



February 22, 2018

Ballot Simplification Committee
c/o John Arntz
Department of Elections
1 Dr. Carlton B. Goodlett Place
City Hall, Room 48
San Francisco, CA 94102

Re: Analysis of Initiative Measure "Parcel Tax for San Francisco Unified School District"

Dear Committee Members:

I write in response to your request for a departmental analysis from the Office of the Treasurer & Tax Collector (TTX) of the measure entitled "Parcel Tax for San Francisco Unified School District."

This measure would authorize the City to collect an annual parcel tax of \$298 per parcel of taxable real property in the City and transfer all the revenue to the School District. This measure is unlike existing parcel tax measures where the imposing district (SFUSD or City College) determines exemptions, and TTX bills and collects the taxes under contract with the districts. In this measure, the City imposes the tax and TTX would be responsible for determining exemptions, as well as billing and collections.

There are several aspects of this measure we'd like to analyze for your consideration:

1. The measure requires collection to commence July 1, 2018, and requires the tax to be collected in the same manner as *ad valorem* property taxes, i.e., on the annual secured property tax bills that TTX issues in October of each year.

TTX believes this timeframe is possible, but wishes to share several factors which could result in unreimbursed costs to the City.

AB 2476 went into effect January 1, 2017 and requires local agencies to notify a property owner of a parcel tax following its successful passage, if the property owner does not reside within the jurisdiction where the parcel tax is levied. As soon as the June 2018 election results are certified, TTX will mail notice to all property owners with information about the new parcel tax, the rate, the method and frequency of collection, and contact information for taxpayers to

receive additional information and apply for exemptions. This state law allows the City and County to recover reasonable costs associated with providing the notice.

However, TTX will need to create informational material, design an exemption application process in multiple languages, assign and train staff, and prepare a mailing to more than 200,000 property owners before knowing that the measure passes. Should the measure fail, the City will absorb these costs.

2. Section E of the measure has some factual inaccuracies we wish to correct for the record:

E. All property that the Tax Collector has determined to be otherwise exempt from property taxes, or on which no *ad valorem* property taxes have been levied, in any year shall also be exempt from the Parcel Tax in such year. The Tax Collector's determination of exemption or relief for any reason of any parcel from taxation, other than the Senior Citizen Exemption or Unit Owner Parking Space Exemption, shall be final on the taxpayer for purposes of the Act. Taxpayers desiring to challenge the Tax Collector's determination should do so under the procedures established by the Tax Collector's Office, applicable provisions of the California Revenue and Taxation Code or other applicable law. Taxpayers seeking any refund of taxes paid pursuant to the Act shall follow the procedures applicable to tax refunds pursuant to the California Revenue and Taxation Code.

Under state law, the county assessor, not the tax collector, determines if a parcel is exempt from *ad valorem* property taxes. The City's Tax Collector is not authorized to make a determination of exemption from *ad valorem* property taxes.

3. The measure includes a Senior Citizen Exemption, to be administered by TTX. The measure states the following:

F. An optional exemption (heretofore the "Senior Citizen Exemption") from the Parcel Tax will be made available annually to each individual in the City who attains 65 years of age prior to July 1 of the tax year, and who owns a beneficial interest in the parcel, and who uses that parcel as his or her principal place of residence, and who applies to the City on or before July 1 of each tax year, or during the first year of the tax at a date to be determined by the Tax Collector. Any application for such exemption must be submitted to the Tax Collector, pursuant to any rules and regulations of the Tax Collector, and must be renewed annually.

The structure of this parcel tax is different than the existing SFUSD parcel taxes. While the funds collected from the proposed measure are earmarked for SFUSD, TTX will have the authority and responsibility to administer exemptions. There is a similar Senior Citizen Exemption in place for

the other two existing SFUSD parcel taxes, but SFUSD manages the application process and determines whether a parcel is exempt.

To reduce administrative costs for the City, and ease the burden on senior citizens, TTX would seek to streamline procedures as much as possible with those at SFUSD, and, where possible, have the entire process be seamless for taxpayers.

However, the ability to fully integrate with SFUSD exemption processes is more challenging because of this measure's requirement that seniors reapply for the exemption each year. Based on a state law that became effective Jan 1, 2017, SFUSD changed its practices to allow for the continuation of the senior exemption for its parcel taxes until an owner becomes ineligible through a sale, or death. Should this measure pass, TTX is concerned that the requirement of seniors to reapply annually for exemption from this tax will lead to taxpayer confusion and mistakes.

Thank you for your consideration.

Sincerely,



José Cisneros