



WHAT IS PROPOSITION 13

Many people see the value of Proposition 13 when they have owned their homes for quite some time. Before Proposition 13 was passed, the average property tax rate in California was three percent of assessed value, and there was no limit on annual increases. People were losing their homes in the late 1970s because if a house on your block was sold more than what you paid for, your property tax bill would be much higher.



WHAT IS PROPOSITION 13?

Prior to Proposition 13, the property tax rate averaged a little less than 3 percent of market value. Also there were no limits on increases for the tax rate. Under Proposition 13 tax reform, property tax value was rolled back and frozen at the 1976 assessed value level. Because of Proposition 13, it made sweeping changes to the California property tax system. It also added features like the one percent rate cap, assessment rollback, responsibility allocating property tax transferred to the state. It also has features like reassessment upon change of ownership, vote requirements for state taxes, and voter approval for local “special” taxes.

The assessment rate is now only one percent for all California property and annual tax increases are limited to no more than two percent. When property is sold it is then reassessed at market value, but the rate remains at one percent and the new owner is then protected by the two percent cap on annual increases.

WHO IS COVERED UNDER PROPOSITION 13?

Every owner of property in the state is covered. Proposition 13 is Article XIII A of the California Constitution.

WHY DO SOME PEOPLE PAY MORE IN TAXES?

Taxes are based on the price you voluntarily agreed to pay for your new home, and not based off what your neighbor’s pay. Under Proposition 13 you determine how much your property taxes will be.

TAXES ARE NOT ALLOCATED FOR SPECIFIC SERVICES

The taxes that you pay go into a general fund along with other taxes where local public officials determine how the money will be spent. Services are not related to the amount of property taxes you pay, and are not allocated for specific services. If they were related to the amount you pay, then a more expensive home would have 4 firetrucks protect a home while only one be assigned to a less costly property.

THE PROPOSITION 13 TAX RATE

The tax rate may seem high, but it is now only a third of what it was for all Californian homeowners. Before Proposition 13, your tax bill would have been 3 times higher than it is now.

PROPERTY TAXES CAN’T GO UP MORE THAN TWO PERCENT

Because of Proposition 13, your taxes can’t go up more than two percent a year. If you’re on a fixed income, chances are you’ll be able to keep your home, even when houses in your neighborhood sell for two or three times what you originally paid. This is great because you’re going to find this important when you get around to planning your retirement.

Even though your property taxes may seem high compared to your neighbors, you must take into consideration they have been paying for years. Because of your neighbors there are now great local improvements.

Contact Your Ticor Title Representative for more info.

