

RESOLUTION NO. 20-

A RESOLUTION OF THE CUPERTINO CITY COUNCIL SUPPORTING PROPOSITION 15, WHICH INCREASES FUNDING FOR PUBLIC SCHOOLS, COMMUNITY COLLEGES, AND LOCAL GOVERNMENT SERVICES BY CHANGING TAX ASSESSMENT OF COMMERCIAL AND INDUSTRIAL PROPERTY THROUGH AN INITIATIVE CONSTITUTIONAL AMENDMENT

WHEREAS, California local governments—cities, counties, schools, and special districts—levy property taxes on property owners based on the value of their property. Taxed properties include real property—land and buildings—and business personal property—machinery, computers, and office equipment. Property taxes raise around \$65 billion annually for local governments, about \$2 billion of which is attributable to business personal property. Statewide, about 60 percent of property tax revenue is allocated to cities, counties, and special districts, while the remaining 40 percent is allocated to schools and community colleges; and

WHEREAS, County assessors determine the taxable value of property, county tax collectors bill property owners, and county auditors distribute the revenue among local governments. Statewide, county spending for property tax administration exceeds \$600 million each year; and

WHEREAS, Each property owner's annual property tax bill is equal to the taxable value of their property multiplied by their property tax rate. Property tax rates are capped at 1 percent plus smaller voter-approved rates to finance local infrastructure. A property's taxable value generally is based on its purchase price. When a property is purchased, the county assessor assigns a value to the property—often its purchase price. Each year thereafter, the property's taxable value increases by 2 percent or the rate of inflation, whichever is lower. This process continues until the property is sold and again is taxed at its purchase price. In most years, the market value of most properties grows faster than 2 percent per year. As a result, under this system the taxable value of most properties is less than their market value; and

WHEREAS, California levies a personal income tax (PIT) on the income of state residents, as well as the income of nonresidents derived from California sources. California also levies a corporation tax on the profits of corporations; and

WHEREAS, State law allows property owners to deduct property tax payments from their taxable income for the purposes of calculating PIT and corporation tax payments. This reduces their tax bills; and

WHEREAS, The State Constitution requires the state to provide a minimum amount of annual funding for schools and community colleges, known as the “minimum guarantee.” The minimum guarantee tends to grow with the economy and number of students; and

WHEREAS, A statewide initiative measure titled The California Schools and Local Communities Funding Act of 2020 qualified for the November 3, 2020 ballot and will appear on the ballot as Proposition 15; and

WHEREAS, Proposition 15 increases funding for K-12 public schools, community colleges, and local governments by requiring that commercial and industrial real property be taxed based on current market value. Exempts from this change: residential properties; agricultural properties; and owners of commercial and industrial properties with combined value of \$3 million or less. Increased education funding will supplement existing school funding guarantees. Exempts small businesses from personal property tax; for other businesses, exempts \$500,000 worth of personal property; and

WHEREAS, The Legislative Analyst and Director of Finance summarized the fiscal effects of Proposition 15 as follows: Net increase in annual property tax revenues of \$7.5 billion to \$12 billion in most years, depending on the strength of real estate markets. After backfilling state income tax losses related to the measure and paying for county administrative costs, the remaining \$6.5 billion to \$11.5 billion would be allocated to schools (40 percent) and other local governments (60 percent); and

WHEREAS, a May 4, 2020 report by Blue Sky Consulting Group estimates that the amount of additional property taxes from Proposition 15 for the City of Cupertino would be \$4,914,000 for 2021-22.

NOW, THEREFORE, BE IT RESOLVED that the City Council does hereby support Proposition 15 on the November 3, 2020 ballot.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Cupertino this 21 day of July, 2020, by the following vote:

Vote Members of the City Council

AYES:

NOES:

ABSENT:

ABSTAIN:

SIGNED:	
_____	_____
Steven Scharf, Mayor City of Cupertino	Date
ATTEST:	
_____	_____
Kirsten Squarcia, City Clerk	Date