

How California Politicians Work Around Proposition 13 to Raise Taxes

1. Special Assessments & “Fees” (Pre 1996 Loophole)

Special benefit assessments: Following the 1992 Knox decision, courts ruled that the two-thirds voter requirement for special taxes under Prop 13 didn’t apply to special assessments. This allowed local governments to impose additional charges linked to specific benefits—sometimes creatively labeled and applied—to properties without voter approval.

Utility-style fees or disguised charges: Local municipalities could label charges as “fees” (e.g., utility costs with a “return on investment”) rather than taxes, thus avoiding Prop 13 rules and voter thresholds.

2. Proposition 218 (1996): Reform & Restoration

Closes many fee loopholes: Prop 218 established in the California Constitution stricter definitions. Most parcel taxes now require two-thirds voter approval, and local governments must clearly detail tax amounts, duration, and purpose on ballots.

Enables voter-initiated repeal or reduction: It also empowers residents to reduce or repeal improperly approved (e.g., less than two-thirds) special taxes via local initiative.

3. Mello-Roos (Community Facilities Districts)

These are special parcel taxes independent of assessed property value, typically used to fund infrastructure or services like schools, parks, or roads.

They are not subject to Prop 13’s property value–based tax caps.

Require two-thirds voter approval under Prop 218 to implement, extend, or increase.

4. Split-Roll Proposals (e.g., Proposition 15, 2020)

Prop 15—and similar split-roll ideas—seek to reintroduce higher assessment for commercial or business properties, while leaving residential properties under Prop 13 protections.

Prop 15, the “Schools and Local Communities Funding Act,” aimed to reassess large commercial properties at market value at sale, generating billions for schools and counties.

It would not affect homeowner residences.

Ultimately, Prop 15 failed at the ballot in 2020, but it remains a key example of attempts to partially roll back Prop 13 for businesses.

5. Transfer-of-Ownership Loopholes

Prop 13 reassesses property only on “change of ownership.” But definitions of “change” can be manipulated.

Commercial entities sometimes transfer only up to 49% of a property’s ownership to avoid reassessment, even during effective control transfers.

Closing this loophole could raise significant revenue—estimates suggest up to ~\$269 million annually—but legislative attempts have stalled.

Summary Table

Mechanism	What It Does	Requires Voter Approval?
Special assessments/fees	Extra charges under creative labels	Often no, pre Prop 218
Proposition 218	Restricts the above and enables repeal	Yes—2/3 for new, but voters can repeal
Mello Roos districts	Parcel taxes independent of property value	Yes—requires 2/3
Split roll proposals	Reassess commercial, not residential	Yes—via ballot initiative
Ownership-transfer loophole	Avoid reassessment via partial transfers	No voter vote but requires legislative change