

SUBJECT: REVIEW OF PROPOSITION 90

RECOMMENDATION: Accept Report

Proposition 90 was approved by California voters in November, 1988. According to the State Board of Equalization (BOE), "Propositions 60 and 90 are constitutional amendments passed by California voters that provide property tax relief for persons aged 55 and over...(they) allow these persons, under certain conditions, to transfer a property's factored base year value from an existing residence to a replacement residence." Proposition 60 refers to intracounty transfers, and Proposition 90 refers to intercounty transfers.

Proposition 90 was intended to help seniors deal with the unintended consequences of Proposition 13. The BOE explains, "Typically the property tax of a newly purchased or constructed residence is based on its current market value upon change of ownership. However, the provisions of Propositions 60 and 90 may result in substantial tax savings since it allows the property tax of the original (sold) property to be transferred to the newly purchased or constructed home if eligibility requirements are met."

Implementation of Proposition 90 occurs at a county option. The following California counties have an ordinance enabling the intercounty base year value transfer: Alameda, Los Angeles, Orange, San Diego, San Mateo, Santa Clara and Ventura. A homeowner from any California county may participate in the Prop. 90 program in these counties.

The following counties have dropped out of the Prop. 90 program: Contra Costa (11/8/93), Inyo, Kern, Riverside (6/30/95), Modoc, Monterey (1/9/01), and Marin (1/16/97). Two counties that were contacted stated that the loss of property tax revenue was the main factor in ending their Prop 90 programs. A staff report to the Board of Supervisors in a third county used the loss of property tax revenue as the primary reason to terminate its Prop 90 program.

Contra Costa ended its Prop 90 after four years. In the time the program was in effect, the county lost about \$4.4 million in property tax revenues. Monterey County also reported that the loss in property tax revenues was the main reason the program was ended. Unfortunately, Monterey County was not able to provide the amount of lost property tax revenue. It did, however, state that most of the property tax transfer properties were in the high costs cities of Carmel, Pebble Beach, Pacific Grove, and Monterey.

A 1996 staff report to the Marin County Board of Supervisors recommended that the county end the Prop 90 program. The report stated the program resulted in a countywide loss of approximately \$4 million dollars.

Santa Clara County's FY 08 Recommended Budget included a proposal to rescind Santa Clara County's Proposition 90 ordinance. According to the Assessor's office, rescinding

Proposition 90 will have a positive fiscal effect generating new revenue in the amount of \$54,000 in FY 09 and grows to \$345,000 in five years.

This report was requested by Supervisor Kniss and referred to the Legislative Committee, as well as the Finance and Government Operations Committee, at the June 11th Budget Hearing of the Board of Supervisors.