

Property Tax Limitations and Mobility: The Lock-in Effect of California's Proposition 13

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Proposition 13, adopted by California voters in 1978, mandates a property tax rate of one percent, requires that properties be assessed at market value at the time of sale, and allows assessments to rise by no more than 2% per year until the next sale. In this paper, we examine how Proposition 13 affected average tenure length of owners and renters in California versus in other states. We find that from 1970 to 2000, owners' average tenure length increased by .66 years, or by 6 percent, in California relative to the comparison states. Tenants' tenure length also increased over the period, but the increase was probably due to adoption of rent control in California cities after Proposition 13 went into effect, rather than to Proposition 13 itself. We also find that migrants from other states responded more strongly than native-born households to Proposition 13. Among owner-occupiers, the response to Proposition 13 increases sharply as the size of the subsidy rises. Homeowners living in inland California cities such as Fresno receive the lowest Proposition 13 subsidies and their average tenure length increased by only .25 years, while the average tenure of owners in Los Angeles increased by one year and that of owners in the Bay area – who receive the largest subsidies – increased by approximately two years.