

PROPOSITION 15

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds sections to the California Constitution; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Title.

This measure shall be known as “The California Schools and Local Communities Funding Act of 2020.”

SEC. 2. Findings.

(a) California is the fifth largest economy in the world, but if we don’t invest in our future, we’ll fall behind. To grow our economy and provide a better quality of life now, and for future generations of Californians, we need to do a better job of investing in our schools, community colleges, and local communities, and do more to encourage small businesses and start-ups.

(b) Our competitiveness begins with making children and their education a priority. Decades of cuts and underfunding have undermined California schools. A recent national study ranked the performance of California schools in the bottom half of all states. The top ranked states spend thousands of dollars more per student than California.

(c) California’s funding shortfall has direct consequences for our kids: we’re dead last in the nation in teacher-to-student ratios, last in guidance counselor-to-student ratios, and last in librarian-to-student ratios.

(d) The quality of life in our local communities is also critical to our economic future. It depends on streets that are safe and clean, emergency services we can count on, parks and recreation programs that keep our youth off the streets, and roads that are well maintained. Our cities, counties, and local agencies are on the front line facing the consequences of the lack of affordable housing and increasing homelessness as well as worsening risks from wildfires and other disasters.

(e) Property taxes on commercial and industrial properties are a principal source of funding for our schools and local communities. While virtually every other state assesses commercial and industrial property based on its fair market value, California allows commercial and industrial property taxes to go many years, even decades, without reassessment. This unusual system is prone to abusive tax avoidance schemes, diverts funds away from schools and local communities, contributes to the shortage of affordable

housing, distorts business competition, and disadvantages business start-ups.

(f) California’s under-assessment of commercial and industrial properties is a growing problem. Large investors and corporations, many of whom are from other states and countries, are using a variety of schemes to get around the law and buy and sell properties without being reassessed, costing our schools and local communities billions of dollars.

(g) A recent study by the University of Southern California has found that under-assessed commercial and industrial property allows owners to avoid over \$11 billion in local property taxes each year that should be going to support our schools and local communities.

(h) California’s unusual commercial and industrial property tax system contributes to California’s affordable housing crisis. Studies by the Legislative Analyst’s Office and the University of California have demonstrated that California’s property tax system incentivizes owners to hold idle vacant and under-utilized commercial and industrial property. A reformed system, that assesses all properties based on their fair market value, would create a powerful new incentive to build new housing.

(i) Every commercial and industrial property owner benefits from local schools and services like public safety and infrastructure. It is unfair and anti-competitive that the property tax system forces some businesses to pay higher property taxes to support our schools and local communities while their competitors pay much lower property taxes because their properties are assessed far below their fair market value.

(j) California’s unusual property tax system not only distorts competition, it discourages business investments. Under the current system, businesses that invest in improving their properties trigger reassessment and higher property taxes. But businesses that don’t invest in improving their properties continue to enjoy the low cost of under assessment.

(k) A study done at the University of California demonstrates that reassessing commercial property will have a net positive benefit on jobs and the California economy.

(l) If we reformed California’s under-assessment problem on business properties, California would still rank among the lowest states for business property taxes in the nation because of the California Constitution’s provisions related to the 1% limitation on property tax rates.

(m) Thriving small businesses and start-ups are essential to California’s economy now and for our future. The property tax on equipment and fixtures discourages new start-ups, small businesses and larger businesses from making new productive

investments. By requiring under-assessed large properties to be assessed at fair market value, small businesses can be fully exempted from the property tax on equipment and fixtures and the tax can be substantially reduced for other businesses, removing this disincentive without harm to funding for our schools and local communities.

(n) Reassessing under-assessed commercial and industrial property in California would primarily impact a small number of properties owned by the largest corporations and wealthiest investors. Almost 80 percent of the tax benefits of the under-assessment allowed by the current system go to just 8 percent of the properties.

(o) The benefits to our schools, local communities, and economy resulting from ending the under-assessment of commercial and industrial property can be achieved while protecting small businesses through exemptions and deferrals of reassessment and at the same time encouraging small businesses by creating a more level playing field and by eliminating the property tax on business equipment and fixtures.

(p) Reforming commercial and industrial property assessments to fair market value will result in a fairer system for our schools, our local communities, and our businesses. All businesses will compete on a level playing field, generating billions of dollars in additional support for our schools and local communities.

SEC. 3. Purpose and Intent.

It is the intent of the people of the State of California to do all of the following in this measure:

(a) Preserve in every way Proposition 13's protections for homeowners and for residential rental properties. This measure only affects the assessment of taxable commercial and industrial property.

(b) Provide for increased and stable revenues for schools, cities, counties, and other local agencies by requiring under-assessed commercial and industrial properties to be assessed based on their fair market value.

(c) Distribute the new revenues resulting from this measure to schools and local communities, not to the state.

(d) Ensure that the portion of any new revenues going to local schools and community colleges as a result of this measure is treated as new revenues that are in addition to all other funding for schools and community colleges, including Proposition 98.

(e) Guarantee every school district and community college will receive additional funding from this measure and that funds going to schools and community colleges are allocated in a manner that is consistent with local control funding formulas intended to advance equity.

(f) Ensure that any new revenues going to cities, counties, and special districts as a result of this measure will be allocated in the same manner as other property tax revenues, consistent with prior ballot measures approved by voters, to improve the quality of life in local communities in all parts of California.

(g) Make certain there is complete public transparency by requiring schools, community colleges, cities, counties, and special districts to publicly disclose the new revenues they receive and how those revenues are spent in a manner that is widely available and easily understood.

(h) Be very clear that this measure only applies to taxable commercial and industrial real property by including provisions stating that:

(1) All residential property is exempt so homeowners and renters will not be affected in any way by this measure.

(2) This measure makes no change to existing laws affecting the taxation or preservation of agricultural land.

(i) Make no change to Proposition 13's constitutional provisions relating to the 1 percent limitation on property tax rates for all taxable real property so local property taxes on commercial and industrial property will continue to be among the lowest in the country after this measure is approved by voters.

(j) Ensure stability for owners of small business properties by providing an exclusion for small commercial and industrial real property owners. The intent of this provision is to provide an exclusion that applies only to the true owners of small businesses and that large property owners shall be prevented from using the exclusion for their own benefit.

(k) Defer reassessments for properties in which small businesses account for 50 percent or more of the occupied space until the 2025–26 lien date to provide those small business tenants additional time to choose the leasing option that works for them, recognizing that the impact of this measure will be different for each property, depending on how close the current assessment is to the fair market value and whether or not it qualifies for the small property exclusion for properties with a fair market value of \$3 million or less.

(l) Encourage new and existing businesses to make new investments by eliminating the business tangible personal property tax on equipment and fixtures for small businesses and providing a \$500,000 per year exemption for all other businesses. The Legislature may not reduce this exemption, but it may increase it.

(m) Provide greater equity in the taxation of commercial and industrial properties by assessing all of them based on their actual fair market value just like start-ups and new commercial and industrial properties that already are being assessed based on

their actual fair market value. The intent is for all businesses to compete on a more level playing field and make sure all businesses are paying their share to support the schools and local communities from which they benefit.

(n) Require the Legislature, after conferring with a task force on property tax administration, to provide by statute for the phase-in of reassessments of under-assessed commercial and industrial real properties so that county assessors may effectively implement the new law. Such phase-in will begin with the lien date for the 2022–23 fiscal year and occur over several years. Affected owners shall only be obligated to pay the taxes based on the new assessed value beginning with the lien date for the fiscal year when the assessor has completed the reassessment.

(o) Require the Legislature to ensure that the phase-in provisions provide affected owners of under-assessed commercial and industrial real properties reasonable time to pay any increase in their tax obligations resulting from this measure.

(p) Provide for the recovery of actual direct administrative costs incurred by counties to effectively implement the new law.

(q) Ensure that the General Fund and other funds of the state are held harmless by reimbursing the state for reductions in tax revenue caused by the deductibility of the property tax.

(r) Maintain the State Board of Equalization's oversight over the property tax system to assure the public that assessments of commercial and industrial real property in every county are equitable and uniform as required by this measure, and to further ensure that the State Board of Equalization provides statewide assistance as necessary to support the efficient implementation of this measure within all 58 counties.

SEC. 4. Section 8.7 is added to Article XVI of the California Constitution, to read:

SEC. 8.7. (a) The Local School and Community College Property Tax Fund is hereby created in the State Treasury, to be held in trust, and is continuously appropriated for the support of local educational agencies as that term is defined in Section 421 of the Education Code, as that statute read on January 1, 2020, and for the support of community college districts. The moneys deposited in the Local School and Community College Property Tax Fund shall be held in trust for schools, and shall be distributed as follows:

(1) Eleven percent of the moneys shall be allocated by the Board of Governors of the California Community Colleges to community college districts in proportion to the funding calculated for each district pursuant to the distribution formulas operative in statute as of January 1, 2020, or any successor statute, provided that property tax revenues calculated pursuant to

Section 84751 of the Education Code, or any successor statute, that exceed the total funding calculated for a district pursuant to the then operative distribution formulas shall be subtracted from that district's proportionate share of the Local School and Community College Property Tax Fund.

(2) Eighty-nine percent of the moneys shall be allocated by the Superintendent of Public Instruction to school districts, charter schools, and county offices of education as follows:

(A) To school districts and charter schools, in proportion to each school district's or charter school's total funding calculated pursuant to subdivisions (a) to (i), inclusive, of Section 42238.02 of the Education Code, as those provisions read on July 1, 2019. Any school district or charter school that qualifies as a "basic aid school district" or "excess tax entity" under subdivision (o) of Section 42238.02 of the Education Code shall have subtracted from its proportionate share of the Local School and Community College Property Tax Fund the amount by which the sum calculated in subdivision (j) of Section 42238.02 of the Education Code exceeds the amount calculated pursuant to subdivisions (a) to (i), inclusive, of Section 42238.02 of the Education Code, as each of those provisions read on July 1, 2019.

(B) To county offices of education, in proportion to each office's total funding calculated pursuant to Section 2574 of the Education Code, as that section read on July 1, 2019.

(3) Notwithstanding paragraphs (1) and (2) of this subdivision, no school district or charter school shall receive from the Local School and Community College Property Tax Fund less than one hundred dollars (\$100) per unit of average daily attendance, adjusted annually upward or downward by the same percentage that the Local School and Community College Property Tax Fund grew or declined from the previous year, and no community college district shall receive from the Local School and Community College Property Tax Fund less than one hundred dollars (\$100) per enrolled full-time equivalent student, adjusted annually upward or downward by the same percentage that the Local School and Community College Property Tax Fund grew or declined from the previous year.

(b) Except as provided in paragraph (2) of subdivision (d) of Section 8.6 of this article, notwithstanding any other law, the moneys deposited in the Local School and Community College Property Tax Fund shall not be subject to appropriation, reversion, or transfer by the Legislature, the Governor, the Director of Finance, or the Controller for any purpose other than those specified in this section, nor shall these revenues be loaned to the General Fund or any other fund of the State or any local government fund.

(c) Moneys allocated to local educational agencies, as that term is defined in Section 421 of the Education

Code, as that statute read on January 1, 2020, and to community college districts from the Local School and Community College Property Tax Fund shall supplement, and shall not replace, other funding for education. Funds deposited into or allocated from the Local School and Community College Property Tax Fund shall not be part of “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B and allocated local proceeds of taxes” for purposes of paragraphs (2) and (3) of subdivision (b) of Section 8 of this article or for purposes of Section 21 of this article. Except as provided in subdivision (c) of Section 8.6 of this article, revenues generated by Section 2.5 of Article XIII A shall not be deemed to be General Fund revenues which may be appropriated pursuant to Article XIII B for purposes of paragraph (1) of subdivision (b) of Section 8 of this article, nor shall they be considered in the determination of per capita General Fund revenues for purposes of subdivisions (b) and (e) of Section 8 of this article.

(d) Except as provided in subdivision (c) of Section 8.6 of this article, revenues generated by Section 2.5 of Article XIII A shall not be deemed to be General Fund proceeds of taxes that may be appropriated pursuant to Article XIII B for purposes of Section 20 or Section 21 of this article.

SEC. 5. Section 8.6 is added to Article XVI of the California Constitution, to read:

SEC. 8.6. (a) The Legislature shall provide by statute a methodology, based on historical experience, for determining the additional revenue generated in each county each fiscal year as a result of the application of the tax rate specified in subdivision (a) of Section 1 of Article XIII A and the application of Section 2.5 of Article XIII A. The determination as to the amount of additional revenue in each county shall be transmitted to the county auditor annually for use for the calculations required by this section.

(b) After transferring the necessary funds pursuant to subdivisions (c), (d), and (e), and subparagraph (B) of paragraph (1) of this subdivision, all additional revenue resulting from the application of the tax rate specified in subdivision (a) of Section 1 of Article XIII A and the application of Section 2.5 of Article XIII A shall be allocated and transferred by the county auditor as follows:

(1) (A) First, to the Local School and Community College Property Tax Fund created pursuant to Section 8.7 of this article, in an amount equal to the school entities’ share of property taxes as determined pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code, as that chapter read on January 1, 2020.

(B) Prior to making the transfer pursuant to subparagraph (A) of paragraph (1) of this subdivision,

the county auditor shall subtract an amount equal to the county’s share of the increase in appropriations of General Fund proceeds of taxes for the support of school districts and community college districts pursuant to Section 8 of this article due to the revenue loss resulting from the exemptions provided by Section 3.1 of Article XIII, as determined by the Director of Finance. The county’s share of additional General Fund appropriations shall be transferred by the county auditor to the General Fund prior to the allocation specified in subparagraph (A) of paragraph (1) of this subdivision. The amount determined by the Director of Finance pursuant to this subparagraph shall for each fiscal year be apportioned by county in proportion to the revenue loss resulting from the exemptions provided by Section 3.1 of Article XIII.

(2) Second, among cities, counties, and special districts pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code, as that chapter read on January 1, 2020.

(c) The Franchise Tax Board shall determine the reduction to the General Fund and any other affected state fund of revenues derived from the taxes imposed by the Personal Income Tax Law (Part 10 (commencing with Section 17001) of Division 2 of the Revenue and Taxation Code) and the Corporation Tax Law (Part 11 (commencing with Section 23001) of Division 2 of the Revenue and Taxation Code), as those laws read on January 1, 2020, due to the deduction of any net increase in property taxes resulting from the implementation of subdivision (a) of Section 3.1 of Article XIII and Section 2.5 of Article XIII A. The amount of reduction as determined by the Franchise Tax Board shall be transferred by the county auditor to the General Fund and any other affected state fund prior to the allocation specified in subdivision (b). For purposes of making the determinations required by Sections 8, 20, and 21 of this article, the amount transferred to the General Fund pursuant to this subdivision shall be deemed to be General Fund revenues which may be appropriated pursuant to Article XIII B and General Fund proceeds of taxes appropriated pursuant to Article XIII B and shall be included in the calculation of per capita General Fund revenues. The amount transferred pursuant to this subdivision shall for each fiscal year be apportioned among the counties in proportion to each county’s contribution to the total additional revenue resulting from the application of the tax rate specified in subdivision (a) of Section 1 of Article XIII A and the application Section 2.5 of Article XIII A determined for all counties.

(d) (1) Each county or city and county shall be annually compensated for the actual direct administrative costs of implementing Section 3.1 of Article XIII and Section 2.5 of Article XIII A as identified by the board of supervisors of the county or city and county consistent with statutes identifying

those costs. The Legislature shall determine by statute what constitutes actual direct administrative costs for purposes of this subdivision. Such costs shall at a minimum include the costs of assessment, assessment appeals, legal counsel, tax allocation and distribution, and auditing and enforcement of the provisions of Section 3.1 of Article XIII and Section 2.5 of Article XIII A. It is the intent of this subdivision to provide full adequate funding to counties to cover all costs associated with implementation of the act.

(2) The Legislature shall determine by statute the initial startup costs necessary for each county or city and county and the State Board of Equalization to implement the act and shall appropriate General Fund moneys to pay for such startup costs until sufficient funds are available to pay for all ongoing costs to implement the act, at which time the statute shall provide for the General Fund to be reimbursed.

(e) Each county or city and county shall annually be reimbursed for actual refunds of property taxes paid in the prior fiscal year as a result of corrections to assessments made pursuant to Section 2.5 of Article XIII A. The amount reimbursed pursuant to this subdivision shall for each fiscal year be subtracted from each county's contribution to the total additional revenue resulting from the application of Section 2.5 of Article XIII A as a result of the application of the tax rate specified in subdivision (a) of Section 1 of Article XIII A.

(f) All local educational agencies, community colleges, counties, cities and counties, cities, and special districts that receive funds from the revenues generated by Section 2.5 of Article XIII A shall publicly disclose for each fiscal year, including in their annual budgets, the amount of property tax revenues they received for that fiscal year as the result of Section 2.5 of Article XIII A and how those revenues were spent. Such disclosure shall be made so that it is widely available to the public and written so as to be easily understood.

SEC. 6. Section 2.5 is added to Article XIII A of the California Constitution, to read:

SEC. 2.5. (a) (1) Notwithstanding Section 2 of this article, for the lien date for the 2022–23 fiscal year and each lien date thereafter, the “full cash value” of commercial and industrial real property that is not otherwise exempt under the Constitution is the fair market value of such real property as of that date as determined by the county assessor of the county in which such real property is located, except as provided by the Legislature pursuant to subdivision (b).

(2) Paragraph (1) of this subdivision shall not apply to residential property as defined in this section, whether it is occupied by a homeowner or a renter. Residential property as defined in this section shall be assessed as required by Section 2 of this article. Paragraph (1) of this subdivision shall also not apply

to real property used for commercial agricultural production as defined in this section. Real property used for commercial agricultural production as defined in this section shall be assessed as required by Section 2 of this article.

(b) The Legislature shall establish a task force on property tax administration immediately after this section is enacted, including a county assessor or designee, a State Board of Equalization member or designee, a proponent of this act or designee, a taxpayer representative, and a member of the Legislature or designee. The task force shall publicly convene immediately upon its creation to examine and recommend to the Legislature all statutory and regulatory changes necessary for the equitable implementation of this measure consistent with its purpose and intent. The Legislature, after conferring with the task force, shall provide by statute for the phase-in of the reassessment of commercial and industrial real property as required by paragraph (1) of subdivision (a). Any such phase-in shall provide for reassessment of a percentage of all commercial and industrial real properties within each county commencing with the lien date for the 2022–23 fiscal year and extending over two or more lien dates each fiscal year thereafter, in order to ensure a reasonable workload and implementation period for county assessors, including provision for processing and timing of assessment appeals. An owner shall first be obligated to pay the taxes based on the new assessed value beginning with the lien date for the fiscal year when the county assessor has completed the reassessment. The phase-in also shall provide taxpayers whose property has been reassessed a reasonable timeframe within which to pay any increase in taxes. After the initial reassessment of commercial and industrial real property pursuant to this subdivision, such commercial and industrial real property shall be periodically reassessed no less frequently than every three years as determined by the Legislature. Notwithstanding existing statutes, the Legislature shall, in consultation with county assessors, develop a process for hearing appeals resulting from the reassessment of properties pursuant to this section that is consistent with the following:

(1) The process shall not include automatic acceptance of the applicant's opinion of values within a given timeframe.

(2) The process shall impose on the taxpayer the burden of proof that the property was not properly valued.

(3) The process shall require the taxpayer to provide evidence relevant to any appeal in the initial application before the local assessment appeals board.

(4) The process shall ensure that decisions by local administrative hearing bodies such as assessment appeals boards, if subject to judicial review, are

subject only to *de novo* judicial review on issues of law, while issues of fact, including valuation, shall be reviewed under the substantial evidence standard.

(c) For purposes of this section:

(1) “Commercial and industrial real property” means any real property that is used as commercial or industrial property, or is vacant land not zoned for residential use and not used for commercial agricultural production. For purposes of this paragraph, vacant land shall not include real property that is used or protected for open space, a park, or the equivalent designation for land essentially free of structures, natural in character to provide opportunities for recreation and education, and intended to preserve scenic, cultural, or historic values.

(2) “Mixed-use real property” means real property on which both residential and commercial or industrial uses are permitted.

(3) “Real property used for commercial agricultural production” means land that is used for producing commercial agricultural commodities.

(4) (A) “Residential property” shall include real property used as residential property, including both single-family and multiunit structures, and the land on which those structures are constructed or placed.

(B) The Legislature shall provide by statute that any property zoned as commercial or industrial but used as long-term residential property shall be classified as residential for purposes of paragraph (2) of subdivision (a). For mixed-use real property, the Legislature shall ensure only that portion of the property that is used for commercial and industrial purposes shall be subject to reassessment as required by paragraph (1) of subdivision (a). The Legislature shall also define and provide by statute that limited commercial uses of residential property, such as home offices, home-based businesses or short-term rentals, shall be classified as residential for purposes of paragraph (2) of subdivision (a). The Legislature may provide for an exclusion from reassessment for the commercial share of mixed-use property provided 75 percent or more of the property by square footage or value is residential.

(d) (1) Subject to paragraph (2) of this subdivision, upon reassessment pursuant to subdivisions (a) and (b), each commercial and industrial real property with a fair market value of three million dollars (\$3,000,000) or less shall not be subject to reassessment pursuant to paragraph (1) of subdivision (a) and shall be assessed as required by Section 2 of this article. The amount specified in this paragraph shall be adjusted for inflation every two years commencing January 1, 2025, as determined by the State Board of Equalization. The State Board of Equalization shall calculate the adjustment separately for each county taking into consideration differences

in average commercial and industrial market values among counties.

(2) Notwithstanding paragraph (1) of this subdivision, real property that would otherwise comply with the exclusion set forth in paragraph (1) of this subdivision shall be subject to reassessment pursuant to paragraph (1) of subdivision (a) if any of the direct or indirect beneficial owners of such real property own a direct or indirect beneficial ownership interest in other commercial or industrial real property located in the State, which such real property in the aggregate, including the subject property, has a fair market value in excess of three million dollars (\$3,000,000). The amount specified in this paragraph shall be adjusted for inflation every two years commencing January 1, 2025, as determined by the State Board of Equalization.

(3) All determinations of fair market value under this subdivision shall be determined by the county assessor of the county in which the property is located, and such determinations by the county assessor shall be conclusive and subject only to judicial review for abuse of discretion.

(4) In order to be eligible for the exclusion provided by paragraph (1) of this subdivision, the owner of the real property shall make a claim and certify annually to the county assessor under penalty of perjury that the conditions required by paragraphs (1) and (2) of this subdivision for exemption from reassessment have been met and shall be subject to audit by the county or the State as to that certification. The State Board of Equalization shall have the authority to conduct any audits on behalf of the State.

(5) Any real property excluded from reassessment under paragraph (1) of this subdivision shall only be excluded from reassessment so long as it meets the conditions imposed by paragraphs (1) and (2) of this subdivision. If there is any change in the direct or indirect beneficial ownership of such real property, a new claim and certification must be made to the county assessor.

(6) Any appeals by taxpayers who are found not to be excluded from reassessment pursuant to paragraph (1) of this subdivision shall be subject to the process for hearing appeals as provided in subdivision (b).

(e) (1) Provided 50 percent or more of the occupied square footage of a commercial or industrial real property is occupied by a small business as defined in paragraph (4) of this subdivision, the provisions of paragraph (1) of subdivision (a) shall not take effect prior to the lien date for the 2025–26 fiscal year; provided, however, that if the Legislature establishes by statute pursuant to subdivision (b) that a real property qualified under this paragraph shall be reassessed on a lien date subsequent to the 2025–26 fiscal year, then such property shall be reassessed commencing on that subsequent lien date.

(2) In order to be eligible for the deferral provided by paragraph (1) of this subdivision, the owner of the property shall make a claim and certify annually to the county assessor under penalty of perjury that the conditions required by paragraph (1) of this subdivision for deferral from reassessment have been met and shall be subject to audit by the county or the State Board of Equalization as to that certification.

(3) Any real property for which reassessment is deferred under paragraph (1) of this subdivision shall only be eligible for deferral so long as it meets the conditions imposed by paragraph (1) of this subdivision and if there is any change in the direct or indirect beneficial ownership of such real property, a new claim and certification must be made to the county assessor. Upon termination of the deferral, the property shall be subject to paragraph (1) of subdivision (a).

(4) For purposes of this subdivision, the term “small business” shall include only those businesses which meet all of the following conditions:

(A) The business has fewer than 50 annual full-time equivalent employees.

(B) The business is independently owned and operated such that the business ownership interests, management, and operation are not subject to control, restriction, modification, or limitation by an outside source, individual, or another business.

(C) The business owns real property located in California.

(f) For purposes of this section, the failure in any year to claim, in a manner required by the laws in effect at the time the claim is required to be made, an exclusion or classification which reduces or defers an assessment or reassessment shall be deemed a waiver of the exclusion or classification for that year.

(g) Using the methodology prescribed by the Legislature pursuant to subdivision (a) of Section 8.6 of Article XVI, the percentage change in gross taxable assessed valuation within a city, county, or city and county used to calculate an entity's vehicle license fee adjustment amount pursuant to Section 97.70 of the Revenue and Taxation Code shall not include the additional assessed valuation that results from the application of this section.

(h) Notwithstanding Section 16 of Article XVI or any other law, the additional assessed valuation that results from the application of this section shall not be factored into any division of taxes or calculation of growth for treatment as tax increment and shall not be diverted in any manner whatsoever.

SEC. 7. Section 3.1 is added to Article XIII of the California Constitution, to read:

SEC. 3.1. (a) (1) For each taxpayer paying the tax on tangible personal property, including business

equipment and fixtures, used for business purposes, either of the following shall apply:

(A) (i) For a taxpayer that is a small business, as defined in paragraph (4) of subdivision (e) of Section 2.5 of Article XIII A, all tangible personal property owned and used for business purposes is exempt from taxation.

(ii) A taxpayer shall make a claim and certify annually to the county assessor under penalty of perjury that the condition required by this subparagraph for exemption has been met and such claim shall be subject to audit by the county or the State as to that certification.

(B) Except for a taxpayer subject to subparagraph (A) of paragraph (1) of this subdivision, an amount of up to five hundred thousand dollars (\$500,000) of combined tangible personal property and fixtures, per taxpayer, is exempt from taxation.

(2) Aircraft and vessels shall not be subject to this exemption.

(3) The Legislature shall not lower the exemption amounts provided by this subdivision or change their application, but may increase the exemption amount specified in subparagraph (B) of paragraph (1) of this subdivision consistent with the authority enumerated in Section 2 of this article.

(b) The Legislature shall provide by statute that all related entities, including, but not limited to, any subsidiaries, holding companies, or parent corporations, are considered one “taxpayer” for the purposes of this section.

SEC. 8. Section 16 is added to Article XIII B of the California Constitution, to read:

SEC. 16. (a) For purposes of this article, “proceeds of taxes” shall not include the additional revenues generated by Section 2.5 of Article XIII A.

(b) For purposes of this article, appropriations subject to limitation of each entity of government shall not include appropriations of the additional revenues collected as a result of the implementation of Section 2.5 of Article XIII A.

SEC. 9. Effective Date.

This measure shall become operative on January 1, 2022, except that subdivision (a) of Section 3.1 of Article XIII shall become operative on January 1, 2024, and subdivision (d) of Section 8.6 of Article XVI and subdivision (b) of Section 2.5 of Article XIII A shall become operative immediately upon passage of this measure.

SEC. 10. Severability.

The provisions of this act are severable. If any portion, section, subdivision, paragraph, clause, sentence, phrase, word, or application of this act is for any reason held to be invalid by a decision of any court of competent jurisdiction, that decision shall not affect

the validity of the remaining portions of this act. The people of the State of California hereby declare that they would have adopted this act and each and every portion, section, subdivision, paragraph, clause, sentence, phrase, word, and application not declared invalid or unconstitutional without regard to whether any portion of this act or application thereof would be subsequently declared invalid. Notwithstanding the foregoing, Section 7 of this act is non-severable from Section 6 of this act.

SEC. 11. Liberal Construction.

This act shall be liberally construed in order to effectuate its purposes as articulated in Section 3 of this act.

PROPOSITION 16

This amendment proposed by Assembly Constitutional Amendment 5 of the 2019–2020 Regular Session (Resolution Chapter 23, Statutes of 2020) expressly amends the California Constitution by repealing a section thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~.

PROPOSED AMENDMENT TO ARTICLE I

That Section 31 of Article I thereof is repealed.

~~SEC. 31. (a) The State shall not discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting.~~

~~(b) This section shall apply only to action taken after the section's effective date.~~

~~(c) Nothing in this section shall be interpreted as prohibiting bona fide qualifications based on sex which are reasonably necessary to the normal operation of public employment, public education, or public contracting.~~

~~(d) Nothing in this section shall be interpreted as invalidating any court order or consent decree which is in force as of the effective date of this section.~~

~~(e) Nothing in this section shall be interpreted as prohibiting action which must be taken to establish or maintain eligibility for any federal program, where ineligibility would result in a loss of federal funds to the State.~~

~~(f) For the purposes of this section, "State" shall include, but not necessarily be limited to, the State itself, any city, county, city and county, public university system, including the University of California, community college district, school district, special district, or any other political subdivision or governmental instrumentality of or within the State.~~

~~(g) The remedies available for violations of this section shall be the same, regardless of the injured party's race, sex, color, ethnicity, or national origin, as~~

~~are otherwise available for violations of then-existing California antidiscrimination law.~~

~~(h) This section shall be self-executing. If any part or parts of this section are found to be in conflict with federal law or the United States Constitution, the section shall be implemented to the maximum extent that federal law and the United States Constitution permit. Any provision held invalid shall be severable from the remaining portions of this section.~~

PROPOSITION 17

This amendment proposed by Assembly Constitutional Amendment 6 of the 2019–2020 Regular Session (Resolution Chapter 24, Statutes of 2020) expressly amends the California Constitution by amending sections thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENTS TO ARTICLE II

First—That Section 2 of Article II thereof is amended to read:

SEC. 2. (a) A United States citizen 18 years of age and resident in this State may vote.

(b) An elector disqualified from voting while serving a state or federal prison term, as described in Section 4, shall have their right to vote restored upon the completion of their prison term.

Second—That Section 4 of Article II thereof is amended to read:

SEC. 4. The Legislature shall prohibit improper practices that affect elections and shall provide for the disqualification of electors while mentally incompetent or imprisoned or on parole *serving a state or federal prison term* for the conviction of a felony.

PROPOSITION 18

This amendment proposed by Assembly Constitutional Amendment 4 of the 2019–2020 Regular Session (Resolution Chapter 30, Statutes of 2020) expressly amends the California Constitution by amending a section thereof; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE II

That Section 2 of Article II thereof is amended to read:

SEC. 2. (a) A United States citizen *who is at least 18 years of age* and *a* resident in this State may vote.

(b) A United States citizen who is 17 years of age, is a resident in this State, and will be at least 18 years of age at the time of the next general election may