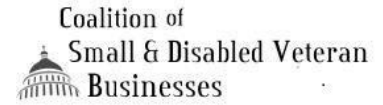




CALIFORNIA  
ASSOCIATION  
OF REALTORS®



Date: March 20, 2023

To: Members, Assembly Revenue and Taxation Committee

From: Peter Blocker, Vice President of Policy

**Subject: OPPOSITION to AB 362 (Lee), as introduced on February 1, 2023**

The California Taxpayers Association and the organizations listed below respectfully oppose AB 362, which requires the California Department of Tax and Fee Administration (CDTFA) to study the idea of replacing the current property tax system with a “land value tax.”

A land value tax – a system in which the estimated current market value of land is taxed, but buildings and other improvements are not – would dismantle Proposition 13 protections that have provided tax certainty for property owners and revenue stability for local governments for more than four decades. Time and resources should not be wasted studying an idea that has already been thoroughly debated and rejected due to the damaging consequences that would result from its implementation.

CalTax must oppose AB 362 for the following reasons:

**Pave Paradise and Put Up a Parking Lot.** One of the stated goals of a land value tax is to create a strong incentive for developing land by taxing property at such a high rate that the owner cannot afford to keep the property unless it can be used to generate enough revenue to

cover the annual tax bill. This would encourage commercial development and reduce land that has been preserved as open space. Property owners with high-value land – for example, near California’s beautiful coastline – would be forced to “pave paradise and put up a parking lot” to develop income-generating activities.

**Voters Overwhelmingly Support Proposition 13.** Polling has consistently shown that voters support Proposition 13, the landmark constitutional amendment that caps property tax assessments at 1 percent of the value of real property (land and improvements) and ensures that the tax doesn’t increase more than 2 percent in any given year. A June 2018 survey by the Public Policy Institute of California found that 57 percent of Californians believe that Proposition 13 turned out to be beneficial for residents, receiving support from every age group and nearly every racial demographic. There is no need to expend state time and resources to study scrapping Proposition 13 protections when poll after poll has shown that voters support the initiative.

**Land Value Tax Would Result in Tax Increases on Homeowners and Higher Costs for Consumers.** Proponents of a land value tax claim that property taxes for Californians would decrease after the adoption of the new tax system. This is unlikely, as property owners would no longer be protected by Proposition 13’s assessment limitations, tax rate, or annual assessed valuation increases, and local governments would oppose any efforts to reduce their revenue. Advocates of the land tax opine that the system would increase taxes on business property owners so much that homeowners could get a reduction without impacting local governments’ net revenue, but the more likely result is that the large property tax hike on businesses would lead employers to relocate to less expensive states – leaving homeowners to bear more of the burden of paying for local government – or increase consumer prices to cover the cost increase. Either way, Californians would see their costs increase and job opportunities decrease.

**Homeowners Are Greatest Beneficiaries of Proposition 13.** Homeowners have remained the greatest beneficiaries of Proposition 13. Data from the State Board of Equalization and findings from the Legislative Analyst’s Office show that homeowners’ cumulative share of the property tax burden remains lower than business owners’ share. In the 1978-79 assessment year, immediately after passage of Proposition 13, homeowner property paid 41.84 percent of the total property tax burden, and business property paid 58.16 percent. In the 2021-22 assessment period, homeowner properties accounted for 32.36 percent of the total and business properties accounted for the remaining 67.64 percent. In other words, homeowner properties’ cumulative burden has gone down almost 9.5 percent since passage of Proposition 13. (Of course, an individual property owner’s tax burden is controlled by the Proposition 13 rate limit and cap on annual increases, so it cannot be shifted to or from any property – an important protection that would be wiped out by a land value tax system.)

**Revenue Volatility.** Proposition 13 ensures that local governments and school districts receive stable and growing property tax revenue to fund schools and other vital services. The Commission on the 21<sup>st</sup> Century Economy studied California’s tax structure and found that Proposition 13 provides the most stable and reliable form of revenue, and that local governments are ensured continual and long-term revenue growth under the current property tax system. If California had a market-value property tax system or land-value tax system, schools, fire departments and other community services would be facing drastic property tax cuts due to declines in the commercial real estate market and slight downturn in the residential real estate market. Instead, these communities are seeing property tax increases because of base-year value changes when properties are sold.

*The California Taxpayers Association is a nonpartisan, nonprofit association formed to support good tax policy, oppose unnecessary taxes and promote government efficiency. Established in 1926, CalTax is the oldest and largest group representing California taxpayers.*

**A Land Tax Creates Poverty and No Progress.** Henry George, a journalist born in 1839 and author of *Progress and Poverty*, was a major proponent of land taxes during the Victorian era. California voters rejected land taxes and proposals to replace the entire tax structure with a single tax on land in 1912, 1914, 1916, 1918, 1920, and 1922. Theoretical and philosophical components of a land tax have been debated and studied for more than a century. There is no need to provide additional analysis, given that existing studies from the last 100 years already have done so. To make matters worse, AB 362 tasks the California Department of Tax and Fee Administration – an agency with no expertise or understanding of land values, appraisals, or any existing relationships with local county assessors’ offices – to conduct the study on land taxes. Californians don’t need a long taxpayer-funded study – conducted or contracted by a state tax agency that has no experience in property tax matters – to study an idea that can and should be rejected immediately based on the clear harm it would do to the state.

For the foregoing reasons, CalTax and the signatories listed below must respectfully oppose AB 362.

Sincerely,



Peter Blocker  
Vice President of Policy  
California Taxpayers Association

On behalf of...

California Taxpayers Association  
Acclamation Insurance Management Services  
Allied Managed Care  
California Apartment Association  
California Association of Realtors  
California Building Industry Association  
California Fuels and Convenience Alliance  
Coalition of Small and Disabled Veteran Businesses  
Escrow Institute of California  
Family Business Association of California  
Flasher Barricade Association  
Greater San Fernando Valley Chamber of Commerce  
Orange County Business Council  
Orange County Taxpayers Association  
San Gabriel Valley Economic Partnership  
Solano County Taxpayers Association  
Tri-County Chamber Alliance  
West Coast Lumber and Building Materials Association  
West Ventura County Business Alliance

cc: The Honorable Alex Lee, California State Assembly

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