

1 [Urging San Francisco’s representatives in the California Senate and Assembly to modify the
2 definition of a “change of ownership” for commercial property and to draft a state
3 constitutional amendment creating a split-roll property tax]

4 **Resolution urging San Francisco’s representatives in the California Senate and**
5 **Assembly to modify the definition of a “change of ownership” for commercial property**
6 **and to draft a state constitutional amendment creating a split-roll property tax.**
7

8 WHEREAS, In 1978, California voters passed Proposition 13, which limited property
9 taxes to 1% of the assessed value of the property, and limited potential future increases to
10 the original assessed value to a maximum of 2% per year; and,

11 WHEREAS, Proposition 13 has resulted in a dramatic reduction in state revenues,
12 contributing to the state's persistent structural budget deficits and exemplified by California's
13 drop in per-pupil spending from 18th in the nation in 1977 to 47th today; and,

14 WHEREAS, Proposition 13 specified that property is to be reassessed at full market
15 value when the property is sold; and,

16 WHEREAS, Many voters supported Proposition 13 to offer protection to homeowners
17 on fixed incomes who were burdened by rapidly increasing property taxes as the value of
18 their property increased in California’s escalating housing market; and,

19 WHEREAS, Reassessment of commercial property rarely occurs because, in
20 California Revenue and Taxation Code Section 64 subsection (c), a "change of ownership" is
21 defined narrowly to occur only when a single person or entity acquires more than 50% of a
22 corporation, and,

23 WHEREAS, Proposition 13 led to a substantial shift in the tax burden from commercial
24 property owners to homeowners; and,
25

1 WHEREAS, Proposition 13 has resulted in massive disparities in the amount of
2 property tax paid by similar commercial properties; and,

3 WHEREAS, A 2004 report by the California Tax Reform Association found that San
4 Francisco's Hilton Tower hotel paid \$0.80 per square foot in property tax while the Clift Hotel,
5 located one-block away, paid \$16.55 per square foot; and,

6 WHEREAS, A number of fair tax advocates have proposed creating a "split-roll" tax
7 that would preserve Proposition 13's limit on reassessment of residential property while
8 creating a separate tax roll for commercial property that would be reassessed at fair market
9 value; and,

10 WHEREAS, In 2003, the Board of Equalization estimated that a split-roll tax as
11 proposed by Assemblywoman Loni Hancock in ACA16 would generate \$3 billion in revenue
12 per year; and,

13 WHEREAS, The state legislature can modify the definition of "change of ownership" of
14 commercial property to generate new revenue before the next election; and,

15 WHEREAS, California's catastrophic budget deficit demands immediate action by the
16 state legislature to find new revenues to balance proposed budget cuts; now, therefore, be it

17 RESOLVED, That the Board of Supervisors of the City and County of San Francisco's
18 urges our representatives in the state Senate and Assembly to modify California Revenue
19 and Taxation Code Section 64 subsection (c) so that a "change of ownership" of a property
20 owned by a business shall occur when a cumulative transfer of more than 50% of the
21 ownership of a corporation occurs; and, be it

22 FURTHER RESOLVED, That the Board of Supervisors urges our representatives to
23 take all measures necessary to initiate a split-roll property tax that would reassess
24 commercial property to fair market value, while incrementally phasing in the increase in taxes
25 for property owned by small businesses.