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Local Parcel Taxes in California Cities and Counties:
New Findings from a New Database

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November 15, 2018

Abstract

This paper presents findings from newly compiled data on parcel tax ballot measures in California counties, cities, and special districts. Unique in California, a parcel tax is commonly understood as a lump-sum tax applied to parcels of real property to finance local public services. Although parcel tax ballot measures have become more frequent, studies are rare on the scope and use of parcel taxes in local governments. To fill this gap, I collected and analyzed a comprehensive list of local parcel tax ballot measures in counties and cities from 1995 to 2017. Using the data, I describe how parcel taxes are designed and implemented in local governments and discusses avenues of future research.

Keywords: parcel tax, land tax, property tax, California, state and local finance
JEL codes: H2, H7.

*Prepared for the 111th Annual Conference on Taxation.
New Orleans, LA*

I. Introduction

This paper provides a descriptive study of parcel taxes in cities, counties, and special districts in California. Specifically, it focuses on how local governments design, propose, and implement such taxes. It also discusses the efficiency, equity, transparency, and stability of the parcel tax as an alternative financing tool for local services in California.

A parcel tax is a real property tax on a parcel of land. In prior studies, it has been commonly understood as a lump-sum tax per parcel, with the same dollar amount imposed on all parcels within a jurisdiction (Brunner 2001; California Tax Foundation 2014; Sonstelie 2015; Lang and Sonstelie 2015; Kiewiet and Hill 2015; Lee 2016). The tax base, therefore, is parcels of a real property, regardless of property value, size, or classification. As dictated by the state constitution, adoption of a parcel tax requires a two-thirds supermajority vote in a local jurisdiction. The parcel tax is a way to extract tax revenue from real estate while circumventing the one percent cap set forth in the state constitution (Folvary 2006).

Local ballot measures to adopt a parcel tax have grown increasingly popular in cities, counties, and special districts. As a result, cumulative parcel tax revenue has increased each year. Despite their growing role, data on parcel taxes are difficult to find and systematic study is rare. The lack of information is more apparent in cities, counties, and special districts than in school districts, as school parcel tax data has been collected by the Department of Education since the first successful school parcel tax in 1983. The Legislative Analyst's Office (2012) stated, "We were not able

to locate information on the statewide amount of parcel tax revenue collected by cities, counties, and special districts.”

In 2014, the California Governor signed into law AB 2109, which requires that local government agencies (counties, cities and special districts) report information on assessed parcel taxes to the State Controller’s Office (Government Code 12463.2). The first report, for fiscal 2016, revealed 863 unique parcel taxes in 152 cities spanning 30 counties. Together they raised \$1.1 billion in revenue for public services. If parcel taxes in school districts are added (data for school districts is collected separately by the Department of Education), total revenue from parcel taxes amounted to \$1.5 billion in 2016.

Parcel taxes have become popular as a way to extract revenue from real property. Prior studies have focused mainly on parcel taxes in school districts (Brunner 2001; Lang and Sonstelie 2015; Kiewiet and Hill 2015; Lee 2016). Comprehensive studies are rare, especially in cities, counties, and special districts. Since 1983 when the first parcel tax was adopted, only two reports have examined parcel taxes in these local government agencies (California Tax Foundation 2014; Sonstelie 2015). However, neither scrutinized parcel taxes over a long period. To fill the gap, I collected parcel tax ballot measures in cities, counties, and special districts between 1995 and 2017. The resulting descriptive analysis offers a benchmark for initial understanding of this form of taxation which emerged as a byproduct of Proposition 13. I believe it makes important contributions to the limited knowledge about parcel taxes and provides a good start on understanding them.

The paper is organized as follows. Section II provides a brief historical and institutional background. Section III overviews prior studies. Section IV describes the data. Section V provides a description of parcel taxes in cities and counties. Section VI discusses the efficiency, equity, transparency, and stability of parcel taxes. Section VII concludes the paper.

II. Institutional Context and Literature

California voters approved Proposition 13 in 1978. The constitutional amendment transferred the authority to levy property taxes from local governments to the state government. It capped the ad valorem property tax at a one percent statewide rate. Locally levied ad valorem property tax has since been prohibited.

According to the Legislative Analyst's Office (2016), the average tax rate on real property was 2.67 percent before the passage of Proposition 13. Because of the property tax cap under Proposition 13, local governments in California immediately experienced severe budget constraints. To cope with the one percent property tax rate, local governments have sought alternative revenue sources.

Although the state constitution does not allow local governments to raise property tax rates, taxes on real property are permitted as long as such a tax:

- is not ad-valorem (ad valorem tax remains at the one-percent, state-wide rate)
- is approved by a two-thirds supermajority of voters, and
- is used for special purposes.

Although parcel taxes have been used to finance local public services for more than three decades, parcel taxes proposed and implemented in cities, counties,

and special districts have been under-explored. Collecting limited information, Sonstelie (2015) and the California Tax Foundation (2014) have each studied them. As an advocacy organization, the latter (2014) calls for defeating local parcel tax referenda. The foundation enumerates the negative aspects of parcel taxes. First, parcel taxes erode the effect of property tax relief under Proposition 13. Second, they are regressive because residential homeowners have the same amount of tax liability as much more valuable commercial property owners. Finally, non-residents who do not bear the tax burden often benefit from services financed through parcel taxes.

Unlike this critical assessment, Sonstelie (2015) explores positive sides of the parcel tax as a potential revenue source for local governments. Based on standard principles of taxation, he reflects its advantages, and conditions under which such a tax can be efficient and equitable. First, he argues that as long as the parcel tax does not differentiate land use, it can be an efficient tax since it would not affect economic decisions. Second, because the supply of land is fixed, a tax on land, if applied equally, is borne by landowners only. Third, parcel taxes are not costly to administer. Fourth, since a parcel tax is imposed on physical characteristics that do not change, the tax can be a stable source of local revenue. Fifth, the tax is transparent because it is imposed on easily measurable characteristics. Finally, a parcel tax is difficult to evade. Sonstelie also identifies shortcomings of the parcel tax. He argues that a parcel tax system can penalize small parcels that cannot be developed.

While the two studies highlight different aspects of the parcel tax, they share concerns about conditions under which parcel taxes can be used efficiently and equitably. In my examination of parcel tax usage in local governments, I find that a parcel tax is not always a lump-sum tax per parcel of land, and the structure of the tax is locally fragmented.

III. Data

I analyzed local ballot measures that proposed a parcel tax in cities, counties and special districts in California between 1995 and 2017. Note that this paper excludes parcel tax elections in school districts. To collect the ballot measure information, I relied on the [County, City, School District & Ballot Measure Election Results](#) from the California Secretary of State. The report provides where and when local parcel tax elections occurred with short descriptions. The reports are available online for the elections held between 1995 and 2017. From this data, I identified 592 parcel tax elections in cities, counties, and special districts.

Although Election Results provides a summary of each ballot proposal, these are frequently short on detail, particularly for older ballot measures. When necessary information is missing, it is difficult to scrutinize tax bases extracted through parcel taxes. To supplement the information, I obtained details of ballot measures from the Digital Encyclopedia of American Politics and Elections (<https://ballotpedia.org>), articles in various local newspapers, official documents of local agencies, and individual county websites.

From the text of ballot measures, I identified the following variables: names, types, and geographic locations of local agencies, year and month of the elections, services that the proposed parcel tax will finance, the number of votes cast, the percentage of votes in favor, whether the measure was approved, proposed tax amount, tax base, information on a sunset provision, whether the proposal was an introduction of a new parcel tax or an extension/renewal of an existing parcel tax, and whether there were any exemptions.

V. Analysis

1. Time trend of parcel tax elections

From 1995 to 2017, there were 592 parcel tax ballot measures in counties, cities, and school districts. The sheer number of parcel tax elections in and of itself indicates the perceived significance of parcel taxes as viable alternative local revenue sources.

Figure 1 shows the growing number of parcel tax proposals in cities, counties, and special districts. The values over bars represent the number of parcel tax elections each year. California local governments held 592 parcel tax elections between 1995 and 2017. They are spread across 46 of the state's 58 counties.

[Figure 1 about here]

The number of parcel tax elections has grown since 1995. Figure 1 shows a visibly larger number of elections in general election years. That is because on those years, local governments held elections in conjunction with the general election to increase voter turnout and to decrease election costs. The increased number of

parcel tax ballot measures is apparent since 2008. One possible explanation is that the Great Recession put local governments in extreme budget constraints, forcing them to find an alternative local tax base. Despite the rising interest, however, how parcel taxes are collected and used is not well understood by either the state or the public.

2. How many parcel tax ballot measures were approved?

Despite the supermajority vote requirement, voters approved approximately 50% of the 592 proposals between 1995 and 2017. Figure 2 shows the distribution of votes in favor of parcel tax proposals.

[Figure 2 about here]

The state constitution requires at least a two-thirds majority of voters to approve a parcel tax. The solid black vertical line in Figure 2 indicates the threshold (0.667). Local governments on the left side of the line failed to adopt a parcel tax while the ones on the right side succeeded. The successful and failed elections split between 50% and 50%. The mean of favorable votes for all parcel tax measures is 0.66, which is slightly lower than the threshold.

The distribution in Figure 2 is negatively skewed. Almost 80% of the elections (467 elections) gained more than a simple majority in favor of a parcel tax but failed to reach the 2/3 threshold. If the state required only a simple majority, 80% of proposals would have been approved.

[Figure 3 About Here]

A majority of parcel tax measures in cities and counties proposed a permanent tax. On the contrary, only 3% of parcel tax measures in school districts propose a permanent tax.¹ The lack of a sunset provision in many parcel tax ballot measures suggests that for cities and counties, parcel taxes are not a temporary tax to alleviate short-term fiscal distress. They are a permanent tax for the future revenue stream.

3. For what local services are parcel tax revenues used?

Parcel taxes must be set aside for special purposes. They are proposed to finance police and fire protection, emergency medical services, public works, landscaping, street lighting, parks and recreation, libraries, hospitals, public health, environment protection, open space, water management, water conservation, flood control, cemetery services, public transportation, snow removal, and even general services including non-specified administration. Table 1 shows how proposed parcel taxes were planned to be used.

[Table 1 about here]

Among those, 293 measures were proposed to provide public safety such as police, fire, emergency medical services, or some combination of them. This represents 47.8% of the total number of parcel tax ballot measures. The second most frequent service items include parks and recreation services, roads maintenance, and library services.

¹ In a separate database of parcel tax elections in California school districts between 1983 and 2017, I have discovered that 94% of 656 school parcel tax measures have a sunset date.

4. Tax Base of Parcel Taxes in Cities and Counties

The tax base is the measurement where the determination of tax liability lies. In the previous literature, a unit of a parcel is commonly understood as the tax base of a parcel. The parcel tax has been defined as “a tax on real estate parcels, not on the value of those parcels” (Brunner 2001, 1), a tax on land (McGee and Weston 2013), a tax on parcels of land (Lang and Sonstelie 2015), a tax on parcels of real property that is typically a flat tax per parcel that does not vary with the size or characteristics of the parcel (Sonstelie 2015), a tax on parcels of property imposed a per parcel basis that is different from a traditional ad valorem property tax based on the value of the property (California Tax Foundation 2014), and a non-ad valorem tax imposed as an incident of property ownership (California State Controller’s Office 2015; Lee 2016).

All of the definitions highlight a crucial aspect of a parcel tax, a tax per parcel of land, regardless of property value, size, land use, and other characteristics.

The analysis of collected parcel tax ballot measures reveals that a majority of the ballot measures (397 measures, 67% of the entire sample) proposed a lump-sum tax on each parcel of land regardless of the characteristics of a property. However, 33% (194 ballot measures), a non-negligible fraction of the measures, differentiated a parcel tax depending on classification, size, location, and even assessed values of properties. In other words, contrary to the common understanding that a parcel tax is a lump-sum tax equally imposed on all parcels, its tax base described in local ballot measures is not limited to a parcel of land. The tax is sometimes proposed to be based on size, such as meter, acreage, square footage,

and front-footage (linear foot of street front property), number of dwelling/living units for duplex, triplex, condominium, and apartments, number of service/benefit units, number of bedrooms or rooms, types of businesses, improvement status, vacancy status, and some combinations of them.

(1) Land use

California does allow different real property tax rates by classification of real property (grouping of properties based on similar land use). However, in the sample of 592 parcel tax ballot measures, 194 measures proposed a different parcel tax depending on land use such as residential, commercial, industrial, and institutional properties.

Many of the ballot measures impose different amounts by land use. For instance, in 2017, the City of Monterey Park imposed a \$23 library parcel tax for “single-family units,” \$50 per parcel for multi-family units, \$75 per commercial and industrial parcels. In some local governments, the amount of parcel taxes is drastically different by land use. For instance, Muir Beach Service Area in Marin County imposes \$300 for residential parcels and \$3,250 for commercial parcels. In other instances, localities set a different tax base for residential and non-residential parcels. For instance, one of the Marin County service areas imposes \$23 per residential parcel but \$0.04 per square foot for non-residential parcels.

Sixty-five measures, about 11% of the entire sample, levy a parcel tax only on residential properties. In one case, a parcel tax was imposed only on non-residential parcels, but it resulted from an exceptional and unusual circumstance in the city.

Voters in the City of Vernon approved a parcel tax of \$0.03 per square foot of non-residential parcels, but the city has only about 100 residents, and most of them live in city-owned properties (Becerra and Allen 2011).

Further, local governments have proposed a different amount of parcel tax by subtypes of properties. Residential subtypes include a single-family house, duplex, triplex, multifamily residential unit, senior housing, condominium, and others. For non-residential properties, subtypes include commercial, industrial, institutional, and recreational properties that are taxed differently. In some local governments, properties are targeted to pay a specific amount of parcel taxes. For instance, local agencies knowingly impose a large amount of parcel tax on hotels, motels, churches, clubs, shopping center, schools, theater, supermarket, veterinary hospitals, gym/health spas, parking lots, office buildings, nurseries, golf course, and restaurants/cocktail lounges in the jurisdiction are targeted to pay specific amount of parcel taxes.

(2) Size.

Approximately 17% of parcel tax ballot measures (102) use at least one type of measurement that differentiates the size of parcels or properties such as square footage, acreage, and meter. In Yucca Valley Airport District, \$0.02 parcel tax per square foot was passed in 2013.

(3) Improvement

About 30% of the ballot measures (130 measures) proposed to tax only improved parcels. For instance, in 2012, voters in Mountains Recreation and Conservation Authority Area 1 in Los Angeles County approved a \$24 parcel tax on developed parcels to protect open space. The Union City in Alameda County explicitly stated in the text of its ballot measure to finance public safety that unimproved parcels are exempt. In some cases, a parcel tax on an unimproved parcel is merely symbolic. In the Strawberry Recreation District, voters approved a \$2,000 parcel tax on an improved parcel and \$1 on an unimproved parcel. Sometimes it is not obvious in the text of ballot measures whether the parcel tax is imposed only on an “improved parcel.” Yet, ballot measures in these cases use languages such as “working area,” “living area,” “living units,” “dwelling units,” “building,” and “structure” that imply that the tax applies only to the improved parcels. Importantly, sometimes the parcel tax base is the size of a structure, not the unit of a parcel as previously known. In 2016, voters in the Los Angeles County approved a 1.5 cent parcel tax per square footage of improved property.

Further, 51 ballot measures impose different rates based on the improvement status. Most tend to levy a greater amount on improved parcels than unimproved parcels. In some local agencies, the difference is curiously small. For instance, in 2017, voters in Peninsula Fire Protection District approved \$280 per unimproved parcel and \$295 per improved parcel; in 2014, the Happy Camp Fire District adopted a \$39 parcel tax per improved parcel and \$12 per unimproved parcel. Sometimes a large difference in the tax amount between improved and

unimproved parcels. In Strawberry Recreation District in Marin County, improved parcels are liable for \$2,000 parcel tax whereas unimproved parcels are liable for only \$1. In addition, sometimes local agencies specify different tax bases by improvement status. In 2003, the Marinwood Community Service District adopted an 18-cent parcel tax per square foot of living or working area (i.e., residential and commercial properties) and \$60 tax per acre of unimproved land.

Economists have advocated taxation on land since it leads to the least market distortion. In theory, a tax on unimproved land provides incentives to develop the land, while a tax on improvements discourage such incentives. However, in California cities, counties, and special districts, some parcel taxes are not designed to ensure the efficiency. When they differentiate improvement status, they tax the improvements rather than the land. The practice is similar to a benefit assessment, a levy on properties for a special benefit given to the property (California Constitution Article XIII D §2[b]). Localities use benefit assessments to pay for public services that benefit property; only property owners who benefit from the service are liable for parcel taxes; the costs of local services are distributed in proportion to benefits. Thus, the logic behind imposing parcel taxes more heavily on improved than unimproved land is because parcel taxes finance local services. This is a way to strengthen a tax-benefit linkage.²

According to the California Senate Governance & Finance Committee (2011), a benefit assessment and a tax are an involuntary charge, but the former provides a

² However, parcel taxes cannot be imposed and raised if they do not specify local services they will finance (*City of Oakland v. Digre* 1988).

direct, special benefit while the latter is imposed regardless of taxpayers' relative benefit. The Committee designates street improvements, streetlights, and public landscaping as an example of services that benefit assessments can finance. Parcel taxes also finance these services: eight ballot measures in the sample specifically proposed a parcel tax for landscaping and lighting, and 55 for street maintenance. It seems that some local governments do not impose a parcel tax on unimproved land to strengthen the tax-benefit linkage.³ Among all services that parcel taxes are proposed to fund, local governments tend to exempt unimproved land from a parcel tax when they plan to use the revenue for library services, parks and recreation, and public safety.

(4) Vacancy status

The benefit view of the parcel tax applies to the treatment of vacant parcels. About 5% of ballot measures examined in this study impose a different amount of parcel taxes on a vacant parcel.⁴ Not many parcel tax measures specifically mention the treatment of vacant parcels. When it is mentioned, however, vacant parcels are charged with a smaller amount than occupied parcels. For instance, voters in a county service district in Orange County approved "\$200 per parcel for residential

³ In *City of Oakland v. Digre* (1988), the California Court of Appeal states that the term "parcel" does not conclusively determine its nature. Even if it were, a "parcel tax" is vague to encompass a tax on a property itself or a tax on the use of services.

⁴ I use the terms, "vacant" and "unimproved" parcels differently. The former refers to unoccupied building structure and the latter undeveloped land. In parcel tax ballot measures, the two terms are often used interchangeably. Unless voters read the entire text of ballot measures, it is often difficult to understand the precise meaning of vacancy.

and commercial improvements and \$130 per parcel of vacant land.” In 2009, a county service area in San Bernardino County adopted \$80 parcel tax for “homes,” \$200 per “businesses,” and \$40 for vacant lots.

Some parcel tax measures specifically state that a parcel tax would be imposed only on residential parcels that are occupied. In the City of Mill Valley, only occupied single-family houses are liable to a \$266 parcel tax. In 2004, Union City adopted a parcel tax for public safety in which only occupied residential parcels are taxed, and property owners of vacant residential parcels get refunds.

There are cases where a parcel tax was imposed only on vacant parcels. One is the City of Murrieta, whose voters in 1997 voted to help finance public parks. Another is the City of Desert Hot Springs, which proposed a parcel tax only on vacant parcels. The city officials proposed a \$372.68 per acre of vacant parcels, but it did not pass.

VI. Discussion

Among all types of taxes, the property tax receives high marks on revenue stability, efficiency, equity, and transparency. However, scholars and practitioners have pointed out that the property tax has drifted away from the ideals and the tax base of the property tax has been narrowed. Specifically, tax policies on real properties differentiate land use types; tax rates have become less uniform and inequitable; special provisions have made property taxes more complex and confusing (Bell 2012). The parcel tax is simple to administer, but it is criticized as a regressive tax that imposes a heavier tax burden on owners of properties of lesser value. Since the

adoption of a parcel tax requires a supermajority vote, local governments try to mimic the ad valorem tax by imposing the tax by the size, land use, improvement and vacancy status, and other characteristics of properties. Naturally, their attempt to make the parcel tax more appealing to the voters has the parcel tax lose its potential efficiency and transparency.

1. Efficiency/Neutrality

Neutrality and efficiency refer to taxes that do not change taxpayers' behaviors to minimize tax liability. Property taxes are considered to be neutral/efficient when they are imposed on the unimproved value of land (Henry George 1879).

Specifically, Vickrey (1999) summarizes that the property tax is a combination of one of the worst taxes (taxes on real estate improvements) and one of the best taxes (taxes on site value). From this perspective, if California parcel taxes are based on a parcel of land, they can be close to the ideal of an efficient tax.

In previous studies, a parcel tax is “essentially a tax on land (Sonstelie 2015).” That is probably why a parcel tax is considered to be an efficient way to extract tax base from real estate. It is true that 67% of parcel tax proposals examined in this paper were a uniform tax on a parcel of land regardless of property values and characteristics. However, 33% of the ballot measures proposed to tax differently by land use, improvement status, vacancy status, and other characteristics such as the number of rooms, the number of bedrooms, size of the structure, and even assessed values. Furthermore, I have found that a non-negligible portion of parcel tax ballot measures is essentially a tax on buildings, not on land.

Vacant and unimproved land are almost always taxed at a much lower amount, and often escape taxation entirely. The complexity of the parcel tax structure erodes the potential efficiency of a parcel tax.

2. Equity

The parcel tax has been criticized for its regressivity because its usual form, a lump-sum amount of tax liability, is equally applied to all properties regardless of property values. The tax burden, therefore, is heavily on properties on lesser value. When the San Francisco Bay Restoration Authority proposed a \$10 lump-sum parcel tax for all properties in the nine counties in the San Francisco Bay Area in 2016, an op-ed in *Los Angeles Daily News* stated, “... the most progressive part of California inflicts the most regressive tax known to America upon all its residents (Elias 2012).”

Sonstelie (2015) suggests a size-based parcel tax applied to all land uses to address the equity concern. Voters seem to like the idea of size-based parcel taxes. According to pre-election polls taken in a school district, voters prefer a parcel tax based on square footage to a lump-sum tax (Lee 2016). This is precisely how some local governments attempt to address the equity issue. About 17% of proposed parcel taxes are based on square footage and acreage to measure the size of parcels or buildings. According to Kiewiet and Hill (2015), it is hardly surprising to see that local governments come up with a tax system based on characteristics of parcels that correlate with value. It is indeed their effort to make the parcel tax more attractive to voters by mimicking ad-valorem taxes while circumventing Proposition

13. My analysis from the examined parcel tax measures shows that 63% of the size-based parcel tax measures have passed while 48% of unit/parcel-based measures succeeded.

Sonstelie (2015), however, posits that the size-based parcel tax would impose too much tax liability on large vacant land. Local agencies consider this weakness. In the sample, 22% of parcel tax proposals exempt unimproved parcels, and another 9% of ballot measures proposed a lower tax on unimproved parcels than on improved parcels. But this practice is the opposite of Henry George's idea of efficient resource allocation through taxation. In any case, it is clear that local agencies attempt to address the regressivity of a uniform parcel tax by classifying parcels based on the size, land use, and other. However, the classification often goes too far and threatens the relative simplicity and transparency of a uniform parcel tax.

3. Simplicity and Transparency

Property tax is relatively simple and transparent to administer, compared to other types of taxes because it does not require filing and it is easy to identify the tax base. Being a type of property tax, a parcel tax enjoys the advantages of simplicity and transparency. A parcel tax, if imposed as a simple lump-sum tax per parcel of land, is even easier to administer because it does not require a valuation. In fact, the vast majority of parcel tax ballot measures seems to take advantage of this simplicity and transparency.

Nonetheless, many parcel tax measures require exemptions and refunds that must be submitted to the county administration. The tax design becomes complex as the tax base for parcel taxes include units, parcels, homes, lots, square footage/acreage/meter/front-square footage of parcels and buildings. This complexity becomes even worse when other features of parcel taxes such as classifications, vacancy, and improvement status are combined. There are a handful of localities that created excessively complex classification. Exhibit 1 shows two examples.

[Exhibit 1 About Here]

The first case is a parcel tax ballot measure approved in the Monterey Peninsula Regional Park District in 2016. The second case is a parcel tax proposal that failed in Clements Fire Protection District in 2015. Their complex classification provisions erode simplicity and transparency, one of the main advantages of taxes on real estate.

4. Stability

A parcel tax base does not typically fluctuate with the business cycle. The size and number of units are much more stable than the ad-valorem tax. Also, taxpayers are protected against sudden and unexpected increases in taxes due, for example, to fluctuations in the housing market. For local governments, a parcel tax is relatively immune to economic volatility, which provides a stable revenue stream to provide local public services.

5. Looming legal issues

The State Controller's Office (2014) defines a parcel tax as follows: "Generally, the tax is charged on a parcel of property based on either a flat per parcel rate or a variable rate depending on the size, use and/or the number of units on the parcel." A parcel tax can include all types of special taxes for specific governmental purposes. According to the state government's decision tree to determine whether a local tax is a "parcel tax," a tax has to be property-related, non-ad valorem, a tax (fees, assessments, fine, penalty, abatement, etc. are excluded), and collected on the annual property tax bill (if it is collected in another manner outside of the annual property tax bill, it is excluded).⁵ Despite the state's official definition, the parcel tax is still a fragmented source of revenue with no centralized structure and limited oversight (California Tax Foundation 2014). The current rules are vague and inconsistent, which raises potential legal issues.

The state's definition of a parcel tax includes a tax based on size, use, and the number of units on a parcel. Local governments use the definition to decide whether locally collected property tax is a parcel tax, now subject to mandatory reporting. In school districts, however, a parcel tax with "a variable rate depending on the size, use and/or the number of units on the parcel" is outlawed. In 2014's *Borikas vs. Alameda Unified School District*, the California Appellate Court ruled that school districts must treat commercial and residential properties equally with a uniform tax. In 2012, the Alameda Unified School District proposed Measure H that would

⁵ For this specific reporting requirement, a parcel tax levied by a state agency or a K-12 school or a community college district are not included.

tax residential and commercial/industrial properties differently. The district proposed \$120 per parcel per year for residential parcels, \$120 per parcel per year for commercial and industrial parcels less than 2,000 square feet, \$0.15 per square foot to a maximum of \$9,500 per year for commercial and industrial parcels greater than 2,000 square feet. The court found that Measure H violated Government Code Section 50079 in which “qualified special taxes” means special taxes that apply uniformly to all taxpayers or all real property within school districts.⁶ Hence, the court ruled that the parcel tax measure was invalid.

According to Government Code Section 53978, which governs special taxes, however, “a graduated tax based on the city's zoning and classifications, determined by real property parcel size” does not violate the state constitution Article XIII A. Section 53978, therefore, is inconsistent with Section 50079 that prohibits different parcel tax amounts by land use. In sum, in cities, counties, and school districts, the size, use, and the number of units can be tax base for a parcel tax, whereas, in school districts, that is not the case.

Further, I have found three parcel tax ballot measures that explicitly proposed a parcel tax based on assessed value. Only one of them passed, in Santa Clara County in 2016, to finance parks and recreation. The ballot measure was approved to impose “\$0.01425 per one hundred dollars of assessed valuation of all real and personal property.” The other two ballot measures were in Trinity County and Contra Costa County to impose “\$0.00015 of the assessed value of each parcel of

⁶ There have been several legislative efforts to override the uniformity requirement in the State Assembly and the Senate, but they have been unfruitful.

improved property” and “\$0.00015 of the assessed value” of a residential property. These measures are illegal since the state constitution (Article XIII A) prohibits the local imposition of ad-valorem property tax. All of the above legal issues encapsulate confusion and a lack of guidance by the state government.

VI. Conclusion

This article attempts to explore the parcel tax in California cities, counties, and special districts. From newly compiled data on parcel tax ballot measures from 1995 to 2017, I have found that about 67% of parcel tax measures were based on a uniform tax per parcel of land, while the remaining measures proposed more creative tax structures to appeal to voters. In these cases, the parcel tax is based on land use, improvement status, vacancy status; the tax base is measured by various units (benefit units, dwelling units, number of bedrooms and rooms), parcels, square footage, front footage, acreage, and other tools. Three ballot measures even proposed potentially illegal ad-valorem tax as a parcel tax.

The complex provision of classifications erodes potential benefits of the parcel tax for its efficiency, simplicity, and transparency. However, the complexity results from local government efforts to make the parcel tax fair and therefore appealing to the voters. In addition, this article shows that parcel taxes operate as a benefit tax to raise revenues for local services. The complex structure of parcel taxes also results from local government efforts to create a strong tie between taxes and benefits. That is why local agencies levy a lesser amount of parcel taxes on unimproved and vacant parcels than on the improved and occupied structure.

In summary, a parcel tax embodies the local fiscal landscape in post-Proposition 13 California. Local governments seek out new tax base to overcome fiscal constraints, and a parcel is a tax base that they can tap on. Nonetheless, the design and structure of parcel taxes needs more scrutiny. To ensure efficiency, equity, transparency, simplicity, and accountability, the state need to consider centralized guidance as to how to design and implement a parcel tax. I believe that this article contributes to better understanding about the nature and the scope of parcel taxes for future reform of parcel taxes.

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Table 1.
Services that Parcel Taxes Finance in Cities and Counties (1995-2017)

Purposes	Number of elections	%
Public Safety	283	47.8
Parks/Recreation	67	11.3
Roads Maintenance	55	9.3
Library	50	8.4
Public Health	28	4.7
General Service/Revenue	33	5.6
Other	19	3.2
Open Space	11	1.9
Flood Control	10	1.7
Water Management	10	1.7
Facilities	9	1.5
Landscaping/Lighting	8	1.4
Water Supply	5	0.8
Not Specified	4	0.7
Total	592	100

Exhibit 1. Samples of Complex Parcel Tax Classifications

- **Monterey Peninsula Regional Park District. Approved in 2016.**

- Developed Single Family Residential: \$25.26 per Residential Unit.
- Developed Multi-Family Residential, including Mobile Home Parks: \$11.62 per Residential Unit up to 20 units, then \$2.53 for every unit thereafter.
- Developed Condominium Residential: \$20.46 per Residential Unit.
- Developed Mobile Home on Separate Lot: \$13.89 per Residential Unit.
- Developed Commercial/Industrial Property: \$12.63 per Fraction Acre or portion thereof up to 5 acres, then \$12.63 per Acre or portion thereof for every Acre thereafter.
- Developed Office Property: \$35.87 per Fraction Acre or portion thereof up to 5 acres, then \$35.87 per Acre or portion thereof for every Acre thereafter.
- Developed Self-Storage/Parking Lot Property: \$0.53 per Fraction Acre.
- Vacant Property: \$12.63 per Parcel.

- **Clements Fire Protection District Parcel Tax. Failed in 2015.**

The following describes how many parcels are subject to each classification. The classification is based on land use, density, vacancy, improvement status, utility usage, types of sub-classification (e.g. single-family dwelling, mobile home, etc.), and whether a structure/building is a primary or secondary use. The tax base is also diverse: lot, dwelling unit, and square footage.

- 1 VAC RES LOT - DEV W/UTILITIES \$25.00 PER YR.
- 2 VAC LOT - W/ PROBLEMS THAT PRECLUDE BUILDING \$10 PER YR.
- 3 VAC LOT - TOTALLY UNSTABLE \$10.00 PER YR.
- 4 VAC LOT - W/MINOR MISC RES.IMPRS \$10.00 PER YR.
- 6 VAC RES LOT - UNDEVELOPED \$25.00 PER YR.
- 10 SINGLE FAMILY DWELLING .03 CENTS PER SQ FT PER YR
- 14 SINGLE FAMILY RES W/ SECONDARY USE .03 CENTS PER SQ FT PER YR
- 22 TWO SFDS ON SINGLE PARCEL .03 CENTS PER SQ FT PER YR
- 50 RURAL RES - VAC HOMESITE \$25.00 PER YR.
- 51 RURAL RES -1 RES .03 CENTS PER SQ FT PER YR
- 52 RURAL RES - 2 RES OR MORE .03 CENTS PER SQ FT PER YR
- 53 RURAL RES -VAC- DEV. W/UTILITIES \$25.00 PER YR.
- 54 RURAL RES W/MISC. RES. IMPS ONLY .03 CENTS PER SQ FT PER YR
- 56 RURAL RES W/MOBILEHOME .03 CENTS PER SQ FT PER YR
- 80 COMMON AREA S - NO STRUCTURES \$25.00 PER YR.
- 96 MOBILE HOME .03 CENTS PER SQ FT PER YR
- 100 VAC COMMERCIAL LAND - UNDEVELOPED \$35.00 PER YR.
- 101 VAC COMMERCIAL LAND UTILITIES \$35:00 PER YR.
- 110 SINGLE STORY STORE .05 CENTS PER SQ FT PER YR
- 142 CONVENIENCE STORE .05 CENTS PER SQ FT PER YR

Figure 1.
Parcel Tax Elections in California Cities, Counties, and Special Districts

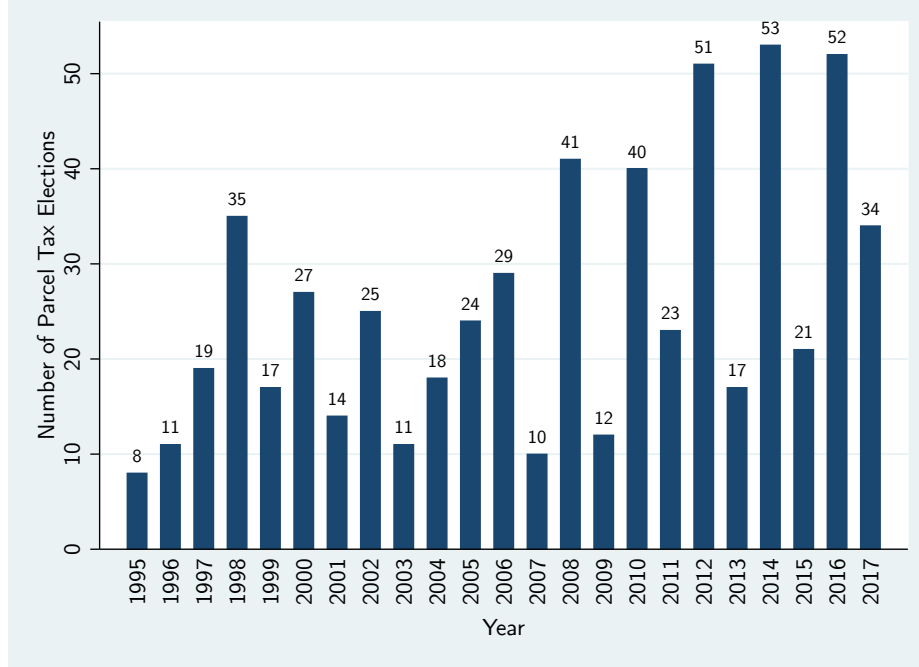


Figure 2.
Percentage of Vote in Favor of Parcel Tax Proposal: 1995-2017

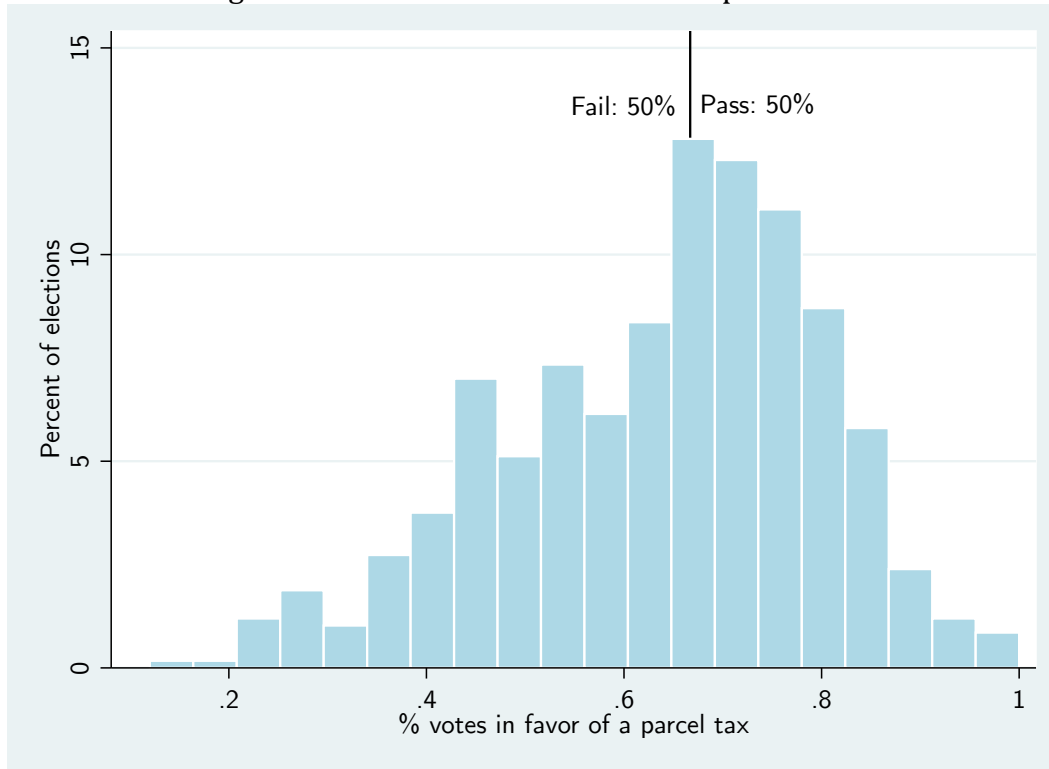


Figure 3.
Percentage of Parcel Tax Ballot Measures Passed or Failed by Sunset Provision in
California Cities and Counties (1995-2017)

