

CALIFORNIA PROPOSITION 13



June of 1978 saw the passing of California's landmark Proposition 13 – a constitutional amendment that severely limited the increase of property taxes by establishing a base year value for assessments, AND established requirements for any proposed increase in state revenue, as well as local special taxes.

Prior to its passing, yearly assessments were at the mercy of market values, which were increasing in double-digit increments during the housing price boom of the 1970s. Stagnated wages were not keeping up with the level of inflation, so this saw many people being forced to sell their homes as their property taxes skyrocketed year after year.

This prompted taxpayer rights activists Howard Jarvis and Paul Gann to co-author the bill, which passed with a two-thirds majority.

Major provisions of Prop 13:

- **Rollback on Assessments.** Prop 13 rolled back assessment values to their 1975–76 rates.
- **One Percent Cap.** Prop 13 implemented a statewide one percent cap, with few exceptions, of the full value at the time of purchase. Prior to its passing, local governments established their own tax rates, which varied greatly.
- **Reassessment Upon Change of Ownership.** Prop 13 changed the practice of annual assessments based on market value by limiting reassessments to occur only when there is a change in property ownership. The assessed value is frozen, but allows a yearly inflation amount of no more than two percent each year.
- **Responsibility For Property Tax Allocation Given to the State.** Prop 13 gave California lawmakers the responsibility of allocating property tax revenues among local governments and jurisdictions. Prior to Prop 13, each jurisdiction assessed their property taxes independently.
- **Voter approval for local "special" taxes.** Prop 13 requires a two-thirds majority vote for the passing of any taxes raised by local governments for "special" projects. This includes any Mello-Roos bonds for local amenities like public parks, or school improvements.
- **House approval for state taxes.** Prop 13 requires the passing of any measure that would increase state revenue through taxes to be approved by a two-thirds majority vote in both the State Senate and Congressional houses.

This information is not intended as a complete guide regarding property tax laws. Information here has been derived in part from written and oral opinions from the California State Board of Equalization. It is deemed reliable, but not guaranteed. Always consult a tax expert for your particular case and how these laws may affect you.



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