

The Backus Bulletin

"Your Management, Your Way"

TIME TO VOTE!

October 2020

I will leave national issues up to you but there are three very important state ballot issues you should have information on:

Proposition 15: Split property tax rolls. Although this measure does not directly affect residential rentals, it does possibly affect those of you who own commercial or industrial property. The argument that it would provide more money for schools (that many of us support) is a bit misleading because less than 30% of property tax dollars go to schools. If a split tax roll is allowed for commercial properties, it is not a big stretch to see an attempt to add investment real estate to that side of the ledger.

VOTE NO ON PROPOSITION 15

Proposition 19: This proposition changes property tax rules and has some pluses and minuses.

A) Are you over 55? Do you intend to sell your primary home and buy a new home in California that is more

expensive? It would enable you to carry your tax basis with you. You can also use this deferral up to three times. **You might want to vote yes.**

B) Do you have children or grandchildren you would like to leave your rental property to? This proposition would raise their property taxes to current market rate rather than carry your basis as is the case currently. **You might want to vote no.**

C) Do you have farm land or principle residence that will go to children or grandchildren? Currently, they will inherit your tax basis. Under this proposition, if the current market exceeds the current taxable value by more than \$1,000,000, the tax will increase. This would be adjusted every two years. **You might want to vote no.**

This obviously affects your family inheritance planning and your tax accountant/ attorney should be consulted.

Proposition 21: Expands Local Governments Authority to enact rent control on residential property.

This one is simple: Vote NO.

Expect to see some version of this bill on every ballot in the future. If some form of state wide rent control does not work, those in support will simply try another. Many legitimate institutions and "think tanks" have shown that rent control eventually leads to less and poorer housing and does not solve the long term problem, it always sounds good.

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This proposition applies to housing more than 15 years old (which is already most of our count and is a rolling number) It does not apply to individuals who own two or fewer rental houses. This is the biggest change because AB 1482 covered only multifamily housing. If you own three single family homes as rentals, this law would affect you, although does not have the other limitation of AB 1482. If covered under this law, a city may choose to limit how much a landlord can increase rents when a new renter moves in. If a community chooses to do that, rents can be increased up to 15% in the first three years after a new tenant moves in. The measure requires that rent control laws allow landlords a fair rate of return. There is not a definition of that amount.

We already have increased the complexity of the rental laws substantially in the past few years, making it increasingly difficult for owners and property managers to stay within the guidelines. This law simply adds one more layer of confusion.