



Split-Roll Property Tax Increase Would Result in 120,000 Private-Sector Job Losses, Study Finds

The California Tax Foundation today released a study documenting 120,000 private-sector job losses, housing problems and other economic impacts that will occur if California approves the \$12 billion-per-year “split-roll” property tax on the November ballot.

The foundation noted that the research was conducted prior to the COVID-19 pandemic that already has caused major job losses and uncertainty, making California employers less able to shoulder a large property tax increase.

“California businesses and workers are in a historic struggle to stay afloat, and this study raises serious concerns about how many businesses could survive the weight of an additional \$12 billion-per-year property tax increase,” California Taxpayers Association President Robert Gutierrez said. “The study projects that the property tax increase would throw more Californians out of work, make our housing shortage worse and cause additional damage, on top of everything else we’re dealing with right now.”

The study, “[Taxing Commercial and Industrial Property at Full Market Value: An Economic Impact Assessment](#),” was prepared by Berkeley Research Group LLC, a global consulting firm that includes former Legislative Analyst William Hamm and former California Department of Finance Director Tom Campbell.

“Our projections are based on how business owners and investors would react if they react as they have in the past to cost increases of this magnitude, but the adverse effects are likely to be significantly greater because of the weakness of the economy in the wake of COVID-19,” Hamm said. “California’s ranking as the state with the third-worst business tax climate in the nation also makes it more likely that business owners would respond to a property tax increase by shifting jobs out of the state.”

The study found:

- The split-roll initiative would impose a 75 percent increase in property taxes, on average, for affected commercial and industrial properties. The tax increase also would impact agricultural properties, as the split-roll initiative on the November

ballot would increase taxes on buildings used by farmers, as well as trees and vines that are subject to annual property tax in California.

- In the economic conditions that existed prior to the COVID-19 pandemic, California businesses would have reacted to the tax increase by shedding 120,000 jobs (reducing staff, moving operations out of California, or going out of business entirely).
- The tax increase would disproportionately impact businesses owned by women and people of color. According to the U.S. Census Bureau, a large percentage of these businesses are not profitable and would have no way to absorb higher costs unless competitive forces allow them to pass the tax increase along to consumers.
- Consumers would pay more for goods and services purchased in California.
- The initiative would make California's housing shortage worse, as local governments would be more likely to favor commercial/industrial development over housing when imposing zoning restrictions. "Strengthening the incentive for 'economic zoning' may exacerbate California's housing shortage and affordability problems," the study found.
- There would be a shift in the composition of the state's workforce, as government agencies would add 66,000 jobs with salaries, benefits and long-term pension obligations funded by taxpayers. "Because increased government spending would spur some private-sector hiring, the model estimates the net private-sector job loss to be 45,000 jobs," the study explains. "However, the increase in public-sector jobs would be smaller if school districts and local governments used the additional property tax money to raise teacher and government employee salaries, rather than to expand services."
- Displaced private-sector workers are unlikely to qualify for the new government jobs. (For example, an estimated 900 new positions would be in county tax assessors' offices, requiring experience in complex property appraisal, including how to estimate a business property's market value when there are no comparable properties on the market.)

"This study shows that repealing Proposition 13's taxpayer protections would throw Californians out of work, create uncertainty and have other negative side-effects that must be part of the conversation," Gutierrez said. "A \$12 billion-a-year property tax increase wouldn't happen in a vacuum – it would touch every Californian."

The [California Tax Foundation](#) is a 501(c)3 not-for-profit organization funded through grants and donations from taxpayers.