Property Tax Facts, Figures and Myths

Over Age 55 Transfers

Diane Harkey

California State Board of Equalization, Fourth District

(949) 724-2578

Diane.Harkey@BOE.CA.GOV

Proposition 13 Primer

- All property taxes capped at 1%.
  - Before Proposition 13 each local government could set its property tax annually.
  - Before Proposition 13 the average rate in California was 2.67%.
- Property tax on ALL properties based on market value with yearly increase of no more than 2%, plus special taxes.
- Special Taxes require 2/3 voter approval.

http://lao.ca.gov/Publications/Report/3497

Property Tax: Who Gets What?

Unfair Allocations - Political Decisions of 1979 to implement Prop 13

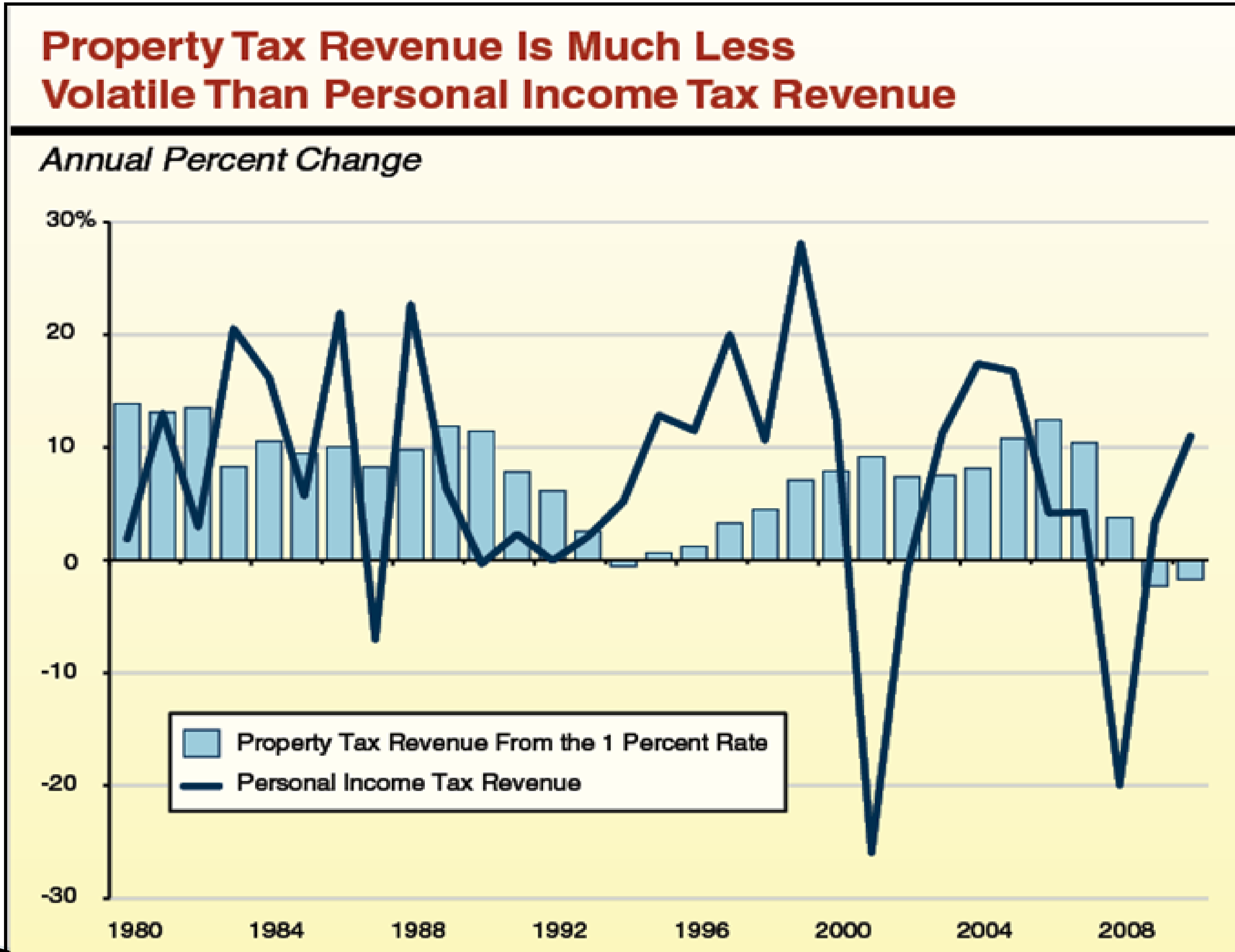
Property Taxes

2015-2016 GENERAL PROPERTY TAX DOLLAR, BY COUNTY

County	City	County	School	Other Districts	Total
Alameda	$.19	$.13	$.46	$.22	$1.00
Imperial	.06	.16	.59	.18	1.00
Los Angeles	.14	.21	.47	.18	1.00
Orange	.10	.06	.62	.21	1.00
Riverside	.06	.10	.46	.38	1.00
Sacramento	.10	.15	.55	.20	1.00
San Bernardino	.06	.10	.43	.41	1.00
San Diego	.12	.12	.63	.13	1.00
San Francisco	.58	–	.31	.11	1.00
California Total	$.12	$.14	$.54	$.19	$1.00

Note: Detail may not compute to total due to rounding.

Source: BOE 2015-16 Annual Report - Table 15



http://lao.ca.gov/Publications/Report/3497

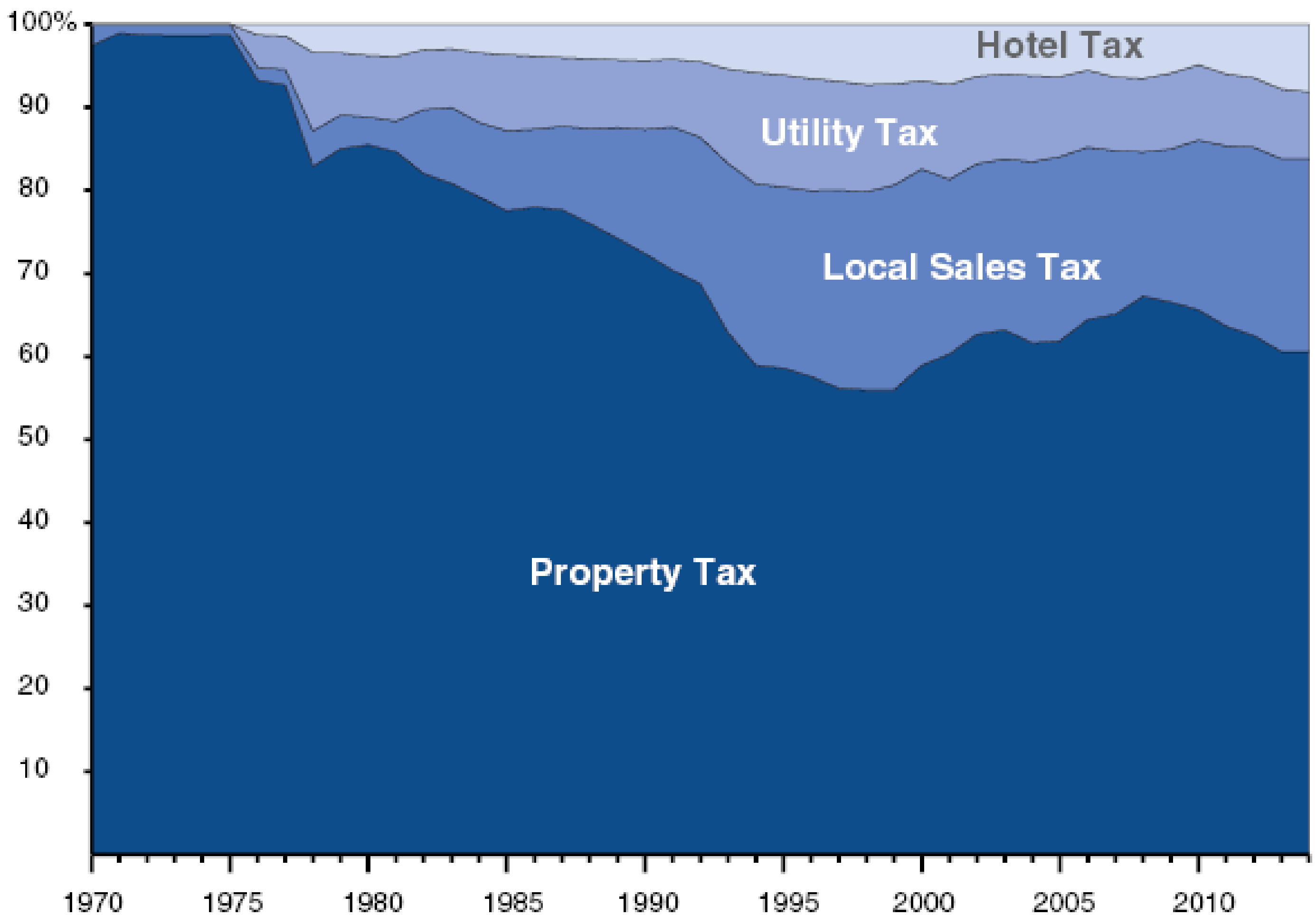
Property Tax: San Diego County

Assessed Property Subject to General Property Taxes		
Fiscal Year	**Total Assessed Value**	**Year to Year Change**
FY 01/02	6,647,562,000	9.60%
FY 02/03	6,323,239,000	-4.90%
FY 03/04	7,000,354,000	10.70%
FY 04/05	6,935,660,000	-0.90%
FY 05/06	7,010,749,000	1.10%
FY 06/07	7,307,820,000	4.20%
FY 07/08	8,044,952,000	10.10%
FY 08/09	8,300,796,000	3.20%
FY 09/10	8,641,292,000	4.10%
FY 10/11	9,785,994,000	13.20%
FY 11/12	10,623,531,000	8.60%
FY 12/13	11,767,552,000	10.80%
FY 13/14	11,744,210,000	-0.20%
FY 15/16	11,564,634,000	6.30%
FY 16/17	11,336,809,000	-2.00%
FY 17/18	11,918,232,000	5.10%

BOE Annual Report shows steady increases in assessed value based on land, improvements, and personal property.

Cities and Counties Increasingly Rely on Other Taxes

Share of City and County Tax Revenue by Source



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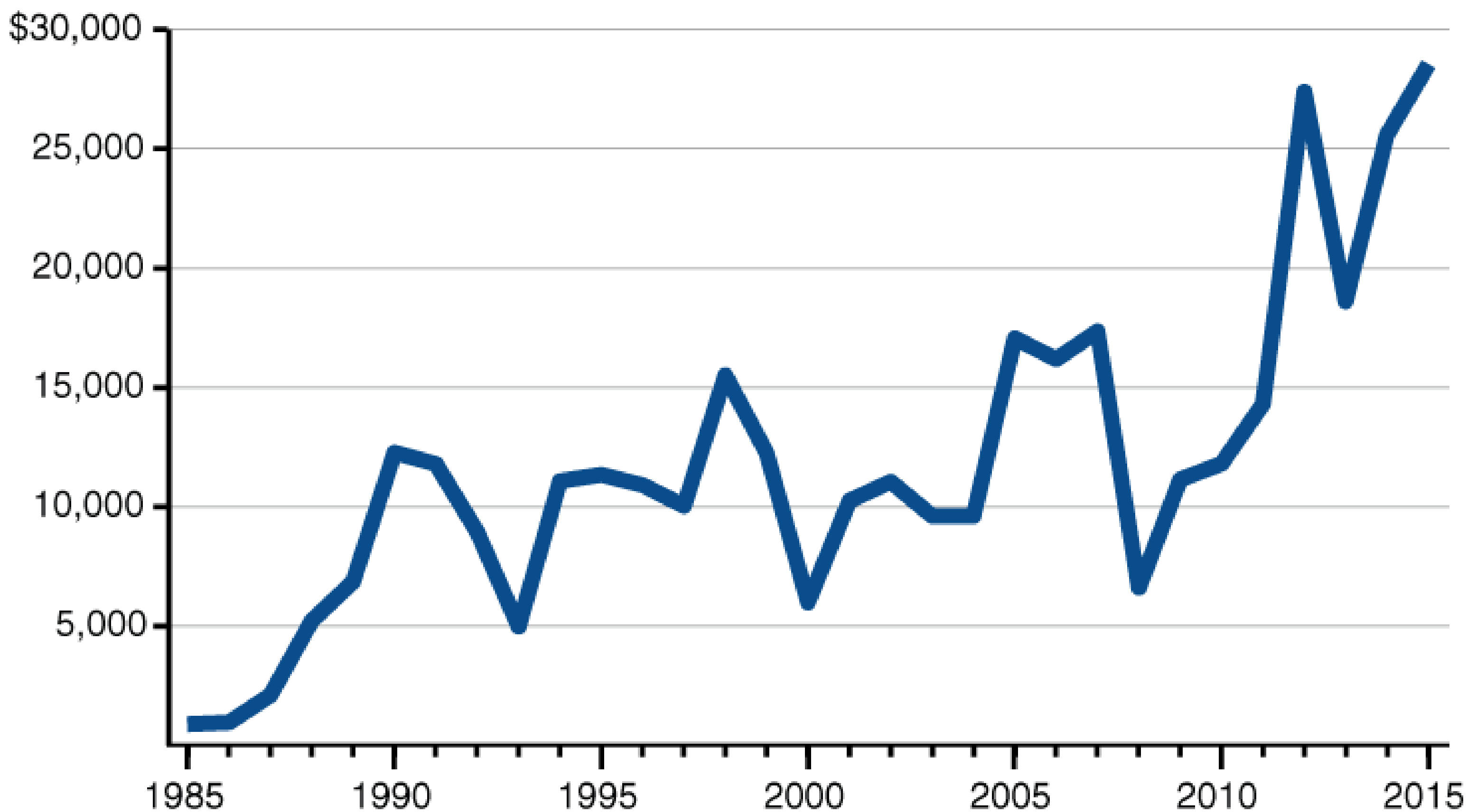
New Development Assessments Increasing

Mello-Roos Assessments Per Residential Building Permit (2014-15 Dollars)



http://lao.ca.gov/Publications/Report/3497

San Diego County Revenue Sources

2017 San Diego County Revenue	Total (in thousands)	Revenue Percentage
Charges for services	598,086	13.97%
Operating grants and contributions	2,413,181	56.35%
Capital grants and contributions	16,296	0.38%
Property taxes	720,645	16.83%
Transient occupancy tax	4,889	0.11%
Real property transfer tax	23,960	0.56%
Miscellaneous taxes	10	0.00%
Property taxes in lieu of vehicle license fees	371,105	8.67%
Sales and use taxes	27,779	0.65%
Investment earnings	15,838	0.37%
Other	90,754	2.12%
Total Revenues	**4,282,543**	**100.00%**

Source:
https://www.sandiegocounty.gov/content/dam/sdc/auditor/pdf/caoplan_18-20.pdf

Over Age 55 Transfers of Property Tax Value Base

Current Requirements
Propositions 60 and 90

Prop 60 (1986) & Prop 90 (1988)

Allows homeowners who are at least 55-years old, or severely & permanently disabled, a ONE TIME transfer of their existing assessed base value of their home to a new home, of equal or lesser market value, within the same county or to a different participating county.

Prop 60/90 Base Year Transfer

The new primary residence must be of equal or lesser "current market value" than old primary residence.

The replacement primary residence must be purchased or built within 2 years of sale.
No exceptions!

Available to a homeowner, or a spouse residing with them, if they are at least 55 years old when the original principal residence is sold.

May only claim this exclusion once in your lifetime.

Once a base year transfer is approved, neither the homeowner, nor spouse who resides with them, can ever file for an age based transfer again, *even upon the death of one of the spouses or divorce.*

Proposition 60/90
Transfer of Base Year

Example:

- An individual over age 55 sold his house for $1,500,000.
- The house had a tax-assessed value of $350,000.
- Within 2-years he bought a new house for $1,500,000.
- The tax-assessed value of the new house would be:

$350,000

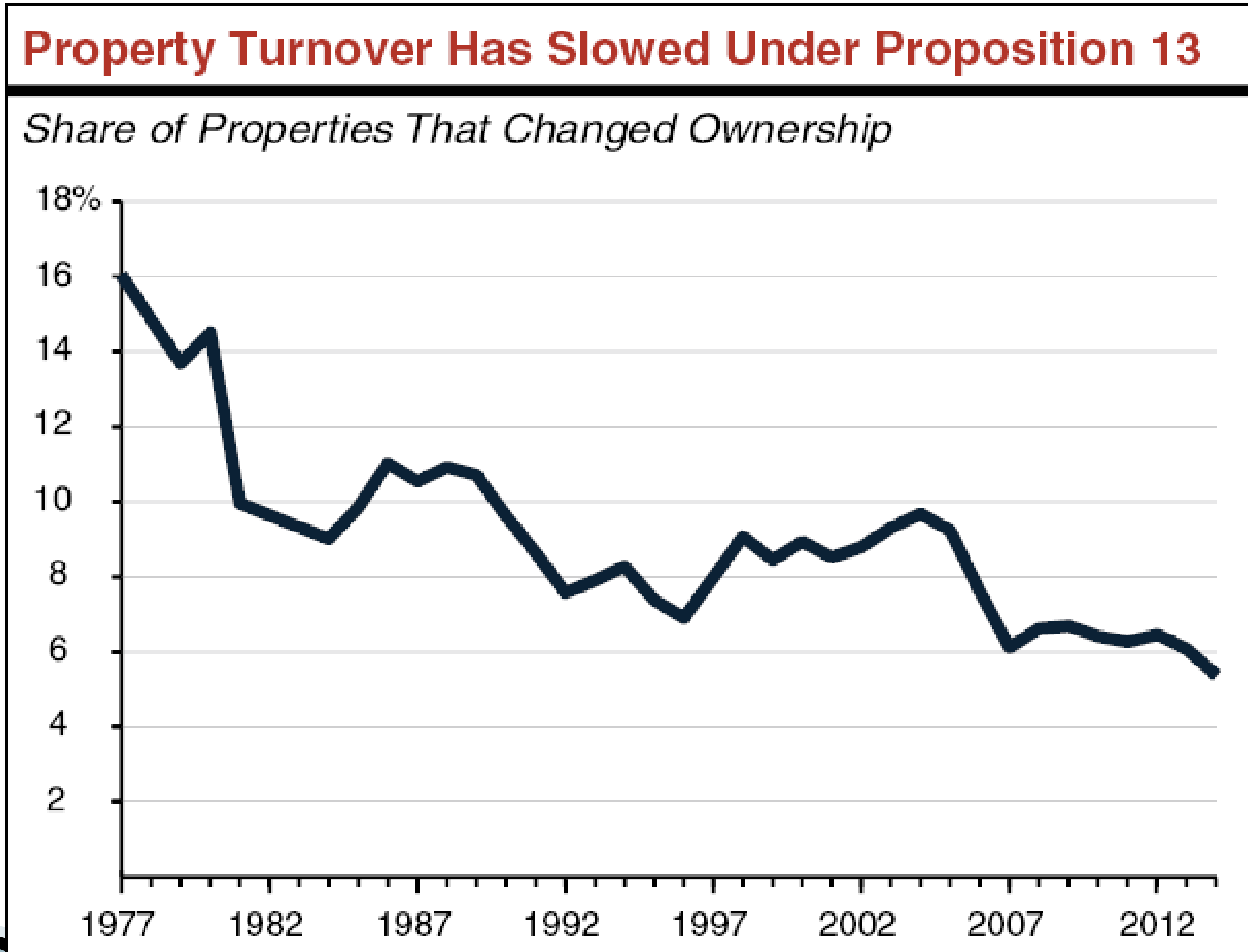
- Since the market value of his old home and new home is the same, he is able to transfer the basis of his old home to his new home.

"Data shows that homeowners are very aware of how their property taxes will increase when they move. As a result, almost three-quarters of homeowners 55 years of age or older have not moved since 2000."

"Because of the housing supply shortage, 65% of starter homes are selling at or above the asking price which makes it very difficult for first-time homebuyers to enter the market."

Source: California Association of REALTORS

The share of properties sold each year in California has been on the decline since the passage of Proposition 13 (& Props 60 & 90). This graph shows that 16% of properties were sold in 1977–78. This share declined to only 5 percent in 2014–15.



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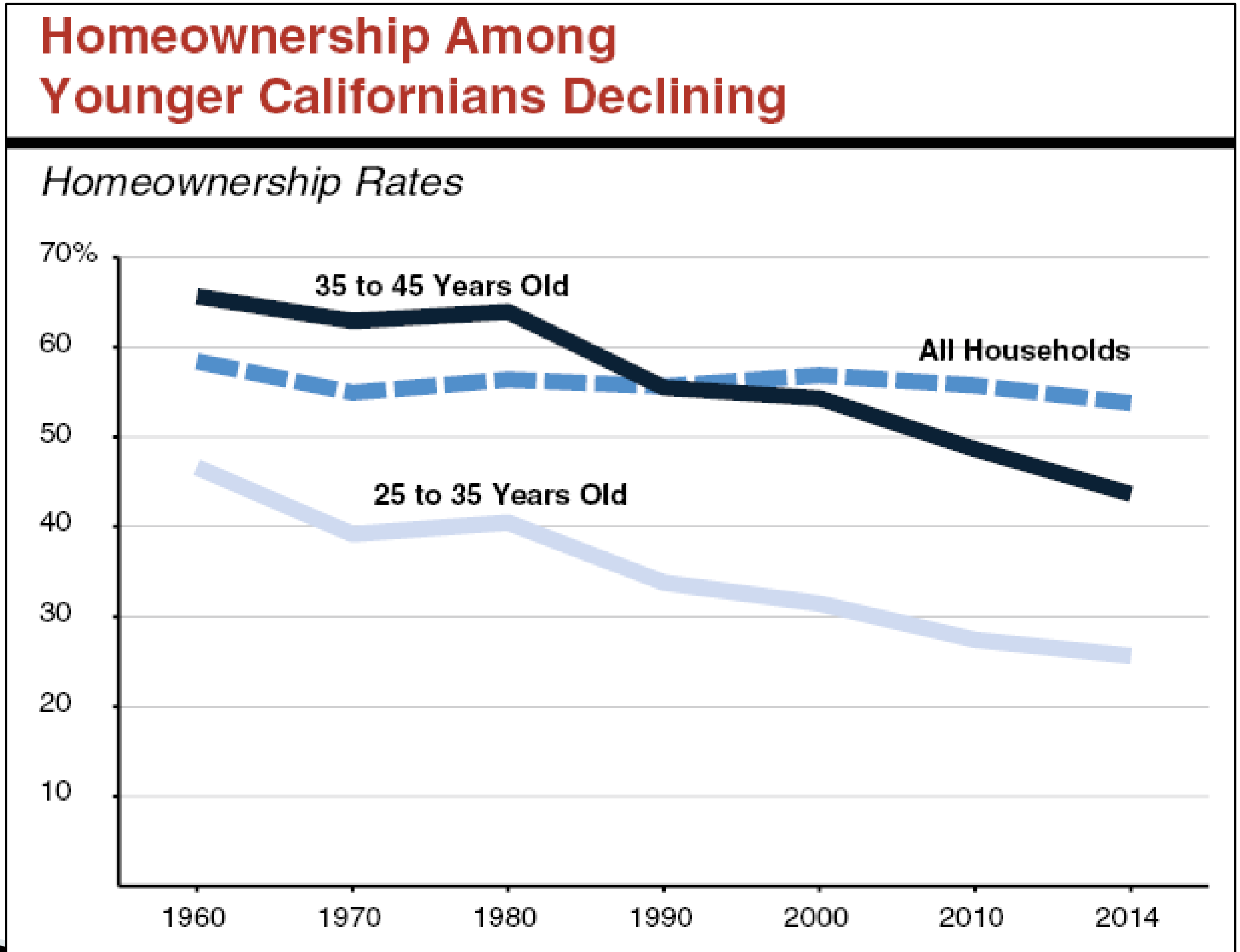

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Proposition 5 (2018)

- Would allow homeowners over age 55 to move ANYWHERE in the state.
- Removes limits on how many times a homeowner can file a claim for transfer of base value.
- No restrictions on price of new home.
  - Increases taxes for purchase of more expensive home.
  - Decreases taxes for purchase of a less expensive home.

Proposition 5
Upward Adjustment Calculation

Formula:

(assessed value of prior home) + [(the new home's market value) - (the prior home's market value)]

Example:

- An individual sold her house for $1,500,000.
- The house had a tax-assessed value of $350,000.
- She bought a new house for $1,800,000.
- The tax-assessed value of the new house would be:

  ($350,000) + [($1,800,000)-($1,500,000)] = $650,000

Proposition 5
Downward Adjustment Calculation

Formula:

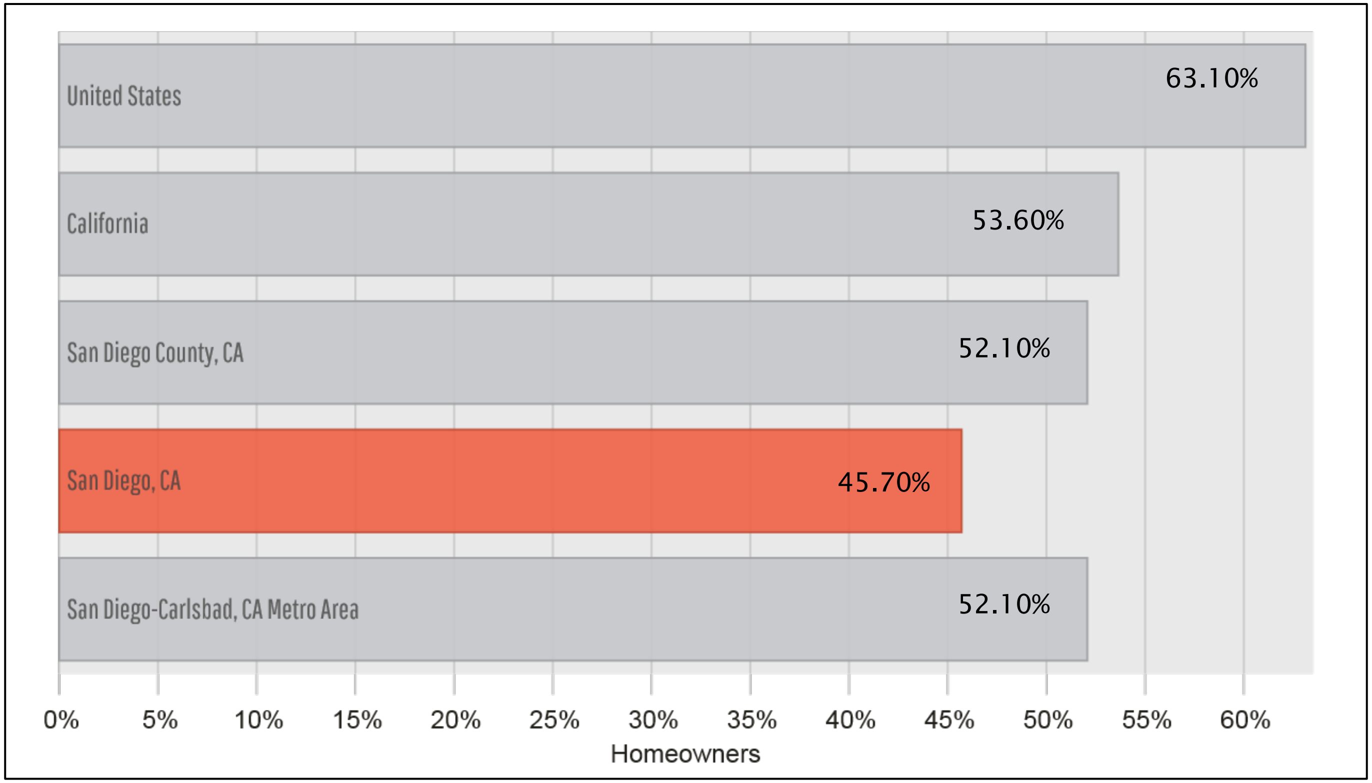
(assessed value of their prior home) × [(the new home’s market value) ÷ (the prior home's market value)]

Example:

- An individual sold his house for $1,500,000.
- The house had a tax-assessed value of $350,000.
- He bought a new house for $1,300,000.
- The tax-assessed value of the new house would be ($350,000) × [($1,300,000) ÷ ($1,500,000)] = $303,333

How will Prop 5 Affect San Diego County?

Rent vs Own in San Diego, CA



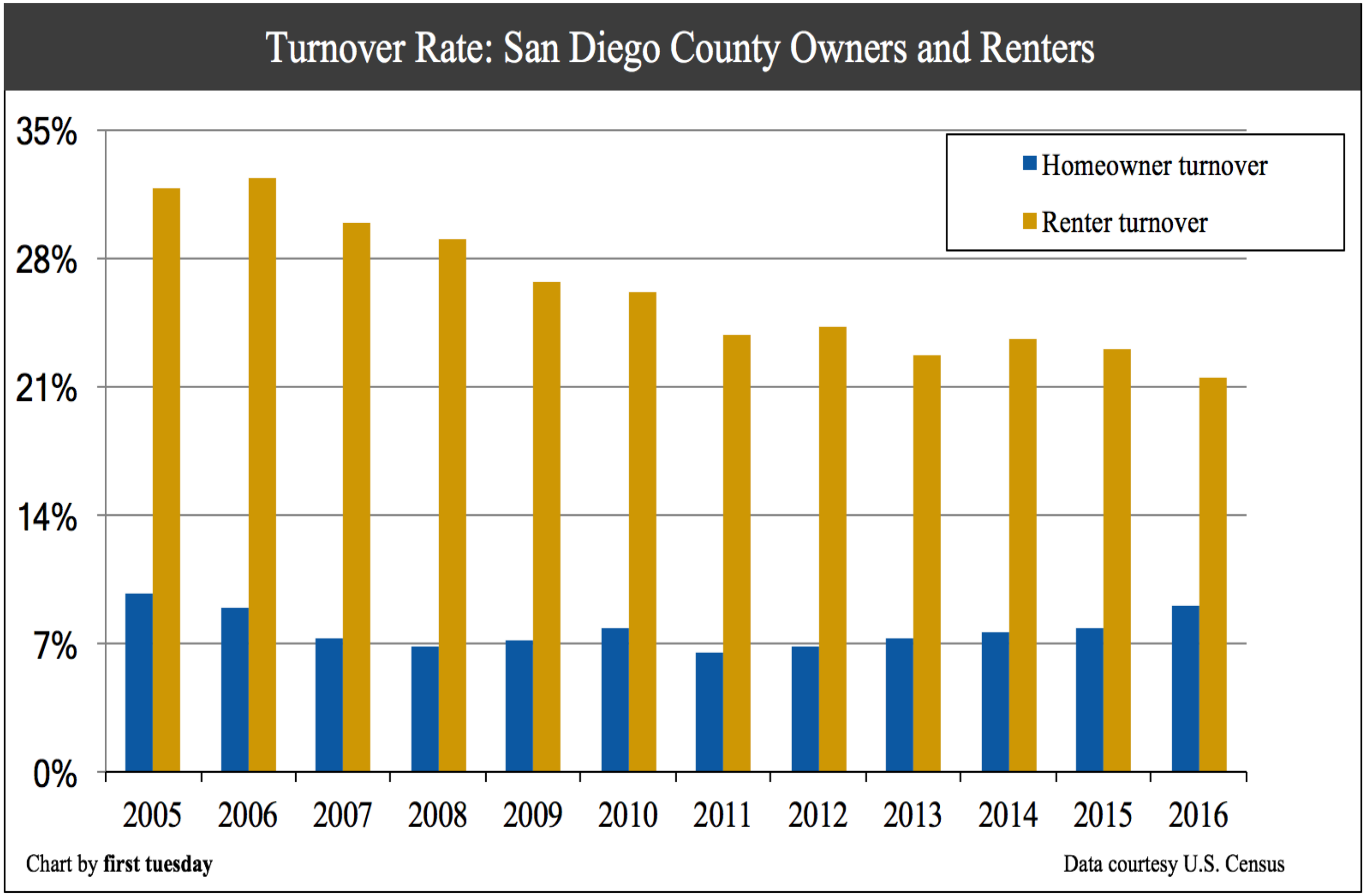
San Diego Owner Occupied Housing Units:

2015 45.30%

2016 45.70%

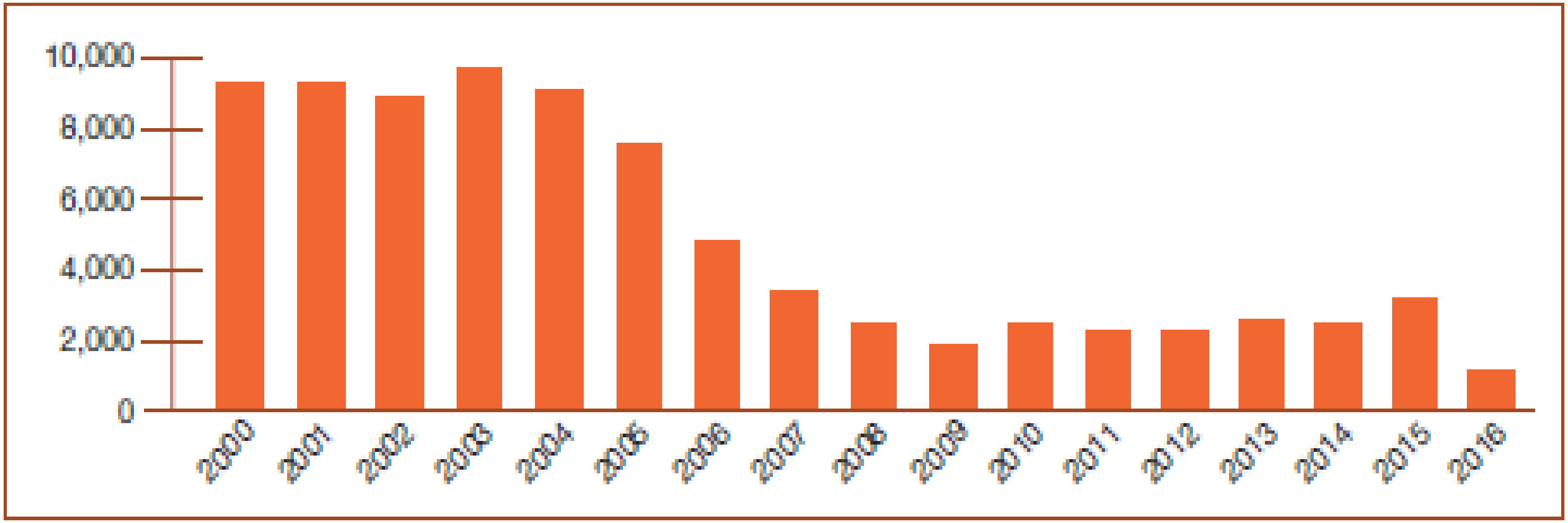
https://datausa.io/profile/geo/san-diego-ca/#housing

Rent vs Own in San Diego, CA



http://journal.firsttuesday.us/san-diego-housing-indicators-2/29246/

Single-Family Homes Permitted in San Diego-Carlsbad

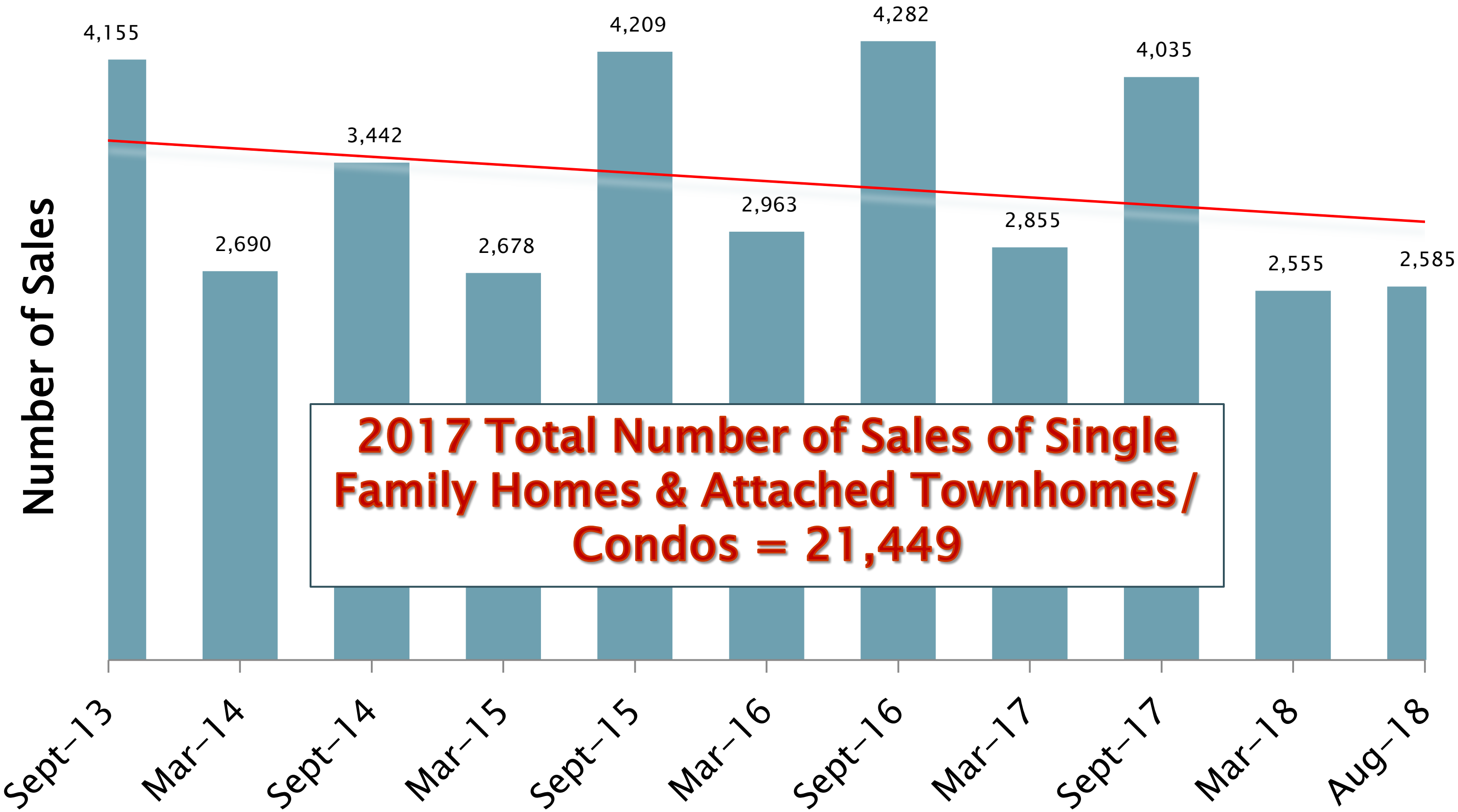


Notes: Includes townhomes. Current includes data through May 2016.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

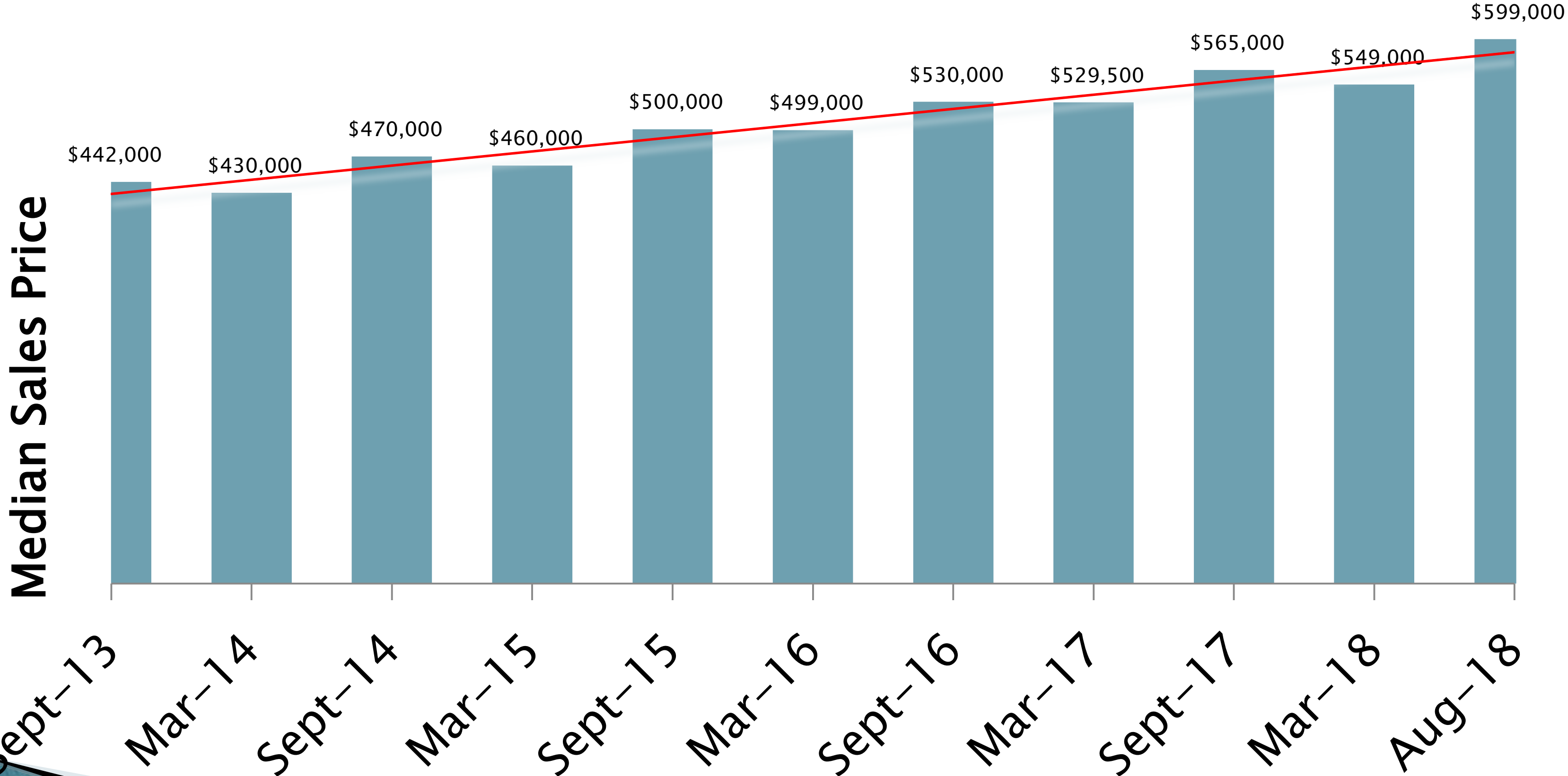
https://www.huduser.gov/portal/publications/pdf/SanDiegoCA-comp-16.pdf

Number of Sales All Properties San Diego, CA



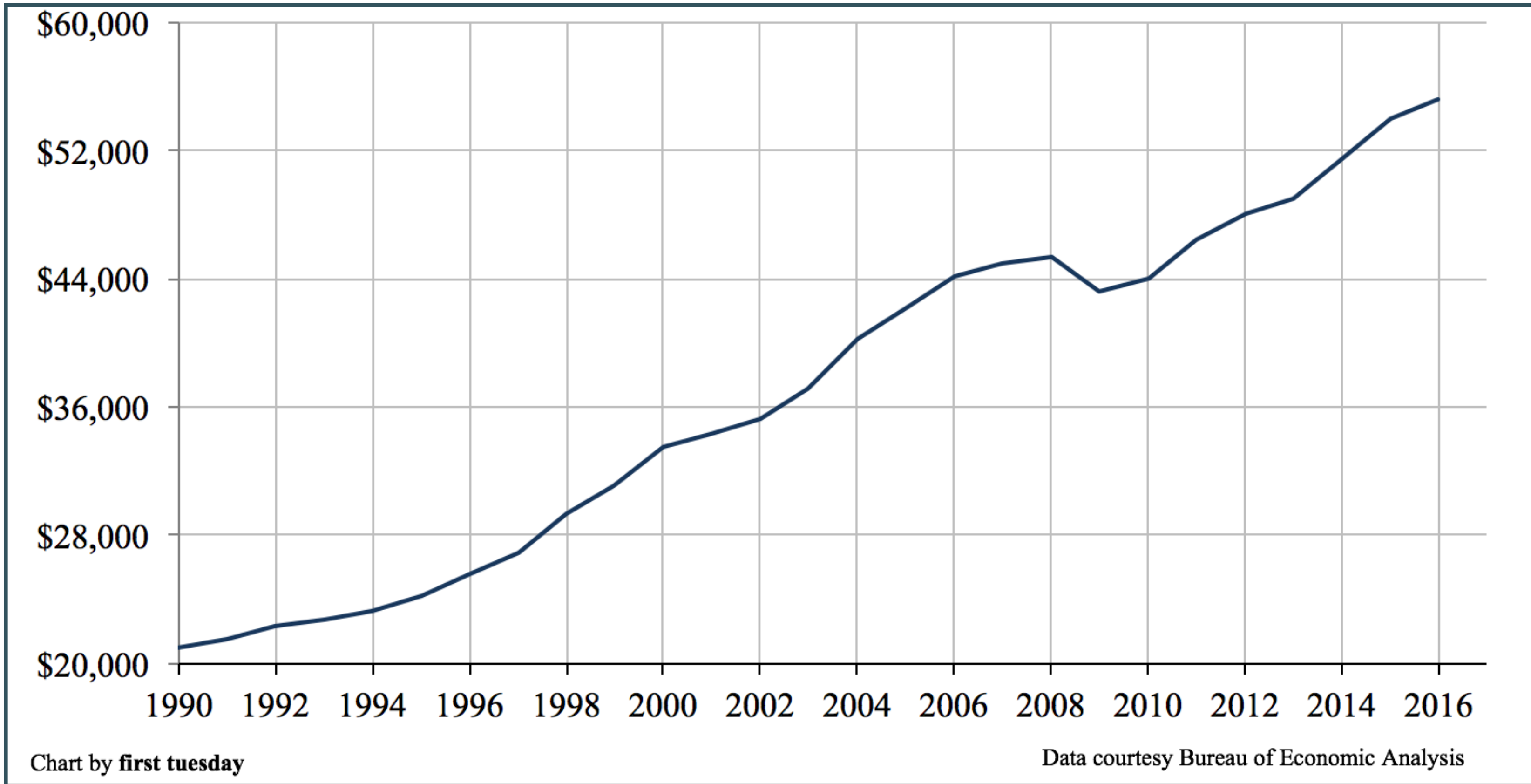
https://www.trulia.com/real_estate/San_Diego-California/market-trends/

Median Sales Price All Properties San Diego, CA



https://www.trulia.com/real_estate/San_Diego-California/market-trends/

San Diego County Per Capita Income



To afford the median home price, you would need at least:
Total Yearly Income: $99,000
Plus 20% Down Payment: $19,800

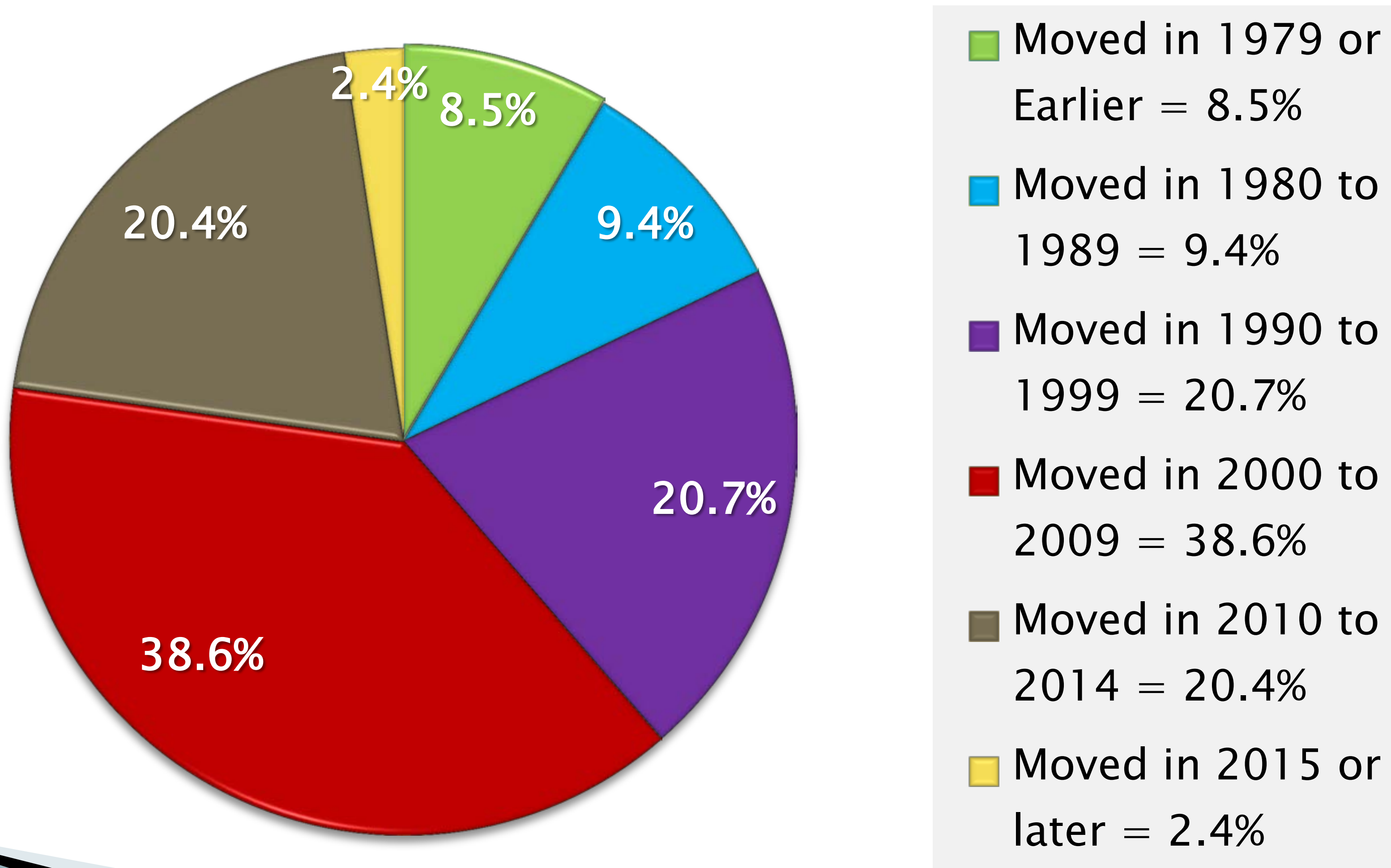
https://www.huduser.gov/portal/publications/pdf/SanDiegoCA-comp-16.pdf

Number of Homeowners who have Received a Prop 60 / 90 Transfer

San Diego County			
Fiscal Year	ALL Single Family Home Transfers	Approved Prop 60 / 90 Base Transfer Claims	Percentage of Homes with Base Year Transfer
FY 08/10	60,876	495	0.810%
FY 09/10	56,757	343	0.600%
FY 10/11	51,316	361	0.700%
FY 11/12	50,906	374	0.730%
FY 12/13	55,792	478	0.860%
FY 13/14	50,262	613	1.220%
FY 14/15	24,739	654	2.640%
FY 15/16	52,078	722	1.390%
FY 16/17	52,815	774	1.470%
Total	**455,541**	**3,241**	**0.710%**
Average Claims filed		**360**	

Source: BOE Annual Reports

Year Moved in for HOME OWNERS San Diego, CA



Data obtained from: https://www.towncharts.com/California/Housing/San-Diego-County-CA-Housing-data.html

Legislative Analyst's Office Analysis

- *"Reduced Property Tax Revenues to Local Governments*. In the first few years, schools and other local governments each probably would lose over $100 million per year. Over time these losses would grow, resulting in schools and other local government each losing around $1 billion (in today's dollars) per year."
- *Presumption that claims will increase by a "few tens of thousands"*

Approved Prop 60/90/110 Claims	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Total
California	2,984	4,140	4,957	5,251	5,730	23,062
San Diego County	478	613	654	722	774	3,241
Percentage to Total	16.02%	14.81%	13.19%	13.75%	13.51%	14.05%

Source: BOE Annual Reports

Legislative Analyst's Office Analysis

- *More State Spending for Schools*. Current law would require the state to provide more funding to most schools to cover their property tax losses. State spending for schools, therefore, would increase by an amount roughly equal to schools property tax losses.

- *Other Fiscal Effects*. The measure would have other smaller fiscal effects:
  - Probable increase to local government in property transfer tax revenues by tens of millions of dollars per year.
  - Probable increase in income tax revenues by tens of millions of dollars per year.
  - Higher administrative costs for county assessors in the tens of millions of dollars or more, with somewhat smaller ongoing cost increases..

Points to Consider…

- ***LAO predicted large revenue shortfalls from Proposition 13 that did not materialize in the long term.*** Our beaches and public libraries are still open and thriving.

- ***Capital Gains***
  - Many people can't afford to move due to capital gains. This is especially true of those who have lived in their homes for decades.
  - If gains are realized, then income tax revenue from sales of homes will be paid to state.

- ***Recording Fee $225, San Diego Transfer Tax and other fees will be collected by the city and county.***

Points to Consider

- ***Increased tax assessments on the homes seniors would sell will be paid by the new owners.***
- ***When people buy a new house they spend money.*** Increased sales and income tax revenue from new furniture, paint, carpet, drapes, landscaping of properties.
- ***Moving is a hassle***. At a certain age, people want to stay in their homes.
- The true effects of this initiative will not be felt for 20-30 years when today's young homeowners turn 55.

Stay in Touch and Contact Us For Assistance

Irvine
16715 Von Karman Ave, Suite 150
Irvine, CA 92606
(949) 724-2578
Diane.Harkey@boe.ca.gov

Sacramento
400 Capitol Mall, Suite 2580
Sacramento, CA 95814
(916) 323-9794
Diane.Harkey@boe.ca.gov