

Proposition 13 is under attack again; this time, businesses are targeted

By Andrea Seastrand

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California has never been a friendly place to run a business, but things could get a lot worse if the latest attack on Proposition 13 is successful.

An [effort is underway](#) to raise commercial property taxes by an estimated \$11 billion per year via a ballot proposition next November. Never mind that California's \$125-billion annual general fund is at a record high and taxes have already been raised on everything from personal income to gas to real estate transactions.

Groups like the League of Women Voters and other liberal allies pushing this effort think more tax money is needed to fix all the state's problems.

Proponents of the campaign [want more money for our "chronically underfunded" schools](#), community colleges, housing and infrastructure and would pay for it by eliminating Proposition 13 protections for commercial properties.

Like homeowners, businesses are protected from having their property taxes increase by more than 2 percent per year, preventing large spikes in property taxes when real estate prices rise. Claiming that this is just a loophole in Prop. 13 for billionaires and millionaires, this initiative would end those protections for commercial properties. While the initiative does claim to exempt "small businesses," it would still capture many independent and smaller firms already struggling just to get by.

Going after commercial property protections has been a goal of public sector unions for decades; they have just been waiting for the right opportunity. Of course, if this attack on Proposition 13 is successful, it will only be the beginning. There will certainly be future attempts to roll back property tax protections for agriculture, rental properties and even homeowners.

The pressure to ask the public to chip in more and more of their money will continue to be a problem when progressives believe higher taxes and more government spending is always the solution to any issue. There will always be some unmet need to be used as justification for more spending and one of the most frequently used is claiming we need to invest in our children through our education system. As discussed in a previous article, the billions of the extra dollars going to California's public schools are not showing any tangible data to demonstrate improvement to our broken education system.

California is currently riding a [prolonged period of economic growth](#) — a record high stock market and a red-hot Bay Area tech boom that have sent state tax revenues soaring by nearly \$40 billion since 2011. In the proponent's announcement of the initiative, they did not even identify any specific programs that need more funding, and instead just relied on broad generalizations.

This is another example of how the growth of government never stops. Instead of looking to spend money more efficiently and achieve reforms to make government work better, it's easier to ask for higher taxes. Reforms could have prevented the recently enacted gas tax, and it could fix many of the other areas proponents of the tax initiative are looking to address.

It might sound good to make big corporations pay higher property taxes, but that does not tell the whole story. For many parts of the

state, the recovery from the recession still has not taken hold, yet these areas have still experienced property value increases.

Like many California families hit with rising housing costs and flat paychecks, small businesses face similar challenges. Taking away Prop 13 protections from all but the smallest companies would create a huge property tax increase overnight. This would lead to less money available to pay employees, leading to lower wages and fewer jobs while simultaneously raising prices on everything as businesses pass along higher costs.

Calls for ending Prop 13 protections for businesses will continue to grow louder now that federal tax reform has reduced the marginal tax rate for companies. However, tax reform was designed to make the United State more competitive with other countries and keep good jobs here. If California chooses to dramatically increase property taxes on companies, we will only become less competitive with other states, which will hurt working and middle class families.

This is not the time to make it harder to bring quality jobs back to California — especially when the state's general fund has never been healthier. Raising taxes and growing government isn't always the answer. Spending money more responsibly and focusing on reforms is. This initiative should not see the light of day.

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