

## **FAQs: California Schools and Communities Funding Act**

### **How does this affect Homeowners?**

There will **no change** in how residential property (whether owned or rented) is assessed for property taxes.

### **What about rental properties owned by corporations?**

There will be **no change** for any property used as a residence whether it is individually owned or owned by a commercial interest.

### **What about “mixed use” properties?**

The portion of the property used for commercial purposes will be subject to the new method for property tax assessment. The residential portion will **not** be affected.

### **How are small businesses protected?**

A small business owner’s business property will not be subject to the change in assessment method if the total value of all of the business owner’s California business property is less than \$2 million.

All businesses will receive a \$500,000 exemption for personal business property (currently subject to a Personal Property Tax). If the business has 50 or fewer employees, there is no maximum (all personal business property will be exempt).

### **Is this a new tax?**

No. And the property tax rate (1%) will not change. California has one of the lowest property tax rates in the country.

### **Will other funding sources for schools be reduced by the amount collected by this change in property tax assessment method?**

Absolutely not. In California, local property taxes are only used for critical **local** services (including schools). The existing Proposition 98 funding for schools and community colleges will remain and cannot be reduced. Property tax funds cannot be diverted for other uses.

### **How much of the property tax revenue do schools receive?**

Each county determines the percentage of property tax revenue to be received by school districts and community colleges (Local School and Community College Property Tax Fund) and the cities, county services and special districts within the county. This measure sets the distribution formula to be that in place on January 1, 2018. Although it varies from county to county, the distribution is roughly [40% to schools/community colleges and 60% to communities](#).

### **Won’t businesses just pass on their increased property tax to consumers?**

Consumer prices are determined by market forces, not by expenses such as property taxes. California is the 5th largest economy in the world with a gross domestic product of \$2.75 trillion. Although it will provide a very significant advantage to our schools and communities, the \$11 billion in added annual revenue represents less than 0.5% of California’s economy.

### **When will this change become effective?**

If passed, county assessors will reassess commercial property using the new method for the tax year 2020-21. Approximately one-third of all properties will be reassessed each year for 3 years.

At the end of the third year, the properties assessed in the first year will be reassessed. All commercial properties will be reassessed every 3 years.