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AJR 19

Nevada Property Tax Initiative

ASSEMBLY CONSTITUTIONAL AMENDMENTS
DATE: 5/24/03 ROOM: 3161 EXHIBIT D1-17
SUBMITTED BY: Assemblywoman S. Angle

•When I went down to the Capitol and looked around, I saw that every special interest was represented there. I saw the unions were represented. The Corporations were represented. Local governments were represented. All the special interests had their lobbyists at the Capitol. So I thought: the People need their Advocate too." *Paul Gann*

"The people of California who live with Proposition 13 and see how it works still support it. In poll after poll... California voters say they would vote for Proposition 13 again, by about the same two to one margin passed by in 1978." Joel Fox, President, Howard Jarvis Taxpayers Association.

WHY AJR 19?

- It will keep Nevada families from losing their home to galloping property taxes.

- When a home is purchased, the buyer knows
  - the mortgage payment, and
  - the property taxes.

✓ The buyer can then calculate affordability of the home based on these predictable costs.

HOW WILL IT WORK?

- Suppose five years ago you bought a home for $140,000. Your home has increased in value and is now appraised at $201,000. The present tax system re-values your home at $3.64 of $201,000. Your new property tax is $**2560.75!**
- Consider the same home and apply AJR 19 by multiplying the original purchase price - not the current value - by 1%. Your property tax is **$1,783.60.**
- ✓ Which property tax system allows you to keep your home the longest before the burden is unbearable?

IS IT FAIR?

- It treats equally, property owners who purchase property of similar value at the same time.
- The California Supreme Court recognized its inherent fairness. Justice Frank K. Richardson, speaking for a nearly unanimous court, concluded that "an acquisition value system ... may operate on a fairer basis than a current value approach."
- Owners of similar property may be paying different tax amounts. The response to this is that it should be no concern whatsoever to a new resident what his neighbor's tax is - as long as his or her own tax is reasonable. The absolute cap of 1% makes everyone's tax reasonable.

IT IS FAIR!

- It is fair to existing property owners because it bases tax liability on acquisition value, not on the mercurial real estate market. It is fair to local governments because it allows for periodic reassessment of property when it changes ownership.
- Finally, it is fair to new property owners, because it gives them two things they otherwise would not have: the benefit of a reasonable maximum property tax of 1% and the absolute certainty as to what their tax bills will be in future years.
- Owners of similar properties are paying different amounts for the same public services. However, now owners of more valuable property pay more for the same services. Proportionality between tax liability and services has never been an attribute of property taxes.

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IS THERE A DOWNSIDE?

- It is true that the relative property tax burden shifts from commercial to residential property, since residential properties sell more often and are thus subject to more upward tax revisions.

If commercial property is removed, skyrocketing business taxes will ultimately fall on the same families in one of three ways:

- as consumers through higher prices,
- as employees through lower wages, or
- as investors through lower earnings. (Most investments are not the fat cats; they're Mom and Dad's retirement savings.)

HISTORICAL REMINDERS

- California home ownership from 1966 to 1978 was faced with skyrocketing property tax assessments.
- Passage of the Jarvis-Gann Tax Initiative known as Prop 13.
- Prop 13 won strong approval with 65% of the vote.
- Prop 13 established the acquisition-value assessment system (annual taxable property value can not increase by more than the rate of inflation or two percent, whichever is less).
- The California Supreme Court (1978) and the U.S. Supreme Court (1992) have upheld Prop 13.

CALIFORNIA BOOMS DUE TO PROP 13

- "Proposition 13 was to become the envy of the nation. In the 10 years after the passage of Proposition 13, incomes in California grew 50 percent faster than in the nation as a whole; jobs grew at twice the national pace. Even supporters of Proposition 13 never envisioned that it would unleash the spectacular entrepreneurial and commercial explosion that it did over the next decade." *Stephen Moore, director of fiscal policy studies at the Cato Institute.*

CALIFORNIA ECONOMY BETTER THAN EVER

- total property tax revenues to local governments in California have increased at a rate exceeding inflation and virtually all other economic indicators.

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FEARS WERE NOT REALIZED

- Dire predictions of cutbacks in police and fire protection, always the leading horror, never happened.

- More importantly, California state and local government continued to grow and as bad as it is now; one has to wonder what would have happened to the tax payer had Prop 13 not been enacted.

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AJR GIVES CERTAINTY TO TAXPAYERS

- Adam Smith stated in his Wealth of Nations: "The certainty of what each individual ought to pay is, in taxation, a matter of so great importance, that a very considerable degree of inequality, ... is not near so great an evil as a very small degree of uncertainty." Proposition 13 has captured Smith's notion of certainty.

POLITICAL REALITIES

- Many legislators, including Republicans, who opposed Prop 13 were defeated in the November 1978 general election.
- Through the years candidate opposition to Prop 13 was often a campaign litmus test which could and did lead to defeat.
- California's Prop 13 was a model for the nation, triggering taxpayers revolts in other states.

HYBRID SALES TAX

Think of AJR 19 as a hybrid between a property tax and a sales tax. If sales taxes can be based on acquisition value, why can't property taxes? Justice Richardson said of Prop 13 it is "roughly comparable" to a sales tax.

THE BENEFITS

- The 1% limit on property taxes is a boon to home ownership.
- The 2% annual increase limitation means that home owners can predict their future maximum property burden.
- Seniors who have their backs to the wall facing escalating taxes will be saved from losing their homes.
- AJR 19's limit on property taxes also means more young people can qualify for a loan.

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AJR 19 will…..

- AJR 19 will remove much of the problem of subjective assessments protecting homeowners against out of control property tax increases during periods of rising values.