**How Prop. 13 gave California’s richest corporations a multibillion-dollar tax break they didn’t want**

This story is part of California Voices, a commentary forum aiming to broaden our understanding of the state and spotlight Californians directly impacted by policy or its absence. Learn more here.

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In November, Californians will vote on Proposition 15, which aims to plug a giant loophole in the state’s property tax system created more than 40 years ago.

The measure would require office buildings, factories and other commercial property to be taxed on what they are actually worth today, not what they were worth when Gerald Ford was president.

Here is the story of how some of the state’s wealthiest businesses received a multibillion-dollar windfall that they never wanted.

The great California tax revolt of the late 1970s began with a housing market gone crazy. Prices in some markets were jumping by as much as 5% per month. The result was a money machine for local governments, raising both local property tax assessments and people’s tax bills.

Typical homeowners were hit with tax hikes of as much as $1,000 dollars per year – four times that in today’s dollars. For the elderly living on fixed incomes, these increases threatened to toss them out of their homes altogether.

By mid-1976 local officials across the state faced a full-on rebellion, and they moved swiftly to shift the blame to Sacramento. The state was sitting on a money machine of its own – double digit inflation. The cost-of-living salary increases that workers received to help keep up with rising prices also shoved them into higher and higher tax brackets. By early 1977 the state was sitting on a $2.5 billion budget surplus, which would eventually balloon to more than $7 billion, equal to half the state budget.

At the state Capitol, the summer of 1977 became one long drama of anti-tax protests, and lawmakers trying and failing to respond. I had a front row seat to it all, as a college intern in the office of Assembly Speaker Leo T. McCarthy. Democratic liberals wanted aid to go to low-income homeowners and renters. Democratic moderates, led by the young version of Gov. Jerry Brown, wanted to target middle and high-income homeowners. Republicans wanted to give the surplus away as an income tax cut, which would ultimately benefit the wealthiest.

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Politicians in Sacramento that scorching summer could only find agreement on two things. One was that they liked a new movie called “Star Wars” – the governor, a huge fan, rented out a theater and hosted a showing for the entire Legislature. The second was that none of the tax relief should go to corporations.

As efforts to find a compromise crashed and burned, two curmudgeonly anti-tax activists, Howard Jarvis and Paul Gann, announced a sweeping initiative that would cut local property taxes by $6 billion, a sixth of all state and local revenues combined. It would put a 1% cap on local property tax rates and roll back property assessments to what they had been in 1975. But the measure made no distinction between homes and commercial property, and as a result would dole out a full two-thirds of its tax relief to some of the wealthiest economic interests in the state.

It seemed to be more the result of sloppy drafting than actual intent.

In December 1977, Jarvis and Gann turned in 1.2 million signatures, more than double the 500,000 they needed to qualify for the ballot. The initiative became Proposition 13.

The opponents that lined up against Prop. 13 included not only every major Democratic leader in the state, but two future Republican governors – Pete Wilson and George Deukmejian – the pro-business California Taxpayers Association, Bank of America, Atlantic Richfield, Southern California Edison, Southern Pacific Railroad and Standard Oil of California.

The corporations warned that the initiative would damage public schools and services, and gave serious cash to the campaign to defeat it. A Southern California Edison executive declared, “Although business stands to receive at least $4 billion of the anticipated $6 billion in property tax relief, we felt it was time for the private sector to stand up for principle and fight this measure as financially unsound.”

Nonetheless, in June 1978, on the winds of public anger, Prop. 13 passed by a landslide, 2-to-1. Overnight it slashed the property tax revenues under schools and local governments by more than half. State lawmakers deployed the state surplus to fund a partial bailout, but severe cuts came nonetheless.

In the years since, the loophole for commercial property has only grown. Homes in California do get sold and eventually reassessed to their current value. But for giant business properties, as long as the same corporation holds title, as long as the logo on the door remains the same, the building continues to be taxed based on what it was worth during the last year of the Vietnam War.

Today the California Legislative Analyst’s Office estimates that the commercial property loophole costs California between $8 billion and $12 billion per year in lost revenue.

Four decades ago, California’s corporate leaders opposed the windfall given them by Prop. 13. In November they will spend millions to protect it.

What California really has are two Prop. 13s, the one that provides predictability to homeowners and the one that gives a tax break worth billions a year to some of the wealthiest businesses in the world.

In November, voters will have a chance to finally put that loophole to rest, along with eight track tapes, pet rocks, the flash cube and other relics of the 1970s that we don’t need in 2020.

Jim is the author and co-author of four books, including “The Initiative Cookbook, Recipes and Stories from California Ballot Wars,” and a new memoir, “My Other Country, Nineteen Years in Bolivia.” He is a regular contributor to the New York Review of Books and the Lockport Union-Sun and Journal, and has written for the New York Times, The Nation and others. His writings can be found at www.jimshultzthewriter.com.