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

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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.

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

Number of Parcel Tax Elections

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<td>31</td>
<td>83</td>
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Total=1,033
Literature:
Parcel taxes in School Districts

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

Fail: 50%  Pass: 50%

<table>
<thead>
<tr>
<th>Purposes</th>
<th>Number of elections</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Public Safety</td>
<td>283</td>
<td>47.8</td>
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<tr>
<td>Parks/Recreation</td>
<td>67</td>
<td>11.3</td>
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<tr>
<td>Roads Maintenance</td>
<td>55</td>
<td>9.3</td>
</tr>
<tr>
<td>Library</td>
<td>50</td>
<td>8.4</td>
</tr>
<tr>
<td>Public Health</td>
<td>28</td>
<td>4.7</td>
</tr>
<tr>
<td>General Service/Revenue</td>
<td>33</td>
<td>5.6</td>
</tr>
</tbody>
</table>

Number of Effective Years Set in Ballot Measures

- 1-10 years: 65 Pass, 35 Fail
- 11-20 years: 43 Pass, 57 Fail
- 20+ years: 21 Pass, 79 Fail
- No expiration: 44 Pass, 56 Fail
Amount Imposed

- Smallest: $5 per year.
- Mean = $160
- Median = $84
- std.dev. = 256 (large variation)
- Largest = 2000

Proposed amount of parcel tax for a single family house

Proposed Parcel Tax Amount ($)

Mean = 160
Median = 84
Min. = 5
Max. = 2000
Q1 = 44
Q3 = 170
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.
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 Residential Unit.
  - 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.

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