

C.A.R.'s Portability Initiative Campaign Talking Points

Property Tax Basis Portability

1. **We have an inventory crisis in California.**
 - a. Just look at today's Santa Clara County available inventory numbers: 395 properties available.

2. **One of the causes is the "Prop 13 locked in effect" that Senior homeowners feel.**
 - a. Who hasn't had a client tell you that the potential Seller/Buyer won't move because of the "significantly higher" property taxes they would have to pay?
 - b. Many Senior homeowners who have seen their homes appreciate over the years are discouraged from moving because they potentially face a huge property tax increase.
 - c. The potential property tax increase is even more impactful with Seniors, many of whom are on fixed or limited budgets.
 - d. Almost half of Seniors polled are very reluctant to move and give up their low Prop 13 property tax costs when buying a new residence.
 - e. As a result, almost three-quarters of homeowners 55 years of age or older have not moved since 2000! That's 17 years!

3. **Current programs (prop 60 and prop 90) that were adopted in the 80's no longer work as intended.**
 - a. To use Prop 60, the purchase price for the replacement is equal to or less than the sale price of the original residence, and it must be in the same county.
 - b. Proposition 90 potentially expanded the benefit to all 58 counties, but today only 11 counties remain in the program and are still accepting the transferred tax basis.
 - c. In both propositions, a senior can only take advantage of this benefit once in their lifetime. If that benefit was taken by their spouse (current or past) the remaining spouse is not eligible to use it again.
 - d. It is not uncommon for a Senior to want to sell the huge Blossom Valley 5 Br family home they have owned for 30+ years to want to be closer to

their grandchildren in Sunnyvale, only to find that a much smaller home near their kids costs more than their home sold for, making them ineligible for the transfer of their property tax base.

C.A.R.'s Portability Initiative would allow homeowners 55 years of age or older to transfer their Prop. 13 property tax-base to a principal residence of any price, located in any county of the state, an unlimited number of times.

1. If the purchase price is lower, the Senior's property taxes will be lowered proportionately.
2. If the purchase price is higher, a "blended rate" will kick in, allowing the County to assess the current tax rate on the overage amount.
3. CAR's Research and Economics Department projects (And the non-partisan Legislative Analyst Offices agreed) that as many as 43,000 additional transactions will occur annually throughout the State, generating as much as \$30 Billion in additional sales volume.
4. The Howard Jarvis Taxpayers Association has long supported tax-base portability for Seniors, stating that "The simple fact is that you are making it easier for families to move out of their one-time starter homes and giving millennials a chance to buy those starter homes".
5. As senior homeowners move, they create housing opportunities for younger, growing families and first-time homebuyers that don't exist today.

There is a formidable challenge that Realtors will face to get this proposition approved by voters. First and foremost is the wording that will appear on the ballot.

The Legislative Analyst Office states that:

1. The loss to both local governments and schools will be around \$150 million growing over time to \$1 Billion or more per year.
2. The California State Association of Counties claims that this loss of property tax revenue will reduce badly needed funds for schools, police, fire, social services and other criminal justice services.

3. Unions, School Boards and anyone else who generates their funding from Property Tax revenues will be in opposition to this initiative.
4. We must understand that the projected revenue loss is the result of a “static” analysis – it only looks at the revenue lost, and ignores the potential revenue that can be gained.

CAR believes that a “dynamic” analysis would show a different end-result.

1. Because all new buyers of homes formally owned by a senior homeowner will have the home reassessed to market value and pay property taxes based on that reassessed value, the actual losses will be far less significant and possibly end up with a net gain in tax revenues over time.
2. There is also the additional documentary transfer tax that will be levied on any transfer. Both of these will help offset the projected revenue loss.
3. Then there is the “residual impact” on a community every time a home is sold. Studies show that an average of \$60,000 is spent in services and improvements with each sale made. Much, if not all, of that revenue will be spent enriching the new community through sales taxes and the employment opportunities generated.
4. And when a Senior move’s out and a young family moves in, the tax revenue to the locality actually increases.

Remember our GOAL is to create homeownership opportunities for young families and preserve tax savings for seniors.

With 65% of starter homes statewide selling at or above the asking price, it makes it very difficult for first-time homebuyers to enter the market, if they can get in at all.

C.A.R.’s Portability Initiative - No moving penalty - Keeps senior homeowners’ property taxes low. – Increases the “starter home” supply. – and improves Local community finances.