

The Scope and Use of Local Parcel Tax in California: New Findings from a New Database

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111th National Tax Association Meeting

November 15, 2018

New Orleans, LA

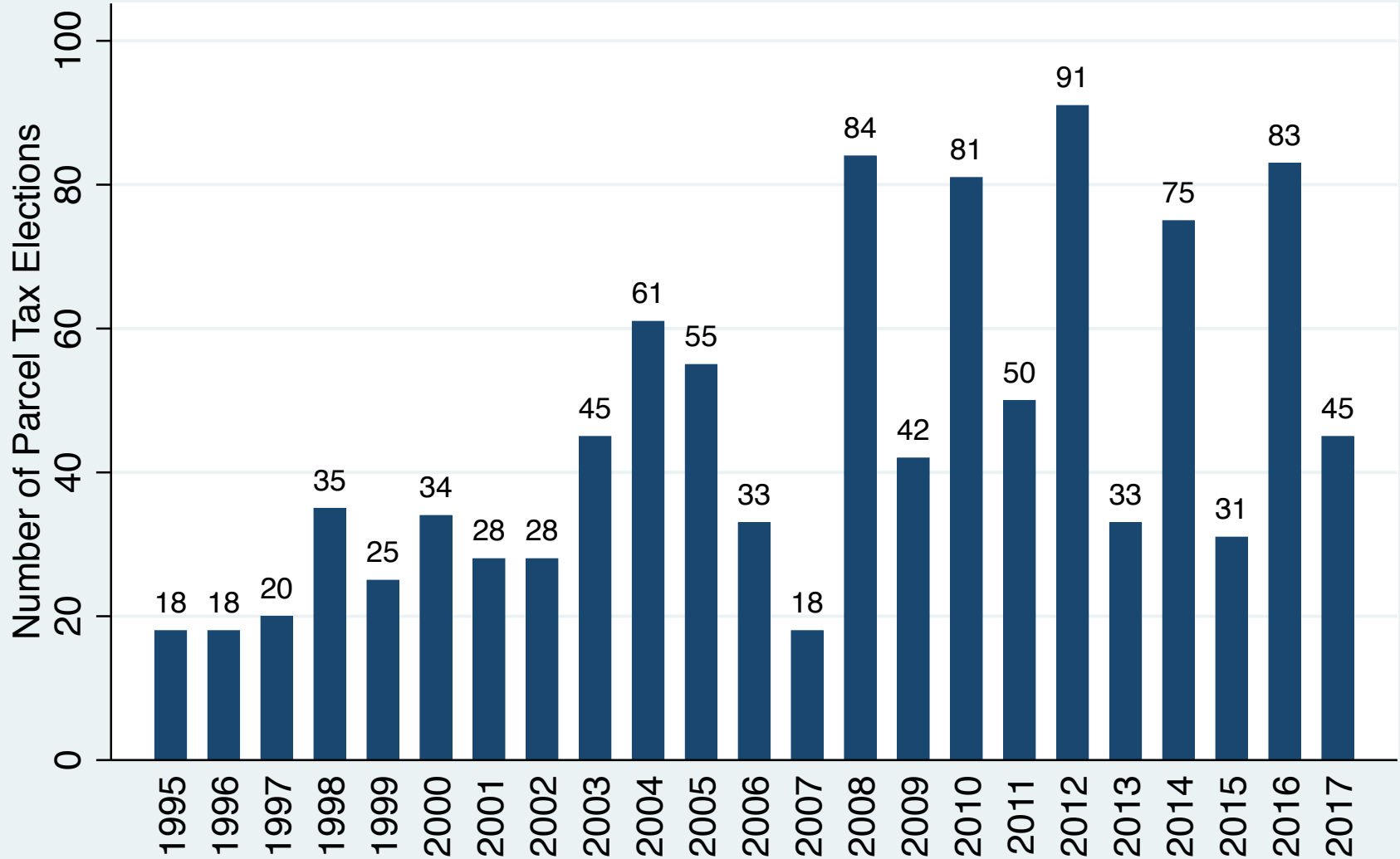
Institutional Background

- Proposition 13 (1978) replaced locally determined ad valorem property tax rates with a statewide 1% on purchasing value.
- It prohibits local ad-valorem property taxes, but allows local taxes for a special purpose approved by 2/3 of the voters. (CA Constitution Article 13A Section 4)
- Post-Prop.13 mutation of property tax (Foldvary 2006) or a stepchild of Prop.13 (Sonstelie 2015)

Parcel Tax

- “A non-ad valorem tax imposed as an incident of property ownership” (State Controller’s Office, 2014)
- Usually known as a lump-sum tax regardless of value and other characteristics.
- First election: 1983.
- About 1033 ballot measures between 1995-2017.

Parcel Tax Elections California 1995-2017, Total=1,033



Literature:

Parcel taxes in School Districts

- Brunner (2001), Lang and Sonstelie (2015), Hill and Kiewiet (2015), Lee (2016).
- 695 parcel tax measures (1983-2017)
 - 23% have held at least one parcel tax election.
 - 13% have passed at least one parcel tax measure.
- Usually a uniform tax across all parcels.
- Revenue: \$423 million in 2017.

Literature:

Parcel taxes in non-school districts

- California Legislative Analyst Office (2012): “We were not able to locate information on the statewide amount of parcel tax revenue collected by cities, counties, and special districts.”
- State of California (2014).
- California Tax Foundation (2014): burdensome, unfair, weak tax-benefit linkage.
- Sonstelie (2015): potentially good for local governments (with cautions). A parcel tax is a tax on land.

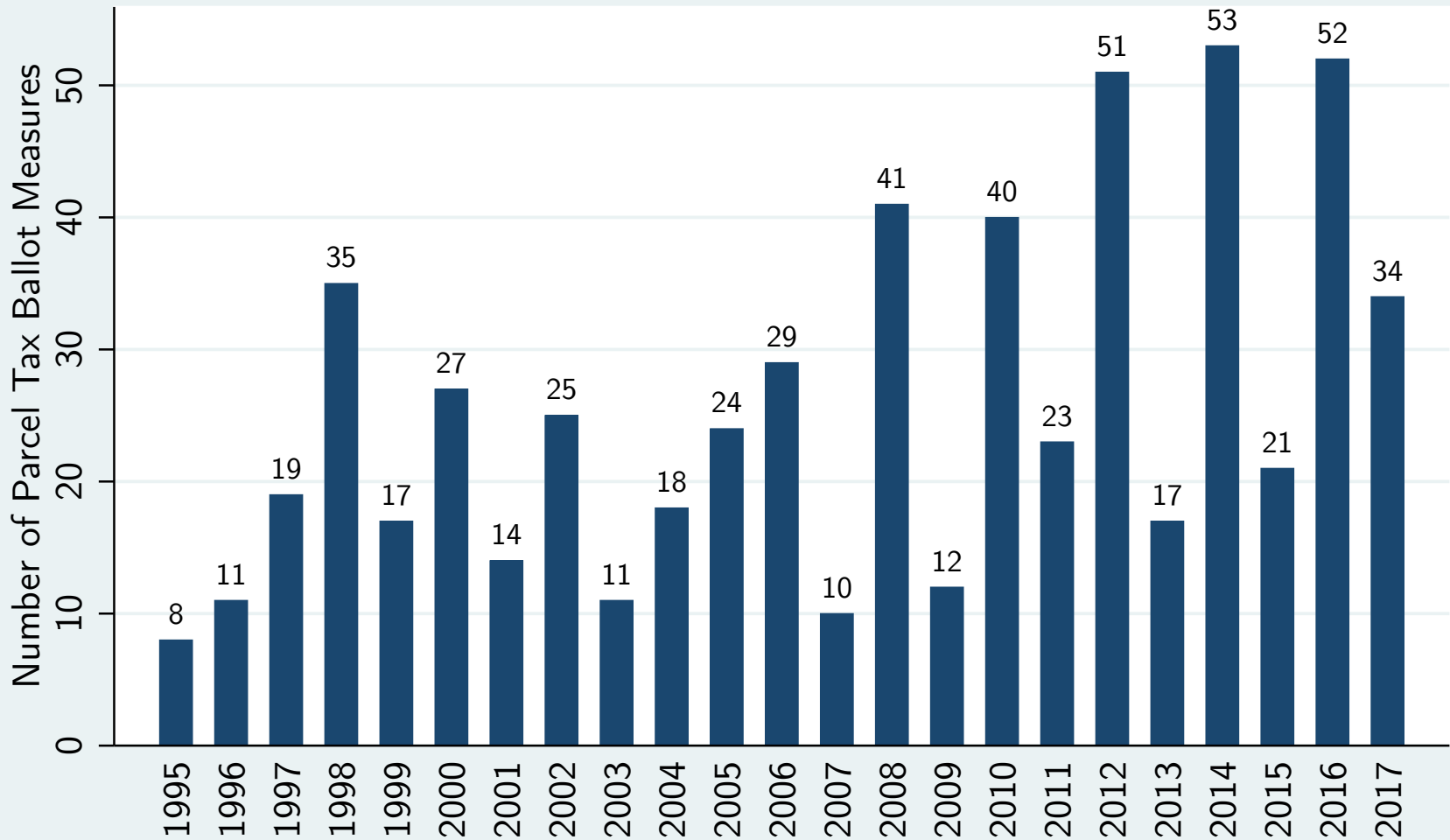
Data

- California parcel tax elections that took place in cities, counties, and special districts between 1995 and 2017.
- Sources
 - Reports on ballot measure election results. (California Secretary of State.)
 - Cross-checked with Ballotpedia.com, League of Women Voters of California Education Fund, individual counties, and local newspaper articles.

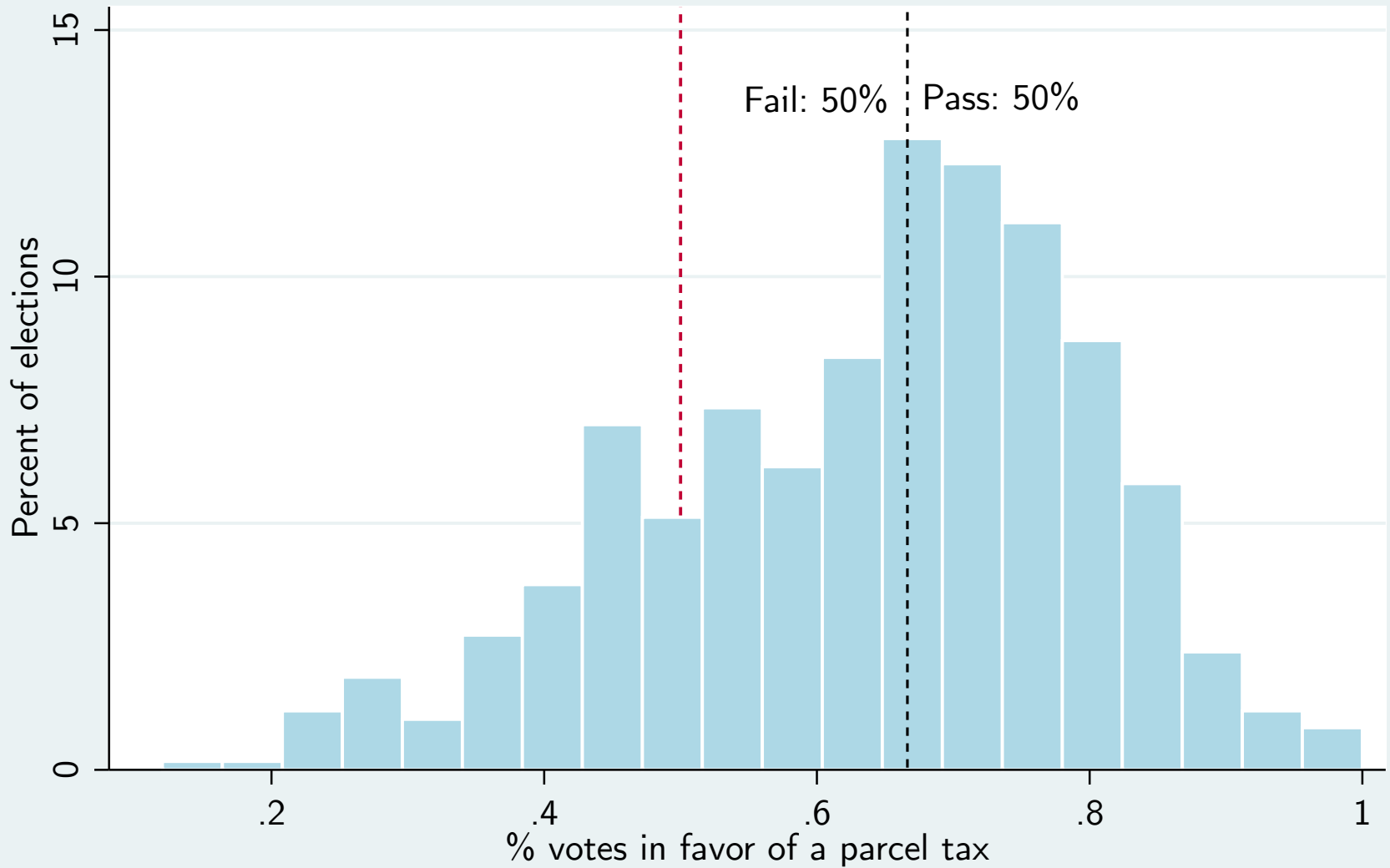
Data Collected

- Election year, month, county, purpose, # votes, % votes in favor, pass/fail, sunset, new/replace, amount proposed, tax base.

Number of Parcel Tax Ballot Measures Cities, Counties, and Special Districts in California 1995-2017, N=592



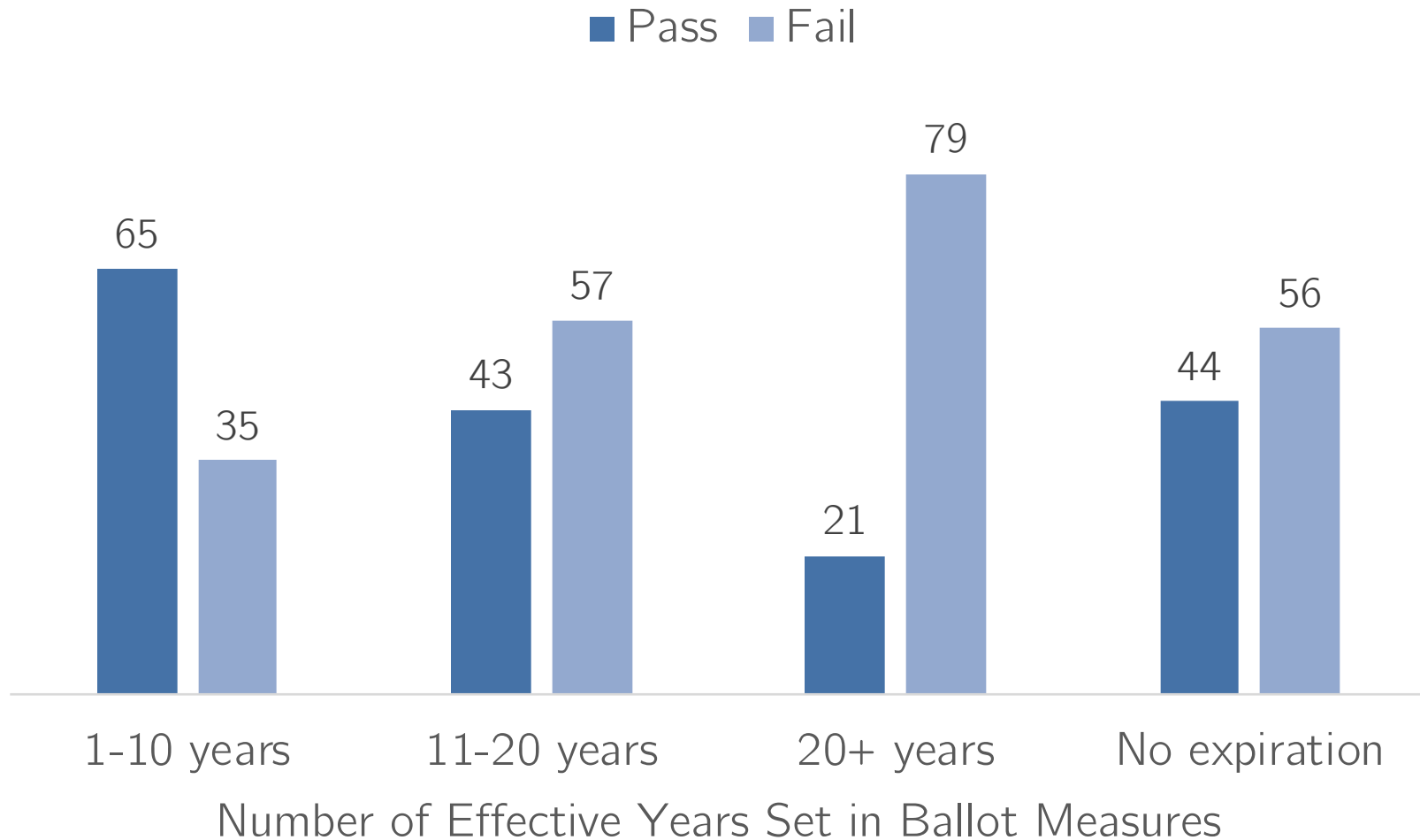
Distribution of Votes in Favor of a Parcel Tax California Cities and Counties, 1995-2017



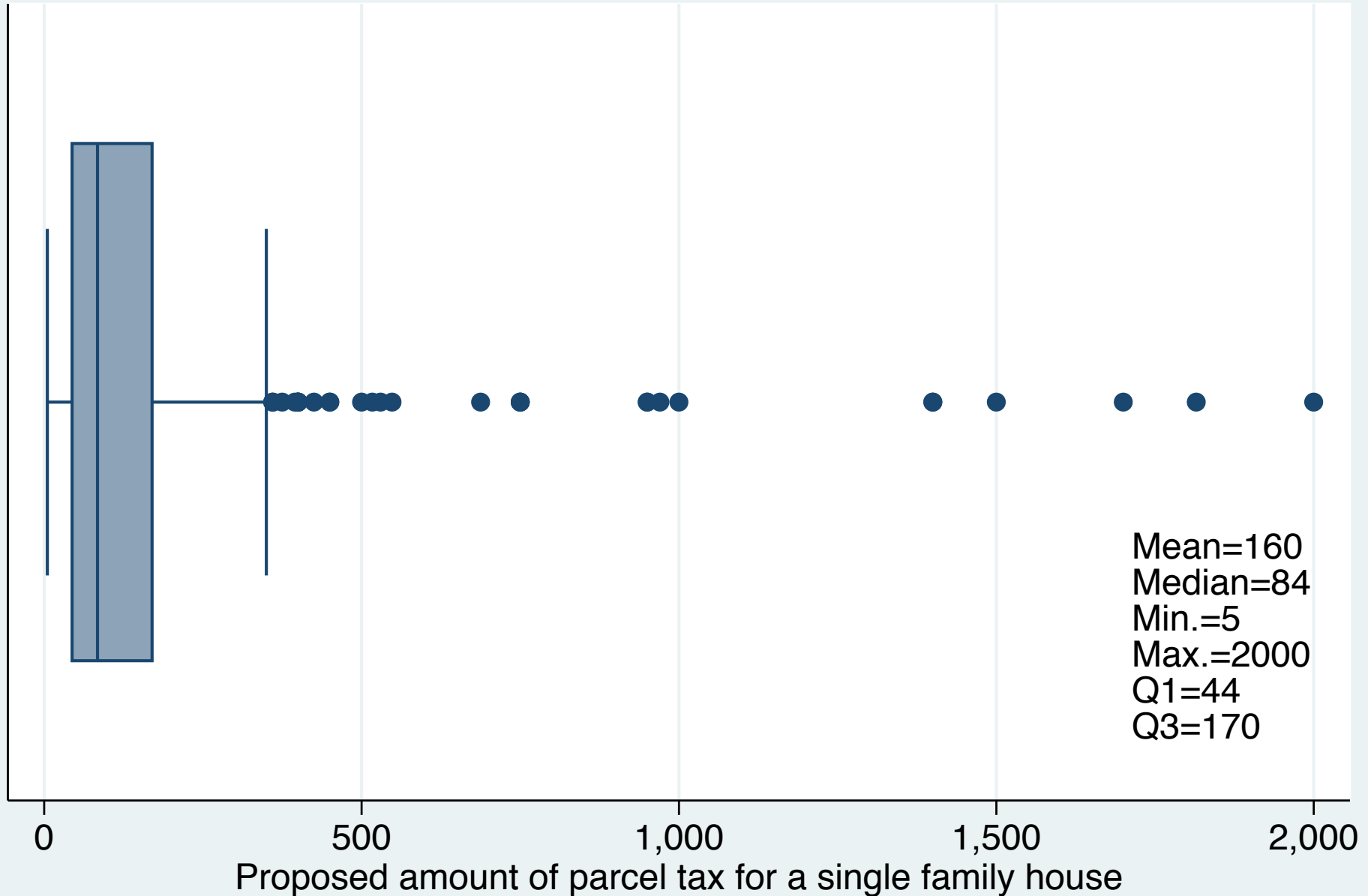
Top 5 Services Financed in Cities and Counties (1995-2017)

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

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



Proposed Parcel Tax Amount (\$)



Designs of a Parcel Tax

- At least 226 localities (38%) impose different parcel tax amounts depending on the size, land use, improvement status, vacancy status, and even assessed value.
- Note: California has no property classification.

By Size

- 102 (17%) parcel tax measures tax based on square footage, front square footage, acreage, meter, # bedrooms, and # rooms.
 - Yucca Valley Airport District, 2013. \$0.02 per square foot.
 - Marin County Service Area, 2010: \$23/year for residences and \$0.03 per square foot for non-residential parcels.
 - Isla Vista Recreation and Park District, 2017: \$.07185 per square foot for “Non-Residential Units” and \$28.75 per bedroom on a parcel for “Dwelling Units.”

By Land Use

- 194 parcel tax ballot measures (33%)
 - Monterey Park Library parcel tax, 2017: \$25 per single-family units, \$50 per parcel for multi-family units, \$75 per parcel for commercial and industrial property
 - Muir Beach water district, 2010: \$3,250 for each commercially-zoned parcel and \$300 for residentially zoned parcel.

Land Use cont'd

- North San Juan Fire Protection District.
 - Residential: living unit (\$61.5), each subsequent residence unit (\$46.12)
 - Commercial: \$123.00
 - Industrial: \$184.50
 - Vacant/Agricultural/Open Space: \$43.66
 - Mixed Use: Residential & Commercial: combined use and first residence/living unit (\$98.40); each subsequent residence/living unit on parcel (\$46.12)

By Improvement

- 181 ballot measures (30%) proposed different rates based on the improvement status.
- Most impose more for improved than for unimproved.
 - Strawberry Recreation District, 2013. Passed: \$2000 per improved parcel, \$1 per unimproved parcel.

By Improvement, Cont'd

- Improved Only: 130 ballot measures (dwelling only, single family house only, improved parcels only, buildings, structure, living and working units/area)
- Unimproved Parcels Only: Riverside County, Desert Hot Springs City, 2014. Passed: Parcel tax for vacant parcels only, at the rate of \$372.68/acre

By Vacancy

- 6-7% of ballot measures explicitly impose a lower amount on vacant parcels.
 - Penryn Fire Protection District, 2017. Passed: \$240 per year per residential unit, \$75 per vacant parcel, and \$0.10 per building square foot for commercial.
 - Humboldt County Resort Improvement District, 2017. Passed. (Fire/EMS). \$74 vacant parcel; \$100 private residential parcel; \$225 commercial parcel.
- Some measures exempt vacant parcels and unoccupied parcels.

Discussion and Implications

1. Efficiency

- “A parcel tax could have the same benefits as a land value tax. The key is that the tax must not depend on the use of the land.”
(Oates and Schwab 2009; Sonstelie 2015)

Discussion and Implications

2. Equity

- San Francisco Bay Restoration Authority Measure AA, 2016. The San Francisco Bay Clean Water, Pollution Prevention and Habitat Restoration
- “... the most progressive part of California inflicts the most regressive tax known to America upon all its residents.” Elias, 2012. *Los Angeles Daily News*

Discussion and Implications

3. Simplicity & Transparency?

- Simple to administer?
- Easy to understand?

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

Discussion and Implications

4. Stability

- Instead of sales tax and other alternatives, a parcel tax can be a better option for local governments.

Discussion and Implications

5. Legal Challenges

- *Borikas v. Alameda Unified (2012)*
 - “Parcel taxes that set rates based on property or parcel size, or distinguish between residential and commercial property, could be challenged.”
- The State Controller (2014)
 - “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 number of units on the parcel.”

Conclusion

- Parcel taxes in cities and counties differ from school parcel taxes.
- Imposed based on size, land use, vacancy, and improvement.
 - Weakens the tax's efficiency, transparency, and simplicity. But it helps alleviate equity issues.
 - Imposed as a benefit tax.
- Need to resolve the legal issues.
- State guidelines for local parcel taxes?

Thank you.