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## Now what? Close state's largest tax loophole

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After yet another devastating year of funding cuts and a budget crisis that has taken California to the brink of financial insolvency, now is the time to make fundamental reforms to California's budget and taxation system. Too many politicians have been unwilling to tackle the underlying problems of California's budget process, instead offering patchwork solutions and stopgap measures. Tuesday's failure of the statewide budget propositions illustrates that our elected officials need to go back to the drawing board.

In my role as assessor-recorder of San Francisco, it's my job to assess the fairest property taxes possible for the residents and businesses of San Francisco. Nobody knows better than a tax assessor that a key part of why California continues to fall behind is Proposition 13.

I have a proposal to reform Prop. 13, the 1978 ballot initiative that capped the state's property tax rate. My proposal for a split roll system would eliminate corporate tax loopholes and continue to protect California homeowners. California cannot continue to mortgage its future to protect a law that has resulted in near-constant budget shortfalls, deep cuts to vital services and corporate tax loopholes.

Prop. 13 proponents initially touted the protections it offered California homeowners, but today the biggest beneficiaries of Prop. 13 are large companies and corporate landowners. Prop. 13 opened up loopholes for corporate landowners and shifted the tax burden to individual homeowners while dramatically reducing California's tax base.

For example, 30 years ago in San Francisco, commercial property owners contributed 59 percent of property tax revenues and residential property owners contributed 41 percent. Today, we see a virtual flip: commercial property owners contributed just 43 percent of property taxes in 2008 while residential property owners contributed 57 percent.

As corporate property owners contribute less to revenue, dollars lost through Prop. 13's tax loopholes handicap our ability as a state to educate our children, keep our streets safe and invest in important infrastructure projects.

The abundance of corporate property tax loopholes creates a system where the middle-class, our families and our seniors are buried under a mountain of property taxes. Combine this with a tax system that relies

on regressive and unpredictable taxes and fees, and we find our state in a perpetual budget crisis.

But tough times offer the best opportunity for change. A grassroots movement around a split roll system is building rapidly. Split roll would rework Prop. 13 to literally split the property tax rolls - assigning unique tax levels to corporations and homeowners and leveling the property tax playing field.

Increasing revenue and creating more tax equity is only part of the solution to the state's woes. We must also ensure that reform is accompanied by an increased commitment to hold government accountable to taxpayers, improved efficiency and trimming the fat.

The political forces for split roll are in place. A recent Field Poll survey found that a resounding 61 percent of Californians approve of split roll if it means creating more property tax equity between commercial property owners and individual homeowners. Split roll is supported by a variety of California organizations, including the League of Women Voters and Sacramento legislators from both sides of the aisle have made similar proposals in recent years. Twenty-three other states have already implemented a split roll system, reducing the tax burden for homeowners and combatting unfair corporate tax loopholes.

It's time for California to follow suit and reform a system that is bankrupting our state. I know the longer we wait to reform Prop. 13, the more our state will fall behind. The need for reform has never been more urgent.

Phil Ting is the assessor-recorder for the City and County of San Francisco.

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