

Opinion: Immortal California property taxes

From: Joe Mathews

To: California Association of Realtors

Re: Death and Taxes

Yes, all Californians eventually will die.

But why can't our property tax discounts live forever?

That's the question inspired by your glorious new idea: a ballot initiative to make our state's Proposition 13 property tax savings even more generous.



Joe Mathews

Your "People's Initiative to Protect Prop 13 Savings" is as Californian as the Golden Gate Bridge. It provides a concrete symbol of an undeniable reality: Limiting property taxes is the fundamental organizing principle of postmodern California.

Under our Prop. 13 regime, the taxable value of every California home was set as of March 1, 1975 (when Olivia Newton-John won the Grammy for "I Honestly Love You"), or whatever subsequent date Californians first bought their houses. From that original base, the assessed value of a home cannot increase by more than 2 percent annually—no matter how much the actual value goes up.

In this way, Prop. 13 provided homeowners with an escalating discount on property taxes as the value of their homes rose. And groups like yours have made this subsidy the most heavily protected part of our state's finances. Californians will cut school funding, or local government services, and they will raise the state income tax or sales tax, but property tax savings are untouchable.

But something as fundamental as Prop. 13 can always use more protection. So your new initiative shores up a fundamental weakness: Homeowners don't get to keep their low property taxes forever. Tragically, they lose that discounted tax assessment once they sell their property and move on to a new home.

Fortunately, this is an outrage your initiative would address.

Your proposal would allow anyone over 55 to sell their California house and carry those same low property taxes to their next home, no matter the new home's market value, or its location in the state, or the number of moves they make. Your tax savings would follow you, not just your house, for as long as you live in California.

This historic change would represent, to borrow a line from President Abraham Lincoln, a new birth of freedom. Prop. 13 only protected older homeowners from being forced out of their homes by rising property taxes. Your Son-of-Prop-13 also defends the very opposite freedom; it mercifully frees older homeowners who might feel trapped in their homes by their own unwillingness to surrender those property tax savings.

If your initiative passes, longtime homeowners will finally be free to sell their homes at the huge profit they've run up over the years, without losing their property tax discount in the process. Hallelujah!

(Yes, this would also create more commissions for Realtors, but I'm sure that's just a coincidence.)

No Californian in touch with the established values of our state could oppose such a proposal. But—forgive me—I must admit to one concern: Your plan does not go far enough.

So here I propose—very modestly—an amendment: Don't limit Prop. 13 protections just to those who are old and alive. To express the central importance of property tax discounts in our state, I propose that every California homeowner be entitled to property tax savings that remain yours even after you die.

It would be up to you—and your estate—how to exercise your immortal tax savings. After death, for example, you could transfer the property tax savings—as a whole, or divided up into pieces—to whomever you want.

Think of the children—especially children related to these longtime homeowners with all their equity. Under my proposal, that equity could be passed on without a reassessment that would make higher property taxes cut into your inheritance.

I recognize that not everyone in California will see the genius of my plan, or yours. For one thing, your plan would cost local governments \$2 billion, and mine would cost many billions more. For another, critics have argued that Prop. 13 is generational theft. Prop. 13 effectively reserves for older homeowners money that would be better spent on education, housing, and infrastructure so that California—with the nation's highest poverty rate—could live up to its image as a state that defines a better future. Your and my proposals, by expanding Prop. 13's protections, would make this situation worse.

These critics mean well, but they don't recognize what our state has become. Don't they know that the old represent the fastest-growing demographic in our state (the proportion of Californians 65 and older should double by 2030)—while the number of children is in decline? So shy prioritize the

education of the next generation, when old people are the future?

Sure, some people would call my idea extreme. Some people might suggest that I am prioritizing property tax savings over the idea of California as the state of the future.

Some people just don't understand what California is really all about.

Joe Mathews writes the Connecting California column for Zócalo Public Square.