless of size or what is (or isn’t) built on it. Sometimes parcel taxes are based on square footage, resulting in a tax increase that’s much higher for large properties such as big-box stores, shopping malls, offices and apartment buildings than for typical single-family homes.

All parcel taxes must go on the ballot for voter approval. Under Proposition 13 as originally passed by voters, local taxes required a two-thirds vote to pass. This supermajority requirement offered an important protection to taxpayers, because

while all voters may vote on parcel taxes, only property owners pay them.

But the two-thirds vote requirement for local taxes has been under fire in the courts since Prop. 13 passed in 1978. A major blow was struck in 1982 with the state Supreme Court’s decision in *City and County of San Francisco v. Farrell*, in which the court decided there were two different kinds of local taxes, and only one of them needed a two-thirds vote to pass. If the tax revenue

As Shakespeare never wrote, “A property tax by any other name” is a favorite local workaround to raise property taxes.

went to the general fund and could be used for any purpose, the court said, then the tax would pass with a simple majority, 50% plus one vote. Only taxes for a specific purpose, called “special taxes,” needed a two-thirds vote to pass.

That’s the way it was for decades. Parcel taxes and other taxes that went on the ballot for voter approval needed a two-thirds vote if the money from the tax was to be spent exclusively for a specific purpose.

In 2017, the state Supreme Court carved out another exception. Taxes for a specific purpose might not need a two-thirds vote

to pass, the court indicated without exactly deciding, if those taxes were proposed by a citizens’ initiative instead of by a government body such as a city council.

That decision, in *California Cannabis Coalition v. City of Upland*, has led to a cottage industry of petitioning for local tax increases. Unsurprisingly, these tax increases seem to benefit the special-interest groups that pay for the signature collection effort.

The Howard Jarvis Taxpayers Association has been fighting from the beginning to challenge this court interpretation, but so far, appellate courts have consistently ruled against taxpayers, and the state Supreme Court has declined to hear any of the cases on appeal.

One provision of our upcoming ballot measure, the Taxpayer Protection and Government Accountability Act, would close this “Upland loophole” and restore the requirement that all special taxes must be approved by a two-thirds vote of the electorate.

More than a million California voters signed petitions to qualify the Taxpayer Protection and Government Accountability Act for the November 2024 ballot. But as HJTA Director of Legal Affairs Laura Dougherty explains elsewhere in this issue of *Taxing Times* (see “The Legal Front” on page 6), Gov. Gavin Newsom and the Legislature have filed a lawsuit directly in the state Supreme Court demanding that the Taxpayer Protection and Government Accountability Act be removed from the ballot before voters have the opportunity to pass it.

It’s a Shakespearean drama that has yet to play out.



PROPERTY TAX RELIEF IS AVAILABLE TO DISASTER VICTIMS

If your property was damaged in a fire, flood, mudslide or earthquake, you may be eligible for property tax relief.

California Revenue and Taxation Code Section 170 provides for a reduction in assessed value in the event of a misfortune or calamity. The state Board of Equalization explains, “In such cases, the county assessor will reappraise the property to reflect its damaged

condition. In addition, when it is rebuilt in a like or similar manner, the property will retain its prior value (Proposition 13) for tax purposes.”

To qualify for property tax relief, you must file a claim within 12 months of the date of damage, or later if your county’s ordinance for disaster relief allows, and the damage estimate must be at least \$10,000 of current market value.

In addition, if your property was substantially damaged or destroyed in a disaster for which the governor declared a state of emergency, you may qualify for a base-year value transfer to a new home.

Contact your county assessor’s office for more information. Call the phone number on your property tax bill, or look up the contact information online at boe.ca.gov/proptaxes/countycontacts.htm. □



THE LEGAL FRONT

GOVERNMENT TRIES TO ERASE TAXPAYER PROTECTION

By Laura Dougherty, Director of Legal Affairs

On September 26, 2023, the Governor and the Legislature filed suit in the California Supreme Court seeking to cancel the **Taxpayer Protection and Government Accountability Act**, commonly referred to as the **TPA**. (On the ballot, it would become known by a Proposition number just like Propositions 13, 218, and 26.) More technically, they sued its proponent and the Secretary of State, Shirley Weber, asking the Supreme Court to order the TPA erased from the November 2024 ballot.

The Governor and Legislature's lawsuit argues that the Legislature's constitutional powers would be infringed, and that state and local governments will lose too much money.

The TPA would be the next major tax reform initiative amendment to the California Constitution since Propositions 13, 218, and 26. While those measures from the years 1978, 1996, and 2010 are acknowledged as legal constitutional amendments, the Governor and Legislature have argued that in 2024, the TPA is too much change for the government to endure. Therefore, they say, it cannot be allowed to go to you, the voters, to decide the outcome.

But like Propositions 13, 218, and 26, the TPA is just another result of taxpayer unrest with government performance and lack of transparency. It has proposed two sets of features. The first would be a set of corrections to unsatisfactory published court decisions. Nothing unusual. The

second would be a set of new rules for taxes and fees designed to increase accountability to the public. Also nothing unusual.

Let's start with the corrections to unsatisfactory published court decisions. First, in case of any doubt, the people have the right to legislate over court decisions they disagree with. The Supreme Court itself mentioned this in one of the unsatisfactory cases the TPA addresses, *Wilde v. City of Dunsmuir*. In that case, the Supreme Court had found that citizens could not referend a water rate increase. But the Court said this was because "the voters have not chosen to do so" in their drafting of Propositions 218 and 26. In 2017, the Court more specifically acknowledged that "Proposition 218 was adopted in part to address *Knox's* holding," *Knox* being an assessment case that dissatisfied voters.

The most infamous case the TPA would overrule is the 2017 decision of *California Cannabis Coalition v. City of Upland*. There, the Supreme Court opened the door to subsequent appellate decisions finding the two-thirds vote for local special taxes inapplicable when the tax is proposed on voter initiative paperwork. Politicians have used this loophole. The TPA would close it. To correct this incredibly mistaken interpretation of voter intent in Propositions 13 and 218, TPA would enhance the appropriate sections to say "No local government, *whether proposed by the governing body or by an elector*, may impose" a new tax without two-thirds voter approval.

This *Upland* fix to restore the two-thirds vote is one of the TPA's larger changes. Government entities have responded to it with an uproar about "reducing" local tax revenues. But the fact is that local tax revenues weren't supposed to be raised in this mistaken manner in the first place, and they were only so raised in

various local areas starting about four years ago following the mistaken appellate court decisions.

Other TPA corrections would further clarify how to pass taxes and fees. One would make sure the courts characterize all government-created charges as either taxes or fees to allow a clear answer to whether voter approval is required. This has been a problem in cases opening loopholes by finding that a charge could also be "something else." (See *Chamber of Commerce v. California Air Resources Board*; *Schmeer v. Los Angeles County*.) Another correction would stop the use of companion advisory measures regarding how a general tax in a separate measure will be spent. This would clarify that what are truly intended as special taxes need two-thirds approval. (See *Johnson v. Mendocino County*.) Lastly, if you should be annexed into a new governing area, another correction would give you a right to vote on the new taxes to which you would be subject in that area. (See *Citizens of Sunset Beach v. Orange County LAFCO*.)

This Upland fix to restore the two-thirds vote is one of the TPA's larger changes. Government entities have responded to it with an uproar.

The TPA's other new rules for taxes and fees would enhance voter consent and transparency from imposition through to collection. To protect Californians against another experience like the unwanted 2017 gas tax hike, the Legislature would have to refer state tax increases for majority voter approval. (This is not unusual. Other states have similar



voter approval requirements.) And to protect Californians from rogue and possibly hidden unruly administrative fees, the Legislature would have to approve them and declare the approved rates in the legislation.

The Governor and Legislature's lawsuit argues that the Legislature's constitutional powers would be infringed, and that state and local governments will lose too much money. But the Legislature has never had exclusive authority over taxation law. And financial gains or losses shouldn't be something left to the Supreme Court to calculate. The TPA is, like any other amendment, change the people want to make. By all data available, however, the TPA would not change government finance anywhere near as much as Proposition 13 did in 1978. Proposition 13 has been upheld in all court challenges since 1978.

The HJTA legal team joined the proponents in defending the TPA since it was sued in September. We do not know exactly what will have occurred by the time this article is in your mailbox. A briefing schedule will have concluded by February 14th. The petition asked for a decision by June 27th, the date the Secretary of State should be placing the TPA on the ballot. Hopefully, the Supreme Court will have heard oral argument, denied the government's petition, and stepped aside so that the voters can cast their ballots on this important taxpayer protection measure in November. □

THERE'S MORE THAN ONE WAY TO PROTECT TAXPAYERS!

The Howard Jarvis Taxpayers Association has several affiliated entities that work together to protect Proposition 13 and all California taxpayers. In compliance with federal and state law, each affiliated entity has a separate purpose and files separate financial reports. Here's a guide to all the components of HJTA, and the many ways you can support our efforts on your behalf.

The **Howard Jarvis Taxpayers Association** is a nonprofit organization, a 501(c)(4). This is the main HJTA entity. Donations to the Howard Jarvis Taxpayers Association support all the operations of the organization, including lobbying, member services, outreach, communications, grassroots operations, and our *Taxing Times* newsletter.

The **Howard Jarvis Taxpayers Foundation** enables legal and educational work on behalf of taxpayers. HJTF is a 501(c)(3) organization fully qualifying as a charitable organization under both California and federal law. HJTF's tax I.D. Number is 52-1155794. Donations to the Foundation may be tax-deductible; please consult your tax preparer.

Protect Prop. 13, A Project of the Howard Jarvis Taxpayers Association is a campaign committee registered with the California Secretary of State. Donations to the Protect Prop. 13 committee support campaigns for ballot measures that protect taxpayers, as well as campaigns against ballot measures that threaten Proposition 13. **Only a campaign committee can pay for campaign advertising** and other

related expenses; absolutely no funds from the Association or Foundation may be used in campaigns.

No New Taxes, A Project of the Howard Jarvis Taxpayers Association is another campaign committee registered with the California Secretary of State. Donations to the No New Taxes committee support campaigns against tax increases.

The **Howard Jarvis Taxpayers Association State Political Action Committee** is also registered with the California Secretary of State. HJTA-PAC supports candidates for office who support Proposition 13 and the right to vote on taxes.

The **Howard Jarvis Taxpayers Association Heritage Society** welcomes those members interested in planned giving to HJTA or HJTF through wills, trusts or gifts. Your contributions help to build an endowment that protects Proposition 13 and extends your legacy far into the future. For more information and to learn about potential tax benefits, please contact HJTA General Counsel Craig Mordoh. He can be reached at 213-384-9656 or by email at Craig@hjta.org.

If you would like to make a donation to any HJTA entity, please visit our website at hjta.org/take-action or call our offices to have donation forms mailed to you. (We are required to collect donor information to comply with campaign finance laws.) You can reach the Sacramento office of HJTA at [916-444-9950](tel:916-444-9950) and the Los Angeles office at [213-384-9656](tel:213-384-9656). You can also email HJTA at info@hjta.org. Thank you for your support!

THE LEGISLATURE PASSED ACA 1, A DIRECT ATTACK ON PROP. 13, AND IT WILL BE ON THE NOVEMBER BALLOT. THIS IS HJTA PRESIDENT JON COUPAL'S TESTIMONY TO LAWMAKERS IN OPPOSITION TO ACA 1

Thank you, Chairman Glazer, and members of the committee. I'm Jon Coupal, president of HJTA.

By amending Article XIII A of the California Constitution, ACA 1 constitutes a direct attack on Proposition 13. This is *irrefutable*.

ACA 1 opens the floodgates to higher taxes by cutting the vote threshold needed to pass special taxes from two-thirds to 55%.

The loss of that important taxpayer protection in Proposition 13 means that struggling taxpayers will be hit with higher local taxes, again and again after every election.

ACA 1 is not necessary.

According to the League of California Cities, from 2001–2018, 51% of city tax measures with a two-thirds vote requirement *reached* that threshold and passed, because cities were able to

persuade two-thirds of voters to approve those taxes.

It should be noted that here we are only talking about special taxes. General taxes can, and do, pass with a simple majority. In fact, in that same period of time, all local tax measures passed by 70%. But for ACA 1 proponents, that's not good enough. For them to be satisfied, new and higher taxes must pass *every* time.

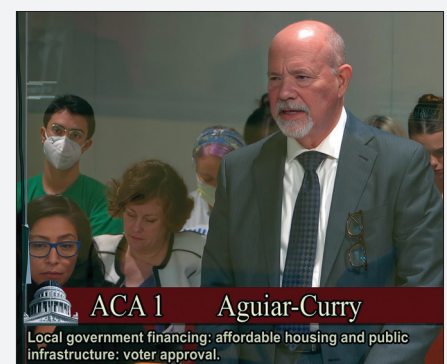
This mindset is why Prop. 13 was approved by voters in the first place, and why they continue to support the important two-thirds vote protection. This is evidenced by the passage of additional taxpayer protections like Proposition 62 in 1986, Proposition 218 in 1996, Proposition 26 in 2010.

The damage inflicted on taxpayers from ACA 1 is not limited

to Prop 13. It also repeals the requirement that local bonds — repaid *only* by property owners — need a two-thirds vote of the local electorate. That requirement has been in the California Constitution *since 1879*.

The logic behind a two-thirds vote requirement for special taxes is the same. While everyone can vote on special taxes, they are often paid only by property owners through parcel taxes, bonds, and property-related assessments.

Two-thirds supermajority vote requirements have a strong constitutional foundation. The U.S. Constitution itself requires a two-thirds vote for many actions, such as the approval of international treaties. Supermajority vote requirements are reserved for important matters. In fact, in the League of Cities' own



bylaws, a two-thirds majority is required to raise its dues.

In conclusion, I would like to note that it has been argued that ACA 1 does not raise taxes, it just puts the question to the voters. Let's be clear. A vote for ACA 1 is a vote for higher taxes and a vote against Proposition 13.

I ask that you consider the California residents who are already struggling to pay their bills and vote no on ACA 1. Thank you.

GAMING THE BUDGET: GOVERNOR NEWSOM'S \$8 BILLION MANEUVER

When Gov. Gavin Newsom announced his annual budget proposal at a news conference in January, things got a little contentious.

The governor insisted that the budget “problem” — no one in Sacramento likes to call it a “deficit” — was \$38 billion. He pushed back against reporters who asked him about the estimate from the nonpartisan Legislative Analyst’s Office in December that the budget shortfall is actually \$68 billion.

Now that the real revenue numbers have come in, the LAO says the payments to schools exceeded the minimum funding guarantee by \$8 billion.

The LAO explained the conflicting numbers tactfully. “The main difference between our estimate and the administration’s estimate is related to revenues,” they said. “In our view, the administration’s revenue forecast is optimistic, but plausible.”

The Legislative Analyst’s Office was more critical of the governor’s “novel proposal” related to \$8 billion in excess school spending.

The problem arose because of the tax filing extensions that were granted to California taxpayers in nearly every county in 2023 for the 2022 tax year.

“Typically, the budget process does not involve large changes in revenue in the prior year (in this case, 2022–23),” the LAO explained. “This is because prior-year taxes usually have been filed and associated revenues collected by April of

any given year.” But because of the tax filing extensions, “the Legislature only gained a complete picture of 2022–23 tax collections late in 2023 — after the fiscal year already ended. Those data showed a severe revenue decline, with total income tax collections down 25 percent. A decline of this magnitude is unprecedented for the prior fiscal year. It also results in an unprecedented prior-year reduction to the minimum funding requirement for schools and community colleges.”

Under Proposition 98 (1988), there is a minimum annual funding guarantee for schools and community colleges that is established with a set of formulas. “General fund spending on K–14 education tends to increase when revenues grow and decrease when revenues decline,” the LAO said.

Throughout 2022–23, the state controller distributed funds to K–14 schools based on expenditure levels that aligned with the minimum funding guarantee based on projected revenue. But the projection turned out to be too high.

Now that the real revenue numbers have come in, the LAO says the payments to schools exceeded the minimum funding guarantee by \$8 billion. But the governor’s budget proposes “not recognizing the expenditures above the minimum requirement, despite allowing schools to keep the funding.”

What does that mean, exactly?

The LAO explains: “Under this proposed maneuver, the state would generate budget savings by not recognizing a budgetary expenditure, despite the fact that the cash has gone out the door.”

If you find this hard to understand, you’re not alone.

“The best way to conceptually understand this proposal is that the state would make an interest-free loan to itself using its own cash resources,” the LAO wrote. “In short: the unacknowledged \$8 billion in cash disbursements in 2022–23 create an

outstanding ‘principal’ due from the state’s cash resources. The state would make ‘re-payments’ on this principal balance beginning in 2025–26 as it acknowledges the cash disbursement on a budgetary basis.”

What does the non-partisan Legislative Analyst’s Office think of the governor’s proposed maneuver?

If you find this hard to understand, you’re not alone.

“We have major concerns,” they wrote.

The first concern expressed by the LAO is transparency. It “obfuscates the budget’s true condition” by creating a new budget obligation in future years that is “virtually invisible.”

Another problem is the projected \$30 billion in annual deficits on the horizon for the next several years, which will require “even more difficult decisions” about cuts to state programs or tax increases.

The LAO also pointed out that the repayment of the \$8 billion “loan” to cover school funding will come from all other state General Fund programs, not from the funding for education alone.

Finally, the LAO voices concern about the precedent this “novel” maneuver would set. “It would likely create an expectation that the state would continue to use maneuvers like this to pay for spending in the presence of budget deficits.”

Eventually, “the bill comes due,” the LAO warned. “This proposed maneuver is bad fiscal policy, sets a problematic precedent, and creates a binding obligation on the state that will worsen out-year deficits and require more difficult decisions. We strongly recommend that the Legislature reject the proposal.”

PRESIDENT’S MESSAGE *Continued from page 2*

and Government Accountability Act, they have the nerve to argue that allowing the people of California to vote on any statewide tax increase “would have sobering implications for the future of governance.”

The governor and the Legisla-

ture claim that “[t]axation is both highly complex and essential to the adequate functioning of the State” and that “[s]ound tax policy therefore requires time and expertise.”

Who has that expertise might

you ask? Well, call the Legislature biased, but they claim that “California’s full-time Legislature has the capacity to implement tax policy because legislators can spend weeks in committees reviewing a law and debating its

impact, all while being advised by professional legislative staff.” They say that the voters “have neither the time nor resources at their disposal to comprehensively study their crowded ballots.”

What a joke. □

GRASSROOTS REPORT

**A
CALL
TO
ACTION**



LOCAL GOVERNMENT ACCOUNTABILITY

By Eric Eisenhammer, HJTA Director of Grassroots Operations

As taxpayers, we hold a powerful responsibility to ensure that our local government operates transparently, efficiently, and accountably. Every dollar collected through taxes represents our hard work and sacrifice, and it's essential that these funds are used wisely to benefit our communities.

Unfortunately, all too often, we see instances of wasteful spending, bloated bureaucracy, and unnecessary taxation that burden families and businesses alike. From extravagant government projects to excessive administrative overhead, the misuse of taxpayer dollars erodes trust in our elected officials and undermines the public's confidence in government.

That's why it's crucial that we actively engage in holding our local government accountable for how our hard-earned dollars are spent. Fortunately, there are specific ways you can help make a difference:

1. Attend City Council Meetings:

Your presence at city council meetings sends a powerful message to elected officials that taxpayers are watching and expect transparency and accountability. Use public comment periods to voice your concerns and hold officials accountable for their actions.

2. Contact Your Elected Representatives:

Don't underestimate the impact of reaching out to your representatives directly. Whether by phone, email, or letter, make your voice heard on issues of fiscal responsibility and transparent budgeting processes. Let them know that you expect them to prioritize taxpayers' interests.

3. Join Grassroots Efforts:

Get involved with grassroots organizations like the Howard Jarvis Taxpayers Association. By joining forces with like-minded individuals, you can amplify your advocacy efforts and effect real change in your community. Attend rallies, sign petitions, and volunteer your time to make a difference.

4. Stay Informed:

Stay up-to-date on local government decisions, budget allocations, and proposed tax measures. Knowledge is power, and by staying informed, you can better advocate for policies that benefit taxpayers and hold officials accountable for their actions.

5. Support Candidates Who Prioritize Fiscal Responsibility:

During elections, support candidates who demonstrate a commitment to fiscal responsibility and transparent governance. Vote for candidates who pledge to prioritize taxpayer interests and advocate for policies that promote accountability in government.

By taking action and getting involved, we can hold our local government accountable and ensure that taxpayer dollars are spent wisely and responsibly. Together, let's build stronger, more fiscally responsible communities for ourselves and for future generations. □

Check out our newly redesigned website at **HJTA.ORG**



FOUNDATION REPORT



THE FIGHT GOES ON TO HAVE L.A. "MANSION TAX" DECLARED INVALID

The HJTA legal team is continuing to battle against an illegal tax on real estate transfers valued at \$5 million or more in the city of L.A.

"HJTA is fighting for Los Angeles taxpayers and the future integrity of property taxation under Proposition 13," said Director of Legal Affairs Laura Dougherty.

Ostensibly enacted by city voters in November of 2022, Measure ULA imposed a 4% tax on sales and transfers of real property valued at over \$5 million and a 5.5% tax on those over \$10 million. The funds are earmarked for housing and homelessness services, making this a special tax and a transfer tax, something courts have agreed for decades is prohibited by Proposition 13.

This will extract hundreds of millions of dollars from property owners, and the effects on tenants and consumers will be devastating. The law did not permit a temporary injunction.

In *HJTA & Apartment Association of Greater Los Angeles (AAGLA) v. City of Los Angeles and All Persons Interested in Measure ULA*, HJTA asked the court to invalidate Measure ULA. This transfer tax is specifically prohibited not only by Proposition 13 but also by the Los Angeles City Charter. It is based on exploiting ambiguous language in the state Supreme Court's 2017 decision, *California Cannabis Coalition v. City of Upland*. Measure ULA is simply invalid legislation.

In October, the Los Angeles Superior

Court sided with the City, finding Measure ULA valid. HJTA filed a Notice of Appeal. As usual with nearly all HJTA cases raising important questions of constitutional law, the Second District Court of Appeal will review this case *de novo*, meaning that it does not have to give deference to the superior court's decision or reasoning.

"We are waiting for a briefing schedule at the Court of Appeal," Dougherty said. "We are in general agreement with the City that we should keep a regular briefing schedule, but ask for prompt oral argument thereafter, as we have statutory calendar preference in this case. In short, our case shouldn't have to sit for years as they sometimes do. I expect oral argument late this year."

HOMEOWNERS' EXEMPTION PAYS YOU TO AVOID PROBLEMS LATER

If you found \$70 cash under the sofa cushions in your living room, would you throw it away?

What if \$70 magically appeared under the same sofa cushions every year? You'd probably think twice before giving away that sofa, no matter how much you wanted to redecorate.

Well, if you own your home and you haven't applied for the Homeowners' Exemption, you are throwing away \$70 per year.

It doesn't exactly appear under the sofa cushions (so you're free to redecorate), but it does appear as an annual credit on your property tax bill. It's almost magical, if not quite.

The Homeowners' Exemption

allows owner-occupants to receive a \$7,000 reduction in the assessed value of their home. At a tax rate of 1%, this is \$70 per

It's just a simple form that's available from your county assessor's office.

year that comes off your property tax bill. It isn't necessary to apply every year, just once. The \$7,000 reduction is automatic for as

long as you own your home and continue to live there.

The "magical sofa cushion" benefit isn't the only reason to apply for the Homeowners' Exemption. Ever since Proposition 19 passed in 2020, assessors use the Homeowners' Exemption to identify who is living in the property. This is a key factor in determining eligibility for the transfer of base-year value to a new home and for the full or partial exclusion from reassessment when a parent-child transfer of a principal residence takes place.

Filing for the Homeowners' Exemption now will prevent headaches later.

Los Angeles County Assessor Jeffrey Prang said nearly one in three homeowners in L.A. County do not take advantage of the Homeowners' Exemption, leaving \$30 million in tax savings unclaimed every year. "Across the county, an additional 435,000 families can be saving on their tax bills," he said.

It's not complicated at all to apply for the Homeowners' Exemption. It's just a simple form that's available from your county assessor's office.

Call the phone number for the assessor's office on your property tax bill, or look up the contact information online at boe.ca.gov/proptaxes/countycontacts.htm. □

HJTA President Jon Coupal was a guest on *California Insider* to discuss the Taxpayer Protection and Government Accountability Act.

KEY TAKEAWAYS

- How California's Tax Crisis Is Forcing People Out of State (0:00)
- New California Tax Reform Could Turn the Tide on High Taxes (1:20)
- **The Loophole That Removed the 2/3 Vote Requirement for New Taxes (7:10)**
- Where Are Taxes Headed in California? (10:10)

CALIFORNIA INSIDER that if there is a local tax

YOUR? answered

ARE THERE ANY PROPERTY TAX EXEMPTIONS FOR CALIFORNIANS WHO ARE DISABLED?

YES. If you or a family member own property in California and are living with disabilities, or if you are the surviving spouse of a qualified veteran, you may be eligible for certain property tax exemptions.

Disabled Veterans' Exemption

The California Department of Veterans Affairs explains, "The Disabled Veterans' Exemption reduces the property tax liability on the principal place of residence of qualified veterans who, due to a service-connected injury or disease, have been rated 100% disabled or are being compensated at the 100% rate due to unemployability. An unmarried surviving spouse of a qualified veteran may also claim the exemption." The Veterans Administration must certify the veteran's disability.

Originally, the Disabled Veterans' Exemption reduced the assessed value of the principal place of residence by \$100,000, but with the annual adjustment for inflation, the exemption for 2024 is now \$169,769. Homeowners who qualify for the Disabled Veterans' Exemption and also qualify as low-income are eligible for an exemption of \$237,656. For 2024, the household income limit for the Low-Income Disabled Veterans' Exemption is \$76,235.

One note: Homeowners who qualify for a Veterans' Exemption may not also claim the Homeowners' Exemption. Only one exemption may be claimed. However, a proposed Senate Constitutional Amendment backed by the Howard Jarvis Taxpayers Association, SCA 6 by Sen. Bob Archuleta (D-Norwalk), would allow qualified veterans or their surviving family members to claim both.

Disabled Persons Claim for Exclusion of New Construction

Qualifying property owners who perform construction, installation, removal, or modification to an existing property to make it more accessible to a severely and permanently disabled person may be eligible for an exclusion from reassessment. This exclusion does not apply to modifications for accessibility that would be usual or customary in a property not occupied by a disabled person. To be eligible for this exclusion from the assessment of new construction, the Assessor must be notified within 30 days of completion of construction that the owner intends to claim the exclusion, and all required documentation must be filed within six months after the project is completed.

Transfer of Property Tax Base for Severely Disabled Owners

California property owners who are severely disabled may transfer the taxable value of their existing home to a replacement home anywhere in the state, up to three times.

For More Information

Contact the State Board of Equalization's Property Tax Department online at boe.ca.gov/proptaxes/proptax.htm, by phone at 916-274-3350, or by email at PTWebRequests@boe.ca.gov, or contact your county Assessor's office.

WILL IT BECOME EASIER TO RAISE TAXES IN CALIFORNIA? *Continued from page 1*

an outrageous attempt to block our own Taxpayer Protection and Government Accountability Act from passing.

Ever since California's first handwritten constitution in 1849, constitutional amendments have needed a simple majority of the electorate to pass, 50% plus one vote. ACA 13 would change that, but only for initiatives that protect taxpayers.

Hard to believe, but true.

ACA 13 says that if an initiative constitutional amendment says taxes need a two-thirds vote to pass, then the initiative itself must get a two-thirds vote to pass.

It's a special standard of extra difficulty, to make it harder to protect taxpayers from a relentless barrage of tax increases.

Even Proposition 13 itself, although overwhelmingly approved by voters in 1978, did not quite

get to the two-thirds threshold. If ACA 13 had been law at that time, Prop. 13 would not have passed, and countless families would have been taxed out of their property by the surging inflation that has driven up home prices.

Before Prop. 13, property taxes in California were a statewide average 2.67% of the current market value of your home or other property, every year. Prop. 13 capped the annual increase in assessed value so that it could not go up more than 2% per year, no matter how much the market price had jumped due to inflation. Prop. 13 also cut the tax rate to 1%. (See our Guessing Game calculator at GuessingGame.org to find out what your property taxes would be today if Prop. 13 had never passed.)

ACA 13 is aimed at ensuring that whenever courts use their own

interpretation of the law to make it easier to raise taxes, taxpayers are virtually blocked from ever passing an initiative like Prop. 13 again.

Not by coincidence, there happens to be such a measure on the November ballot. The Taxpayer Protection and Government Accountability Act (TPA) would restore the two-thirds vote requirement for local special taxes. This is needed because courts have "interpreted" that tax increases proposed by a "citizens' initiative" can pass with just 50% plus one vote. Special interest groups up and down the state are now collecting signatures for local tax increase measures that mostly benefit themselves.

If ACA 13 passes (it needs 50% plus one vote, like every other constitutional amendment in California history), it would go into

effect immediately. That means the TPA would need 66.7% to pass instead of 50% plus one vote.

As you can read in "The Legal Front" column in this issue of *Taxing Times*, there's one more outrageous effort to prevent the TPA from passing. The governor and the Legislature have filed a lawsuit demanding that the TPA be removed from the November ballot before voters have the opportunity to pass it.

HJTA is fighting that lawsuit (thanks to the Howard Jarvis Taxpayers Foundation), and HJTA will be fighting to defeat ACA 1 and ACA 13, as well as to pass the Taxpayer Protection Act (thanks to the Protect Prop. 13 committee). Thank you for your support of the Foundation and the PP13 committee as well as the Howard Jarvis Taxpayers Association itself.

We couldn't do it without you. □

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 tax-

payer 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

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 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 200, 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: _____

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