

Proposition 13 (Prop.13)

There is a new generation of homeowners who do not understand Proposition 13 (Prop. 13) and how it affects their property taxes. Every homeowner in California, whether they purchased their home yesterday or in 1978, is protected under Prop. 13. Prior to Prop. 13's passage, homeowners were at the mercy of real-estate market values. A county assessor would have to base property tax rates on fluctuations in the real estate market. Now, every homeowner has their property tax rate set at 1 percent of the initial market value, and any annual increase will be capped at 2 percent. The longer someone stays in their home, the lower their "effective" tax rate will be in comparison to its market value. According to the Howard Jarvis Taxpayers Association, the average tax rate in place when Prop. 13 passed was 2.6 percent. In some counties, the rate was much higher. Thirty-nine years later, without Prop. 13, the average would be roughly at 3 percent, a modest 0.4 percent increase. At the end of 2016 the median price for all homes in Los Angeles County reached \$550,000. Without Prop. 13, and only applying the average tax rate of 3 percent, the new homeowner would pay a whopping \$16,500 bill instead of an initial property tax of \$5500 – an \$11,000 difference! And that's just the start. Without Prop. 13's annual increase cap of 2 percent, there is no telling what the next bill may be. California home values are generally rising, sometimes by much more than the 2 percent cap. For instance, there was a jump of more than 6 percent from the end of 2015 median home price at \$520,000 to the 2016 median price.

For more detailed information about Prop. 13 and any property tax-related questions, simply go online to: assessor.lacounty.gov.