



June 26, 2018

SENT VIA USPS AND EMAIL

The Honorable Sheila Kuehl
Supervisor, Third District
821 Kenneth Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Honorable Members of the Los Angeles County Board of Supervisors:

The California Taxpayers Association is opposed to the proposed stormwater parcel tax that, if approved by the Los Angeles County Board of Supervisors, will appear on the November 6 ballot. According to a June 4 draft, the measure would tax impermeable surface areas at a rate of 2.5 cents per square foot to fund programs mitigating stormwater run-off.

CalTax respectfully opposes this flawed proposal because, while the tax fails to address key principles associated with the parcel tax, it would also impose an unnecessary and costly tax increase at a time when Los Angeles County is struggling with housing affordability, and homeowners and businesses already pay some of the highest property taxes in the country.

While California's Legislature has given local governments the authority to draft, levy, implement, administer and collect parcel taxes, major reforms are needed to bring consistency to this tax's structure. Local governments can begin to restore the taxpayers' confidence in the parcel tax by building into their draft language certain principles and safeguards, which this proposal lacks.

- **Contains No Sunset Date.** The draft measure proposes to impose a parcel tax in perpetuity. Unlike similar taxes, this tax would not provide voters the opportunity to re-evaluate the stormwater run-off programs and revenue. Property owners should have a right to occasionally determine whether a parcel tax and the programs supported by it are necessary. This proposal denies voters this opportunity.
- **Tax Base Does Not Complement Similar Taxes.** No other parcel tax in California is based on impermeable surface area – not even other stormwater parcel taxes within Los Angeles County. Basing a tax on this unique standard raises many questions and challenges. The draft language assumes that mathematical errors could occur, and provides that taxpayers may seek review with the district on the following grounds: 1) a mathematical error in the calculation of a tax, or 2) a discrepancy of more than either the result of 10 percent in the actual impermeable area or \$50 of tax, whichever is greater.



- **Independent Audit Requirements Lack Specificity.** While the independent audit requirements contained in the report provide some transparency, the June 4 draft language lacks specificity. Other jurisdictions throughout California specify that parcel taxes must include the following information: number of parcels subject to tax, number of parcels exempt from taxation, number of parcels eligible for exemption, and accounts receivable.
- **Exemption Application Process Needs Specificity.** The draft language provides no specificity for how low-income seniors shall apply for an exemption. Older homeowners are often challenged by local parcel tax exemption application procedures, finding the process confusing and difficult.
- **Non-Uniformity.** The draft language proposes a non-uniform parcel tax. Such taxes are ripe for litigation, potentially violating state statutes relating to uniformity and constitutional requirements requiring all property be taxed in a uniform manner. By taxing impermeable surfaces, this parcel tax places a greater burden on certain property owners.
- **Parcel Tax Is Not Deductible for Homeowners.** The Internal Revenue Service prohibits parcel taxes from being deducted on a homeowner's personal income tax return if the tax is not uniform [Treas. Regs. Sec. 1.164-4(a)]. IRS Informational Letter 2012-0018A specifies that some parcel taxes may be deductible, if the tax provides a benefit for the general welfare. However, the letter notes that an income tax deduction may not be taken for parcel taxes that impose higher taxes on some properties and lower taxes on others.

The points identified above are just some of the issues with this proposed tax – many more issues need to be resolved. Instead of rushing to place a measure on the 2018 ballot, we urge the Board of Supervisors to pause, and consider further vetting so the county can receive thoughtful input from all stakeholders.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert Gutierrez', written over a horizontal line.

Robert Gutierrez
Director of State and Local Taxes
California Taxpayers Association

cc: Celia Zavala, Acting Executive Officer