Fidelity National Title

What is Proposition 13?

Those who have owned their homes for a while, easily see the value of Proposition 13. Many of us remember that before Proposition 13 the average property tax rate in California was three percent of assessed value and there was no limit on annual increases. In those days, if a house on your block sold for much more than you paid for your house, you shuddered in fear when you received your next property tax bill. Chances are, your new taxes would be based on what your new neighbor was willing to pay for his home. Things got so bad in the late 1970s that people were actually losing their homes because of uncontrolled tax increases.

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.

WHAT GOOD IS PROPOSITION 13 TO ME?

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

HOW COME I'M PAYING MORE IN PROPERTY TAXES THAN SOME OF MY NEIGHBORS WHO HAVE SIMILAR HOUSES?

Under Proposition 13 you determine how much your property taxes will be. Your taxes are not based on your neighbors', but are based on the price you voluntarily agreed to pay for your new home.

WE ALL GET THE SAME SERVICES, BUT I PAY MORE. HOW CAN THIS BE FAIR?

In California, just like other states, services have never been related to the amount you pay in property taxes. If services were tied to what you paid, you might see four fire trucks assigned to a costly home while only one would protect a less expensive residence. In fact, property taxes are not allocated for specific services. They go into the general fund along with other taxes and it is local public officials who determine how the money will be spent.

IT STILL SEEMS LIKE I'M PAYING TOO MUCH!

We all feel that way, but in fact, thanks to Proposition 13, the tax rate for all Californians is only a third of what it was. If you think things are bad now, multiply your tax bill by three and see what you get.

THAT'S EASY FOR YOU TO SAY, YOU'RE STILL PAYING LESS THAN I AM.

That may be true, but I've been paying for years. It's the neighbors that were here ahead of you that paid for all these local improvements you now enjoy.

I STILL DON'T SEE WHAT GOOD PROPOSITION 13 IS TO ME.

Besides your lower tax rate, it makes your taxes predictable. In a few years when new houses sell in the neighborhood for two or three times what you paid, you will be protected. Under Proposition 13 your property taxes can't go up more than two percent a year. You are going to find that very important when you get around to planning your retirement. If you ever find yourself on a fixed income, chances are, because of Proposition 13, you'll be able to keep your home.