

Who Benefits from Proposition 13?

February, 2023

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Data provided by Zillow through the Zillow Transaction and Assessment Dataset (ZTRAX). More information on accessing the data can be found at <http://www.zillow.com/ztrax>. The results and opinions are those of the author(s) and do not reflect the position of Zillow Group.

California's finances and the state's ability to generate revenue are subject to the constraints of its unique property tax regime, established following the passage of Proposition 13 in 1978. The law puts limitations on both the assessed value of properties and the property tax rate; this has led to significant inequities in property taxes levied on parcels, and has severely limited local government's ability to levy taxes on properties.^{1,2} Recently, some have pressed for reforms to Proposition 13 in the form of a "split-roll" system, where the Proposition 13 status quo would be preserved for residential parcels, but other commercial and industrial parcels would have had property taxes tied to their market value – how much they could be sold for – rather than assessed value.³ With growing appetite from organizers and lawmakers alike to find new ways to address the state's revenue volatility and [structural budget deficit in the coming years](#), this issue brief gives an initial picture of the property types that most benefit from Proposition 13's restrictions on assessed value and property tax rates.

It is difficult to generate accurate estimates of Proposition 13's enduring effects due to challenges in gathering parcel-level data, let alone parcel-level data that also tracks the types of properties that may benefit from current property tax laws. In "[A Reexamination of Proposition 13 Using Parcel Level Data](#)" (2023), we attempt to overcome these data challenges by using the Zillow Transaction and Assessment Dataset (ZTRAX), which is a comprehensive, national real estate database made available free of charge to U.S. academic, nonprofit, and government researchers.⁴ The principal benefit of working with ZTRAX is having access to parcel-level data collected and maintained by county assessors, recorders, and clerks, including parcel sale price, assessed value, location, land-use designation, and much more. In the case of California, we have access to records for approximately 12 million parcels in the state.⁵ With this data, we are able to examine the effects of Proposition 13 and how those effects differ by property type; specifically, we examine the difference between "assessed value" and "sale price" (property value) for the typical parcel within each property/land use type (i.e., the median parcel within each group), which we report in the figure below.⁶

¹ <https://lao.ca.gov/reports/2012/tax/property-tax-primer-112912.aspx>.

² <https://www.siliconvalleycf.org/sites/default/files/index2012-prop13.pdf>.

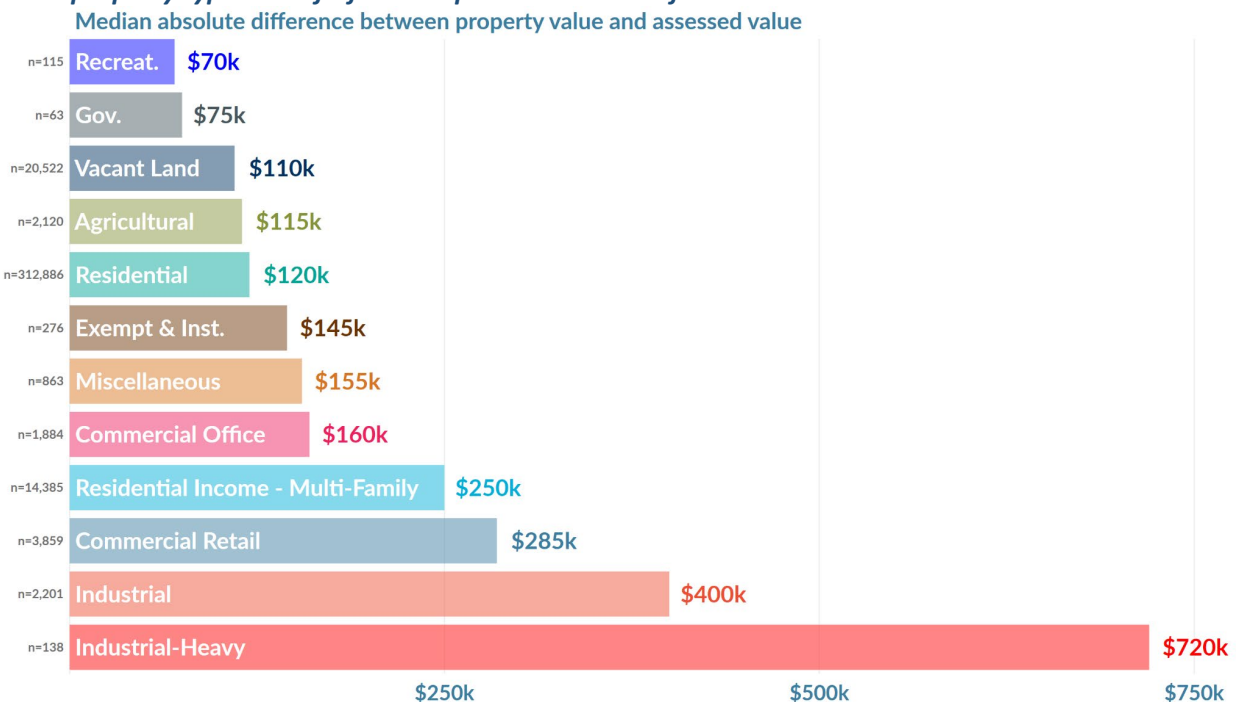
³ This policy reform idea was drafted onto the state ballot via Proposition 15 in 2020, and would have effectively raised commercial and industrial real estate property taxes, though with some temporary and permanent exemptions carved out for lower value businesses with less than 50 employees.

⁴ <https://www.zillow.com/research/ztrax/>

⁵ Analysis of ZTRAX.

⁶ It's important to note several limitations with this work. First, not all parcels are sold for market value. We can only determine the market value based on sale price for parcels sold for "full consideration;" however, this makes up only a subset of the data set. We implement methodology developed by the Places Lab at Boston University to limit our sample to parcels where sales records represent market value. Ultimately, We assume that property values within this subset are representative of the full universe of parcels. Second, to test the reliability of the underlying data, we benchmark statewide and county results to publicly-reported data from the BOE. We find that

Which property types benefit from Proposition 13 in California?



Source: Authors' analysis of ZTRAX.
Sample: ZTRAX California data, 2017. Restricted to parcels transacted at market value using PLACES Lab methodology.
Notes: This visualization illustrates the median discount (property value minus assessed value), with median values rounded to the nearest \$5k.

Based on this measure, our analysis shows that some of the largest median discounts stemming from Proposition 13 accrue to commercial and industrial properties. Parcels that are characterized as heavy industry show the largest discount by a wide margin, with a \$720k difference between property value and assessed value at the median for this property type. However, these property types make up a small portion of our sample. The next highest median discount accrues to industrial parcels at \$400k – a \$320k difference from heavy industry. After industrial, commercial retail accrues the largest discount at \$285k. Overall, other than multifamily investment properties, property types that would be affected by a split roll policy reform – commercial and industrial properties – see the largest discounts at the median from Proposition 13.

Our analysis here has several limitations. While the median absolute difference can help give us a sense for how much revenue could be raised from relaxing Proposition 13's restrictions, it does not give us an idea for which types of properties benefit the most from Proposition 13 on a relative basis. To better answer this question, we expand on our analysis in the main paper by also looking at a relative measure of the ratio between assessed value and property value. Additionally, an important omission from our work is that we only test the distribution of Proposition 13 discounts *across* property types but not *within* property types – it is possible that some parcels receive the lion's share of the benefits from Proposition 13 within a given property type. We hope to examine this hypothesis in future work.

at the state level, figures obtained from ZTRAX are within 5% of BOE-reported data. However, the extent of error varies considerably from county-to-county, which reflects missingness of parcels in some and overcounting of parcels in others.

The main report builds on these findings by providing additional measures of Proposition 13's discounts statewide, and also by including a case study of Proposition 13's effects in San Mateo County, a county with the most complete parcel sales price records of all counties in the state. Having a better idea of where Proposition 13 has provided the largest discounts may help to design future split-roll, or other reforms to California's property tax system; these policy reform proposals will be crucial pieces of the puzzle for how to address the state's revenue volatility and structural budget deficit.