Parcel Taxes as a Local Revenue Source

Jon Sonstelie

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What is the parcel tax?

- Levied on parcels of real property
- Cannot depend on property value
- Typically, a flat rate tax
- Sometimes varies with parcel size or use
Parcel taxes are a local fiscal tool

- Used for general local services
  - Police, fire departments, schools
- Require two thirds voter approval
Voters have approved about half of recent parcel tax proposals

<table>
<thead>
<tr>
<th></th>
<th>Number of proposals</th>
<th>Percent approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cities</td>
<td>124</td>
<td>48</td>
</tr>
<tr>
<td>School districts</td>
<td>329</td>
<td>60</td>
</tr>
<tr>
<td>Special districts</td>
<td>238</td>
<td>45</td>
</tr>
<tr>
<td>Total</td>
<td>691</td>
<td>53</td>
</tr>
</tbody>
</table>
Parcel tax rates are relatively low

<table>
<thead>
<tr>
<th></th>
<th>Percent with flat rate</th>
<th>Median rate ($ per parcel)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cities</td>
<td>48</td>
<td>60</td>
</tr>
<tr>
<td>School districts</td>
<td>86</td>
<td>96</td>
</tr>
<tr>
<td>Special districts</td>
<td>75</td>
<td>68</td>
</tr>
</tbody>
</table>
Parcel taxes can take many forms

- Huntington Park has 17 different rates, including
  - $20 per year for unimproved property
  - $79 per year for single family homes
  - $629 per year for hotels, supermarkets
Government revenue in California is relatively high.
Parcel taxes have some advantages

- A tax on land is
  - Economically neutral
  - Fair
  - Simple

- A tax per square foot vs. a flat tax
  - Tax design matters
A well-designed parcel tax

- Tax proportional to parcel size
- Lower rates for unimproved parcels
- Not perfect ... but what tax is?
Notes on the use of these slides

These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:

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Thank you for your interest in this work.
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