

FREQUENTLY ASKED QUESTIONS AND ANSWERS

1. California businesses already pay too much in taxes. If we make them pay more won't they have to close down, lay people off or leave the state?

That's what the Chamber of Commerce and other Business Associations claim whenever anyone suggests change to make the situation better. They will probably even label whatever policy change we come up with as a "job killer". In fact, California is the only place in the country that does not regularly reassess its commercial property taxes. Reforming Prop 13 will simply put us on par with every other state that already does this.

The current property tax system also does nothing to encourage new business to start up in California. Two businesses offering the same services side by side may pay vastly different property taxes, but have to offer similar prices if they wish to compete. Forcing *new* businesses in California to shoulder a disproportionate property tax burden dampens the enterprising spirit that has been essential to the success of California.

Right now, we as California taxpayers are subsidizing businesses on the property tax – because they use loopholes and avoid paying billions of dollars every year, we all have to pay more in local fees and taxes. That means that we can't afford the kinds of schools, parks, local community hospitals, and other amenities and services that we all want and need in California. So should we continue to pass fees and taxes on communities that can least afford it, or should we just even out the tax burden by regularly reassessing property of folks who can afford to pay their fair share, like Disneyland and Chevron?

2. Won't this hurt small businesses who are barely hanging on as it is?

We agree that small businesses are the real job creators and economic engine for our state. We are committed to protecting small business, and that's why this reform provides an exemption for any small business with gross annual receipts under 2.5 million dollars ([California definition](#) of a microbusiness).

3. Won't landlords and big corporations just pass on any increased costs to their renters and customers?

Rents and prices for goods and services are not based on the property taxes businesses pay. Landlords charge rents based on what the market allows them to charge (buildings that haven't been reassessed since 1975 are not cheaper to rent than other buildings). Disneyland has raised its ticket prices 809% since 1978 even though their property taxes have remained virtually the same. The price of gas is not based on what Chevron pays in property taxes, etc. There is no direct evidence that Prop 13 protections for commercial property have benefitted renters or consumers.

4. Where will the new revenues go? How can I be certain they are used for what I care about?

Currently, property taxes go towards K-12 schools, cities, counties, special districts and community colleges. We'll need to figure out what makes the most sense. That will be part of our coalition's ongoing discussion. What we know for certain is having billions more in revenues each year will be a big positive for our state and help us move in the direction of having the kinds of schools, parks, etc. that we all need and want.

5. Isn't this going up against California's political "third rail" – Proposition 13 - and won't that make it impossible to pass?

We are not suggesting changing anything about residential property taxes which is really what Proposition 13 was supposed to be about. Prop 13 was supposed to be about helping homeowners, not big corporations. Most people don't understand what has happened since Prop 13 passed. If we educate people about how commercial property owners use loopholes created by Prop 13 to avoid paying their fair share and costing our state billions every year, we think people will support a change.

6. We need to deal with government waste, bloated salaries and pensions of public sector workers, etc., not raise more taxes.

The problem isn't that working people are getting too much. Employee costs at the state level account for less than 25% of the budget. The real problem is that big corporations aren't paying their fair share. Many corporations are paying taxes on land that is assessed at below market rates and using loopholes to avoid being reassessed. This has cost our state billions of dollars in lost revenue each year since Prop 13 was passed in 1978.

7. Didn't we just pass Proposition 30 to raise money for schools? Why do we need to raise more taxes?

Proposition 30 was a step in the right direction, raising \$6 billion for education and needed services. For the first time in many years, California schools did not face more cuts this year. But Proposition 30 does not offset the 35 years of significant under-investment in education and other critical services since Proposition 13. Also, Proposition 30 is a temporary measure, with the sales taxes expiring in 2016 and the income taxes expiring in 2018. We'll need to work to extend parts of Prop 30. And we need a permanent solution that addresses the inequities in our property tax system and provides sufficient funding for public schools, the social safety net, community colleges, and other needed services.

8. Proposition 13 helped protect homeowners from unreasonable tax increases. Changing Proposition 13 property tax rules will hurt homeowners and renters as well, since property tax increases will be passed onto renters. It will make housing even more expensive.

The change to Proposition 13 is only to the treatment of commercial property. Residential property will be exempted from the change, so home owners and renters won't be affected.