

PROPOSITION 13

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What is Proposition 13?

Proposition 13 is a limitation on property taxes. California voters overwhelmingly passed this legislation on June 6, 1978. It essentially changed California property tax system to an acquisition value-based system.

What does it do?

1. Limits the tax on property to 1% of its taxable value, plus the rate necessary to pay off voter-approved bonds and indebtedness. (E.g. sewers, school buildings, state water, etc.)
2. Requires that property be valued as of the 1975 lien date, or as of the date the property changed ownership or was newly constructed. It further requires an annual adjustment for inflation, as measured by the change in the California Consumer Price Index. The annual inflationary factor cannot exceed 2% per year.
3. Prohibits both the state and local governments from imposing any new ad valorem taxes on real property or imposing any sale or transaction taxes on the sale of real property. ("Ad Valorem" means taxes are based on the value of the property.)
4. Requires a two-thirds vote in each house of the legislature to increase or impose state taxes and approval of two-thirds of the qualified electorate to increase or impose special taxes.

Why was it approved?

Prior to 1978, real property was appraised in cycles, approximately every three to five years. This meant that every few years, each property was brought up to current market value. In the 1970s, real estate values in California were escalating between 10 to 20 percent per year. In a three year assessment cycle it was not uncommon for a property's value to increase 30 to 50 percent, and even more in a five year cycle. This resulted in dramatic increases in property taxes. Property owners, particularly homeowners, found it difficult to plan or budget for property taxes. Proposition 13 provided a solution that would stabilize the property taxes on individual properties while continuing to provide adequate tax revenues to fund local government.

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"The Assessor and staff seek excellence in providing information, services, and accurate property assessments through our personal commitment to integrity, mutual respect, and teamwork."

My neighbors have a property similar to mine, but they pay less taxes. Why?

Property owners who have owned their property for a long time generally have an assessed value that may not have increased more than 2% a year since their original acquisition. They tend to have markedly lower tax liability than recent purchasers, whose assessed values tend to approximate market values.

Is Proposition 13 legal?

The constitutionality of Proposition 13 was challenged immediately after it was passed. In September of 1978, the California Supreme Court upheld its constitutionality in Amador Valley Joint Union High School vs. State Board of Equalization. It was challenged again, and eventually was heard by the United States Supreme Court. In 1992, in Nordlinger vs. Hahn, the court ruled that Proposition 13 did not violate the equal protection clause of the United States Constitution. Any further changes to Proposition 13 may only be made by California voters.

What if Proposition 13 needs to be changed or amended?

Any further changes to the constitutional language of Proposition 13 may only be made by California voters. Constitutional changes are proposed almost every year. One of the changes approved by the voters, in 1986, for example, includes allowing certain transfers of property between parents and children to be excluded from reassessment. In addition, however, legislation is proposed every year that revises how the constitutional language is to be implemented. For example, with a transfer between parents and children, legislative changes have revised filing deadlines every few years since 1986.

Court cases may also change how the constitutional language is interpreted, as can the State Board of Equalization, through changes to Assessor handbooks and Property Tax Rules.