

Revenue Generator      *Parcel Taxes*

Application      Local/ State

Introduction

Property taxes on land and building values are generally the principal source of revenue for local governments. Portions of local property taxes are authorized widely for use by special districts and authorities, including transit agencies and school districts. Unlike real estate transfer taxes (discussed separately), property taxes can provide an annual versus one-time funding source for public transit or other uses. Traditionally, support for transportation has been derived from sources other than property tax to avoid competition with other basic public services, such as health, education, police, and fire protection. With existing sources of transportation funding being reduced or eliminated, parcel tax assessments for transportation could provide a valuable tool to reduce the gap between costs and available existing revenues.

Yield Potential

The yield potential is estimated at medium. Based on a sample rate of \$50 assessed on each parcel, this type of tax could generate \$470 million annually statewide. Over 10 years, this type of tax could generate \$4.7 billion. The mode and purpose of the tax would depend upon the measure approved by the voters.

Use/Restrictions

Only known restrictions are that it would require two-thirds voter approval to be passed (unless this threshold was reduced by state legislative action). Appears to be a reasonable source since the funding is tied to something tangible and reoccurring like property taxes. Proposed uses could vary depending on need but would need to be included in the local or state ordinance language. Potentially could be used for system preservation, system management or system expansion.

Sustainability

This funding source would be sustainable over time since funds are not “one-time” and would be generated annually through property tax assessments. Costs would include those associated with ordinance approval and the annual administrative costs would be minimal.

Pros/Cons

The pros are that this tax would be flexible and could be implemented at either the state or local levels. The cons are that a flat fee of \$50 would not be tied to inflation and would directly affect real estate costs for home buyers and renters so effectiveness would decrease over time as transportation system costs increased. Also, a nexus would be desirable to analyze the relationship between parcels and transportation infrastructure.

### Implementation

The implementation time period is estimated at high and would take place over the long term. The implementation costs would vary depending on local/regional size and a two-thirds voter supermajority approval would be required.

### Conclusion/Recommendation

Implementation requirements are high and would take several years to implement. However, this could be implemented at the state or local levels so implementation is flexible.

### Reference Materials

AC Transit -- Parcel Tax. Est. \$29.3 million per year, or \$293.4 million over 10 years. This is used for capital and operations for transit.

AC Transit -- Property Tax (percentage). Est. \$65 million per year (base year 12-13), or \$772.5 million over 10 years (escalation included)

BART -- Property Tax (percentage). Est. \$29.7 million per year (base year 12-13), or \$337.4 million over 10 years (escalation included).