



October 25, 2017

Hon. Xavier Becerra
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Ashley Johansson
Initiative Coordinator

Dear Attorney General Becerra:

Pursuant to Elections Code Section 9005, we have reviewed the proposed constitutional initiative related to taxes on Californians who are age 55 and older (A.G. File No. 17-0029).

Background

Income and Property Taxes. According to U.S. Census Bureau data, Californians pay around \$230 billion in state and local taxes each year. Two of the largest taxes are the state income tax (now about \$90 billion per year) and the local property tax (around \$60 billion per year).

Proposal

Eliminating Income and Property Taxes for Californians Age 55 and Over. This measure amends the State Constitution to prohibit the state and local governments from levying income or property taxes on any Californian age 55 or over. The measure also creates a constitutional ban on state or local estate taxes (although a prior voter initiative essentially already bans such taxes). The measure provides that these tax changes would occur, notwithstanding any provision of the Constitution to the contrary.

Fiscal Effects

Large Amount of Taxes Implicated by This Measure. Californians age 55 and over currently pay a significant share of California's income and property taxes—although it is difficult to make a precise estimate of this amount. Our rough estimate is that this amount is now around \$60 billion per year. Accordingly, this measure would reduce state and local government revenues by around \$60 billion annually.

Changes to Spending and/or Revenues in Response to This Measure. In response to this measure, governments would have to take actions to bring their budgets into balance—by reducing spending and/or raising revenues.

Summary of Fiscal Effect. This measure would have the following fiscal effect:

- Reduced state and local taxes of roughly \$60 billion per year. The state and local governments would have to take actions to bring their budgets into balance—by reducing spending and/or raising other taxes or fees.

Sincerely,

Mac Taylor
Legislative Analyst

Michael Cohen
Director of Finance