

## Split-Roll Tax Initiative Proposed for November 2022 Ballot

A law firm representing SEIU-UHW submitted a proposal to California state officials seeking to place a split roll tax proposal on the November 2022 ballot. This measure comes after Proposition 13 was defeated by voters last year giving a clear message to legislators that citizens are not in favor of this tax increase. This proposal would tax many types of properties including commercial properties. This comes at a time when businesses are recovering from the pandemic and are already facing increased taxes that were passed and will take effect in 2022 affecting small business owners and pass-through entities.

The split roll tax would target properties with a value of between \$4 million and \$5 million by assessing a surcharge of 1.2 percent divided by \$ 1 million multiplied by the full cash value of the property minus \$4 million. For properties with a full cash value of \$5 million or more, an annual surcharge of 1.2% would be applied as a property tax surcharge. This rate can increase to as much as 1.4% if additional funding is needed to reimburse local governments for lost revenue from the homeowners' property tax exemption and renter's tax credit.

Commercial properties in California are some of the highest in the nation which would cause this initiative to directly affect many property owners and their businesses. This has a trickle-down effect that would cause hardship on their employees and jobs if employers are forced out of business due to increased expenses on both property taxes and corporate and personal income tax increases. The proposed law would also prohibit landlords from passing these surcharges onto tenants.

Covered properties include: commercial, residential, industrial, mixed-use, vacant land with a full cash value of more than \$4 million. It also covers parcels where one portion of a single

### In This Issue

- Split Roll Tax Proposal on 2022 Ballot
- Tax Changes Beginning in January 2022
- Substantial Price Reduction on Arcadia Medical Office Building

residence or commercial structure has a full cash value of more than \$4 million and parcels created by subdividing another parcel for purpose of avoiding the surcharge.

Covered properties exclude: commercial agriculture, parcels where the full cash value divided by the number of owner-occupied households, is \$4 million or less, parcels with utilities and transport subject to state assessment, deed-restricted low-income housing and vacant land being used for open space or a park.

California has the highest personal income tax rate in the nation. It ranks as the second worst overall state business tax climate ranking in 2021. California has the second highest unemployment rate in the country at 7.5 percent in October of 2021 versus the national US unemployment rate of 4.8 percent in October of 2021. Since Proposition 13 took effect in 1979, property taxes have more than doubled after adjusting for population growth and inflation. Local property taxes are estimated to top \$79 billion this year, more than any other state's total general fund budget, save California. Only once since Proposition 13 was enacted have property tax revenues ever declined—during the Great Recession a decade ago. Over the four decades, the average annual growth has been 7 percent.

Source: BOMA of Greater Los Angeles, Cal Chamber and the US Department of Labor

## Tax Changes Beginning in January of 2022

The reconciliation bill passed by the House Ways and Means Committee on September 15 includes many new tax provisions. Included are some significant taxes on pass-through entities and small business owners.

The new top marginal tax rate will be increased to 39.6% on taxable income over \$400,000 for a single taxpayer, \$450,000 for married individuals filing jointly, and \$13,000 for trusts and estates.

The capital gains and dividend tax rates would rise to 25%

for those individuals, trusts, and estates with taxable income at the top taxable rate. This provision is adequate for sales occurring or dividends received on or after September 13, 2021.

The 3.8% net investment income tax will be imposed on income not otherwise taxed as dividends, capital gains, or wages for persons with income higher than \$400,000 for single taxpayers, \$500,000 for married individuals filing jointly, and all trusts and estates (no threshold).

The maximum allowable deduction for the 199A deduction for pass-through entities would be available only for single taxpayers making \$400,000 or less, \$500,000 or less for married individuals filing jointly, and \$10,000 or less for trusts and estates.

Taxpayers with adjusted gross income in excess of \$400,000 will no longer qualify for the special 75% and 100% exclusion rates for gains realized from Section 1202 stock – qualified small business stock.

Source: Forbes.com 9/16/2021

### Substantial Price Reduction!



900 S. 1<sup>st</sup> Avenue Arcadia, CA

### \$750K Price Reduction!

10,000 SF medical office building for sale on almost an acre of land located at corner intersection of 1<sup>st</sup> and Duarte Rd. Minutes to Methodist Hospital and City of Hope.

Completely renovated in 2009-2010. Separated into four medical practices- Excellent for multiple partner ownership. The building has an elevator, sprinklers, common area lobby and restrooms. No expense spared on build-out.

Excellent owner/user opportunity. Occupy 51% with SBA and lease out remainder for income.

*Linda Vidov (CA Broker Lic. #1715788)*

Linda specializes in commercial and industrial sales and leasing throughout the San Gabriel Valley. She has extensive knowledge in 1031 exchange transactions, investment opportunities, and market analysis. Feel free to contact Linda with any questions or requests for information.



**Current SBA 504  
Effective Rate for  
October 2021 is 2.67-2.91%**

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