Split Roll Would Harm California

By George Runner

Californians should be aware of a legislative attack on Proposition 13 known as "split roll."

Prop 13, of course, is the landmark law that protects home and business owners from out-of-control property taxes. Prop 13 has worked well since voters approved it in 1978, but that hasn't stopped some interest groups and politicians from trying to unravel it.

These folks believe government doesn't collect enough money and think it's a good idea to raise taxes on commercial property owners. Hence the name "split roll"; the idea is to treat commercial and residential property differently on tax rolls.

The latest version of this bad idea is embodied in Senate Constitutional Amendment 5, authored by Senators Loni Hancock (D – Oakland) and Holly Mitchell (D – Culver City). Proponents recently called off an effort to qualify a ballot measure this year, but they will try again in the future.

While "split roll" sounds like something pleasant you'd order from a local restaurant, in reality it's a clever piece of class warfare draped in populism. If split roll were to pass, it would do a great deal of harm to California. Removing Prop 13 protections would dramatically increase operating costs for business owners, hurting the economy.

Take, for instance, a typical strip mall. If the owner is faced with a massive property tax hike, he will pass the increase on to his tenants who, let's say, operate a beauty salon or a bakery. Those small business owners would then pass those costs on to consumers in the form of more expensive haircuts or donuts.

The fanciful fiction of split roll is that business owners pay more, yet homeowners will somehow remain unaffected. In truth, when prices rise that burden falls squarely on everyday people. If you're running a laundromat you can't absorb dramatic increases in rent. You'd be forced to pass those costs on to your customers.

When property values rise, incomes often lag far behind. Your property value may have doubled, but most likely your paycheck hasn't. This is why the protections provided by Prop 13 are so important. Like families, business owners also need stability and certainty.

During tough financial times, property taxes provide state and local governments with a steady stream of income. Prop 13 allows for this consistency by capping annual property tax hikes at 2 percent until the property changes hands.

Sure, the state may miss out on wild spikes of revenue during boom times, but thanks to Prop 13 downturns in property values typically don't burst government budgets.

And it's not as if California has the lowest property taxes in the nation. We're ranked roughly in the middle of the pack – 21st in collections per person, according to the Tax Foundation.

California already has some of the highest income, gas and sales tax rates in the nation. Even so, some lawmakers seem intent on doing everything possible to ensure all of our tax rates, including property taxes, are the highest.

Government often lives beyond its means and constantly looks for ways to increase revenue so it can grow even bigger. Instead of tinkering with Prop 13, our leaders ought to seek ways to provide better value for the dollars taxpayers already send to Sacramento. The last thing California needs as it continues hemorrhaging jobs to other states is to give businesses another reason to leave.

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