

LEGISLATIVE DIGEST

[Initiative Ordinance - Business and Tax Regulations Code - Increase Real Property Transfer Tax on Properties of At Least \$5,000,000]

Motion ordering submitted to the voters, at an election to be held November 8, 2016, an ordinance amending the Business and Tax Regulations Code to increase the Real Property Transfer Tax rate from 2% to 2.25% on properties with a consideration or value of at least \$5,000,000 and less than \$10,000,000; from 2.5% to 2.75% on properties with a consideration or value of at least \$10,000,000 and less than \$25,000,000; and from 2.5% to 3% on properties with a consideration or value of at least \$25,000,000; and increasing the City’s appropriations limit by the amount of the tax increase for four years from November 8, 2016.

Existing Law

The City’s Real Property Transfer Tax (Transfer Tax) is imposed on a deed, instrument, or writing that conveys or otherwise transfers realty for consideration or value. The Transfer Tax is a general tax; proceeds are deposited to the General Fund. Existing law imposes the tax at the following rates:

Consideration or Value	\$ of tax per \$500 of consideration or value	Percentage rate
\$100 - \$250,000	\$2.50	0.50%
More than \$250,000 and less than \$1,000,000	\$3.40	0.68%
At least \$1,000,000 and less than \$5,000,000	\$3.75	0.75%
At least \$5,000,000 and less than \$10,000,000	\$10.00	2.00%
At least \$10,000,000 and above	\$12.50	2.50%

Amendments to Current Law

This measure asks the voters to increase the tax rates on higher value properties. The tax on properties from \$5,000,000 but less than \$10,000,000 would increase from \$10.00/\$500 to \$11.25/\$500, a one-quarter percent increase. The tax on properties from \$10,000,000 but less than \$25,000,000 would increase from \$12.50/\$500 to \$13.75/\$500, a one-quarter percent increase. The tax on properties of \$25,000,000 or more would increase from \$12.50/\$500 to \$15/\$500, a one-half percent increase.

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\$100 - \$250,000	\$2.50	0.50%
More than \$250,000 and less than \$1,000,000	\$3.40	0.68%
At least \$1,000,000 and less than \$5,000,000	\$3.75	0.75%
At least \$5,000,000 and less than \$10,000,000	\$11.25	2.25%
At least 10,000,000 and less than \$25,000,000	\$13.75	2.75%
At least \$25,000,000 and above	\$15.00	3.00%

This ordinance would increase the City’s annual appropriations limit under Article XIII B of the California Constitution by the aggregate sum collected by the levy of the parcel tax, and make nonsubstantive changes that update the existing code language to current formatting standards.

Background Information

The Transfer Tax may only be increased upon a majority vote of the people. The Transfer Tax rates were last raised in 2010, for properties over \$5,000,000.

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