

# **Property Tax Increments**

**Annexations/Tax Sharing,**

**Proposition 90 & 110**

**July 28, 2009**

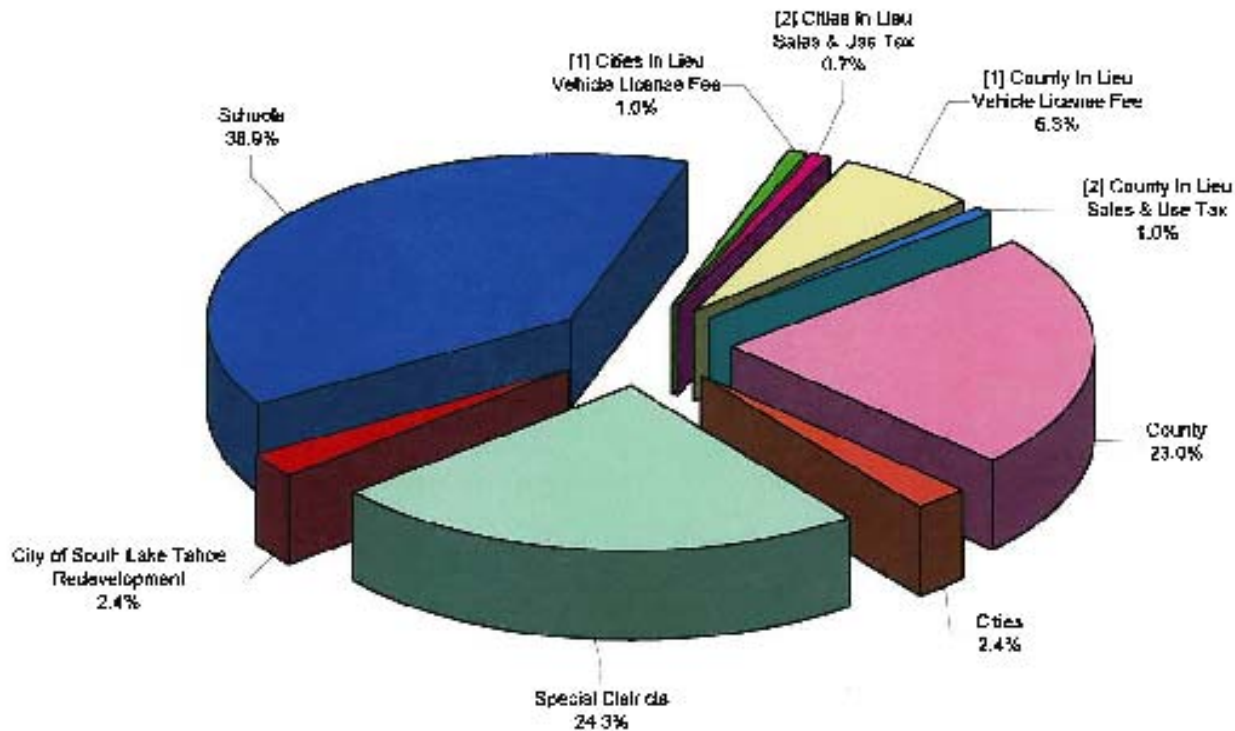
# Property Tax Increments

- Property Tax is an ad valorem (based on value) tax that an owner is required to pay on the assessed value.
- Prior to the passage of Proposition 13 local governments were authorized to determine the property tax rate.

# Proposition 13

- June 1978 Proposition 13 was passed which limited the ad valorem property tax rate to 1%.
- This severely limits local entities ability to increase revenue, the effects do not just impact the County. The Schools, Community Service Districts, and Fire Districts also rely on Property Taxes.

## Distribution of Proposition 13's 1% General Property Taxes Summary of FY 2007/08 Total of \$272,249,141



[1] Represents the exchange of Property Tax for County/City's Vehicle License Fees. (Senate Bill 1086, Chapter 211 Statutes of 2004)

[2] Represents the exchange of Property Tax for County/City's Sales and Use Tax. (Assembly Bill 1785, Chapter 182, Statutes of 2003)

# Assembly Bill 8 (AB 8)

- Assembly Bill 8 (AB 8) was adopted to provide procedures for counties to allocate taxes in a Tax Rate Area (TRA).
- The base year for AB 8 was Fiscal Year (FY) 1978/1979.

# Tax Rate Area (TRA)

- A Tax Rate Area (TRA) is a geographical area composed of unique combination of taxing jurisdictions.

# Example of a TRA

- **TRA 083-053**
- 00001 County General Fund 26.0605%
- 00007 Accum Capital Outlay 0.6006%
- 00011 Road District Tax 2.9058%
- 20005 Black Oak Mine Unif 36.0808%
- 20350 Sierra Comm College 6.5163%
- 20370 Cnty School Services 1.6929%
- 30022 Georgetown Divd Recr 2.8964%
- 30045 Cnty Water Agency 0.9481%
- 30118 Garden Valley Fire 7.6488%
- 30121 Georgetown Divide PUD 12.6992%
- 30281 CSA #7 1.9506%
- Total 100.0000%

# Annexations

- Annexations are governed by California Revenue and Taxation Code 99 and 99.01
- 3 Annexations 2009/2010 Tax Role
- 6 Annexations 2008/2009 Tax Role
- 8 Annexations 2007/2008 Tax Role
- 7 Annexations 2006/2007 Tax Role
- 4 Annexations 2005/2006 Tax Role



# Zero Sum Game

## The Total Must Equal 100%

### TRA

26.0605%	County General Fund
0.6006%	Accumulated Capital Outlay
2.9058%	Road District Tax
36.0808%	Black Oak Mine Unif
6.5163%	Sierra Comm College
1.6929%	County School Services
2.8964%	Georgetown Divd Recreation
0.9481%	County Water Agency
7.6488%	Garden Valley Fire
12.6992%	Georgetown Divide PUD
1.9506%	CSA #7
100.0000%	Total

# Revenue and Taxation Code 99.01 (a) (4)

- Under Revenue and Taxation Code 99.01 (a)(4) the Board of Supervisors has the authority to resolve disputes within its boundaries
- Annexations normally occur as a result of development. Thus, Local Agencies have a vested interest to complete the negotiation process because the net effect is an increase in revenue due to new development.

# Master Tax Agreement

- A Master Tax Agreement would require the County and all the special districts to formally agree on specified tax rates.
- This is a nice idea however, it would require a significant commitment of resources and without new revenue from potential development it would be difficult to obtain consensus.

# Proposition 90, and 110

- Proposition 90 passed in 1988 allows qualified property owners based on age (55yrs or older) to transfer low assessments from one county into another
- Proposition 110 passed in 1992 allows qualified property owners based on a disability to transfer low assessments from one county into another.

# Proposition 90 and 110

- Provides tax relief to qualified individuals
- This may provide an incentive for the purchase of new homes,
- However, the net effect is a loss of property tax revenue for the County, Schools, and Special Districts.

# Can the County afford to Lose Property Tax revenue?

- If a home was purchased for \$300,000 the individual is paying \$3,000 in property tax
- If that home is sold and proposition 90 is implemented an individual can purchase a \$500,000 home and instead of paying \$5,000 in taxes they only have to pay \$3,000
- That's a \$2,000 loss in property tax revenue
- This equation multiplied several times can have a significant effect on County revenue

# Property Tax Base

- Currently for FY 2009/2010 the Assessor is projecting over a 2% decrease in Property Tax Revenue
- Proposition 90 & 110 will have a negative effect of the El Dorado County tax base
- This will effect the County, Schools and Special Districts
- Can the County afford to loose any additional revenue?

# Board Policy

- The current Board Policy established January 1989 is to reject Proposition 90 in El Dorado County
- The CAO recommendation is to sustain the County's current position



# Request Board Direction:

1. Should the County pursue a master tax agreement with El Dorado Irrigation District, Community Service Districts and Fire Districts or continue to handle annexations on a case by case basis?
2. Should the County implement an Ordinance to adopt Proposition 90 and/or Proposition 110?