

Opinion: Proposition 13 is outmoded

By Russell Hancock and Emmett D. Carson

Ever since its passage, Proposition 13 has been the “third rail” of California politics: Political leaders touch it at their peril.

We think it’s time to take a fresh look.

Our two organizations released last week the 2012 Silicon Valley Index, a comprehensive analysis of our region’s health. The report is filled with encouraging news about our regional economy, including a rebound in the tech sector and the revving up of our innovation engine.

But the same report shows local governments in a state of crisis, with decreasing revenues and rising expenses, no longer able to provide the essential social services and capital investments we need to sustain vibrant communities.

Even a stunning economic recovery won’t address our fiscal woes. That’s because our state’s tax system, geared toward an early 20th century economy, no longer tracks with the 21st century economy that is being invented in Silicon Valley.

Our current system is based on taxing sales in brick-and-mortar establishments, on the most volatile sources of personal income (stock options and capital gains), and – increasingly – on property taxes.

However, today’s knowledge economy increasingly provides goods and services through the Internet without providing needed tax revenue for state and local governments.

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