

Memorandum

To: Mark Ibele, Staff Director of the California Commission on the 21st Century Economy
Date : April 6, 2009
From: Robert Ingenito, Chief, Research and Statistics Section
Subject : Spilt Roll Property Tax Revenue Estimate

This responds to your request that we provide you with a revenue estimate resulting from the annual assessment of commercial/industrial real estate at market value as opposed to current law. In 2006-07, this proposal would have generated an additional \$6.7 billion in revenue. As Figure 1 indicates, the assessed value of California commercial/industrial real estate in 2006-07 was about \$1 trillion.

The Board annually produces an estimated statewide ratio of assessed value to market value for commercial/industrial property. Our estimate of the 2006-07 ratio was 59.94 percent. Applying that ratio to the assessed valuation of commercial/industrial property produces a 2006-07 market value estimate of \$1.7 trillion.

The resulting \$674 billion in increased value, when taxed at the one percent rate, would produce an additional \$6.7 billion in revenue.

Figure 1: Summary of Split Roll Revenue Estimate

Fiscal Year 2006-07; Dollars in Thousands

Assessed Value of Commercial/Industrial Property	\$1,007,826,396
Estimated Market Value	1,681,392,051
Increase in Value	673,565,656
Revenue at 1 percent rate.	6,735,657

While the final data are not yet available, if the growth in assessed value of commercial/industrial property grew proportionately to total growth, we estimate that this proposal would generate about \$7.5 billion in 2008-09.