



THE CENTER FOR GOVERNMENT ANALYSIS
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An Analysis of a Split Roll Property Tax in California

The Center for Government Analysis
February 2009

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Executive Summary & Key Findings

1. The vast majority (almost 98%) of business firms in California are privately owned. However, publicly owned businesses garner over 58% of the total business revenue in California. (See pgs. 1-4)
2. On average, privately owned firms have much lower annual revenues per firm (\$408,699) than publicly owned firms (\$26,695,319). (See pgs. 1-4)
3. While privately owned firms employ over 54% of the business firm employees in California, the average number of employees in privately owned firms is only 2.45, compared to the average number of employees in publicly owned firms (95.05). (See pgs. 6-7)
4. Of the privately owned firms in California (2,847,594), approximately 1/3 (957,222) are minority owned. (See pgs. 11-12)
5. Minority owned private firms have, on average, less than half the annual revenue per firm of non-minority privately owned firms in California. In addition, minority owned private firms have, on average, only 1.34 employees per firm, as compared to 3.02 per firm for non-minority, privately owned firms. (See pgs. 15-18)
6. 30.57% of the privately owned firms in California are owned by women, but these women owned firms only garner 11.83% of the total revenues earned by all privately owned firms in California. (See pgs. 21-24)
7. Of the 2,847,594 privately owned firms in California, 427,678 are Hispanic or Latino owned. On average, these Hispanic or Latino owned firms have lower revenue per firm than all privately owned firms in California, and also lower revenue per firm than all minority owned private firms in California. (See pgs. 31-37)
8. Generally speaking, small privately owned firms in California that rent their place of business are subject to the so-called “triple net” provisions. Triple net means that the tenant pays all taxes, insurance, and maintenance expense, in addition to rent. In light of these provisions, any split-roll property tax would be directly borne by any firm that rents its place of business. With less revenue per firm and thinner capitalization, minority owned, women owned, and Hispanic owned businesses can least afford to shoulder such an increased rent burden. In sum, minority owned, women owned, and Hispanic owned firms are likely more vulnerable to the imposition of higher business property taxes.

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Preface

The content of the report is the sole responsibility of the Center for Government Analysis.

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Introduction

Various studies have analyzed the possible impact of a split roll regime in California. Most of these studies have reached roughly similar conclusions. To wit: a split roll regime that decoupled the assessment and taxation of business (i.e. non single family residential properties) from the property tax protections established by Proposition 13 would have a detrimental impact on the states business climate, and be detrimental to the economy of California.

Many variations of the “split roll” concept have been proposed since the passage of Proposition 13 in June of 1978. Some of these proposals have advocated that the definition of “ownership change” be modified in such a way that commercial property held by a corporation would be reassessed when 50% of the corporate shares had changed hands. Other proposals were more direct and aimed simply at allowing commercial property to be reassessed more frequently and at higher rates than the caps on annual reassessment established by Proposition 13. The matter was further complicated by the issue of deciding exactly what categories of property constituted “commercial property.” Would, for example, multi-family residential housing owned by a corporation be considered residential housing and therefore still fall under the protections of Proposition 13, or would it be considered commercial property and subject to a higher tax rate and/or more frequent reappraisal? Proposals to establish a split roll regime have also varied concerning the tax status of agricultural property (and ownership thereof), owner occupied multi-family residential property, and residential property depending upon assessed valuation. Generally these proposals to “split off” certain residential property advocated terminating the safeguards of Proposition 13 for single family houses worth more than a defined amount. Additional complications include the status of “work-live” properties (artists’ lofts, for example) and the precise definition of “agricultural properties” (vineyards and wineries, timber harvesting and processing, etc.). Also of concern: how to treat timeshares, assisted living facilities, and long term care facilities such as nursing homes.

Several of the extant studies of the various proposed split roll regimes have concluded that any split roll regime would have a particularly negative impact on smaller, less well capitalized businesses. (See especially Alberro and Hamm, August 2008). This analysis quantifies the ownership profiles, income and employment levels of both publicly owned (i.e. ownership shares publicly traded) and privately held business firms in California. In so doing, this analysis offers a detailed look at the size, number and ownership of business firms in the state, and thereby affords a fuller understanding of the impact of a split roll regime that would increase the cost of doing business in California.

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Methodology

This analysis incorporates data and information from the U.S. Bureau of Census and the California State Board of Equalization.

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Section I: Public and Private Firms in California

Table1-1 and Chart 1-1 show the number of publicly and privately owned firms in California as of 2002, the most recent year for which data are available. As is clear from the data, the vast majority of business establishments in California are privately held firms.

Table 1-1: Publicly and Privately Owned Firms in California, Number of Firms, 2002.

Type	Firms	% of total
Public	61,164	2.10%
Private	2,847,594	97.90%
Total/Average	2,908,758	100.00%

Chart 1-1: Publicly and Privately Owned Firms in California, Number of Firms, 2002.

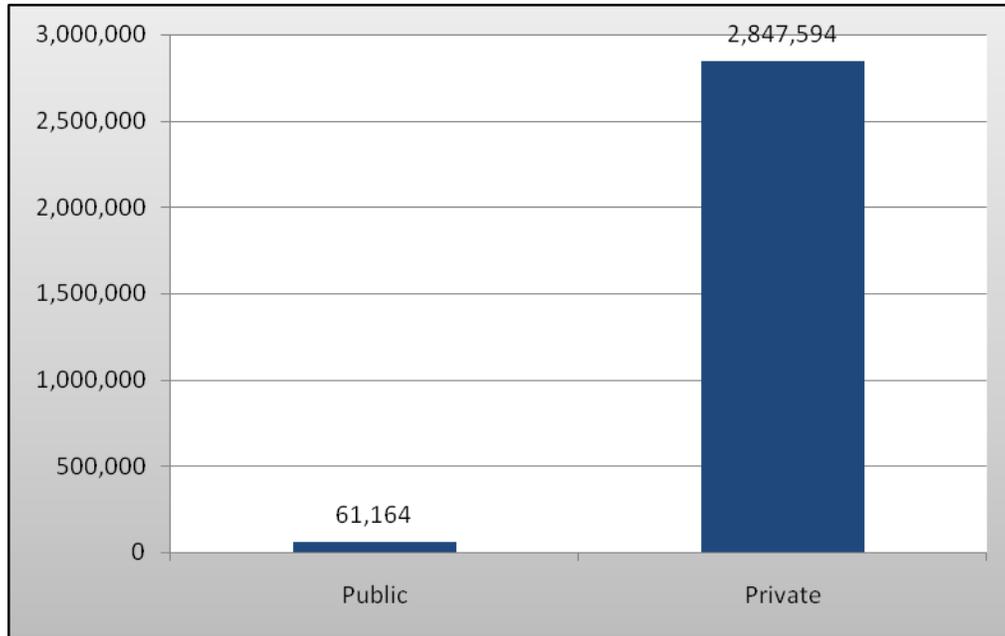


Table 1-2 and Charts 1-2a and 1-2b show data about the annual receipts of publicly and privately owned firms in California. As Table 1-2 and Chart 1-2a illustrate, publicly owned firms garner 58.38% of the total annual receipts, while the balance of 41.62% is earned by privately owned firms. Publicly owned firms, on average, earn much greater income than the much more numerous (and much smaller) privately owned firms, however. As Table 1-2b graphically illustrates, the average revenue per firm is approximately 65 times larger for publicly owned firms than for privately owned firms.

Table 1-2: Publicly and Privately Owned Firms in California, Annual Receipts, 2002.

Type	Receipts	% of total	Receipts per Firm
Public	\$1,632,792,463,000	58.38%	\$26,695,319
Private	\$1,163,808,682,000	41.62%	\$408,699
Total/Average	\$2,796,601,145,000	100.00%	\$961,442

Chart 1-2a: Publicly and Privately Owned Firms in California, Annual Receipts, 2002.

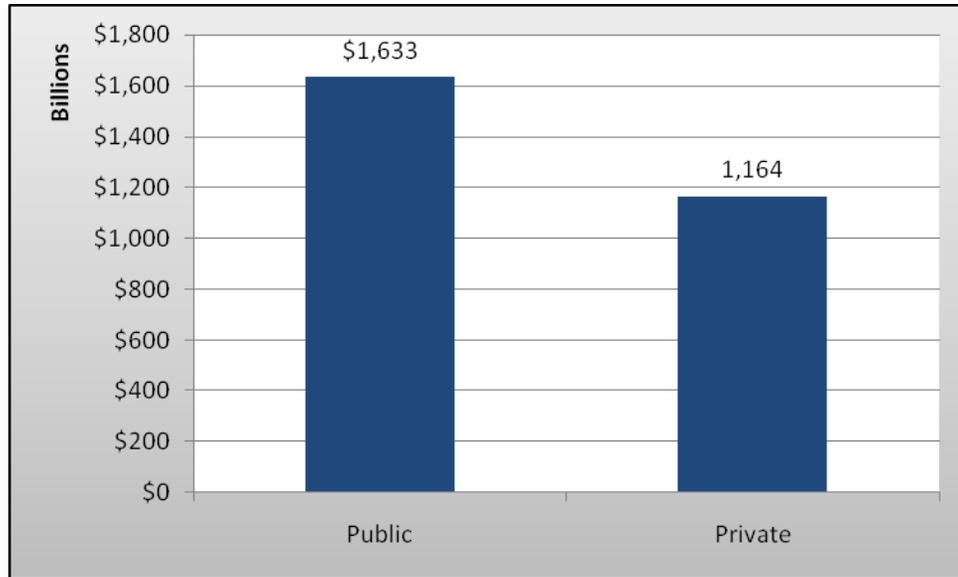


Chart 1-2b: Publicly and Privately Owned Firms in California, Annual Receipts per Firm, 2002.

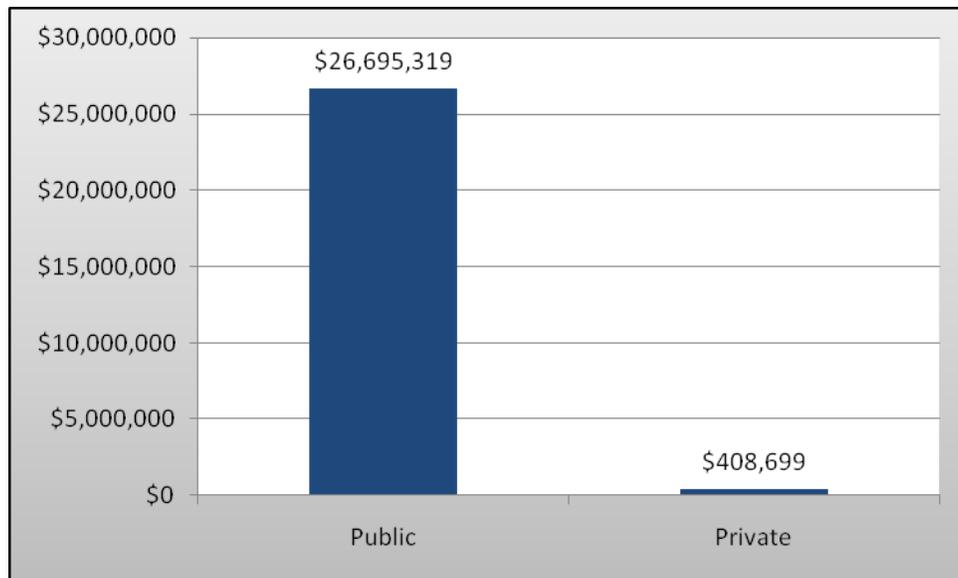


Table 1-3 and Charts 1-3a and 1-3b show data about the employment patterns in publicly and privately owned firms in California. More people are employed by privately owned firms (54.59%) than by publicly owned firms (45.41%). As illustrated in Chart 1-3b, however, the average number of employees per firm is much greater in publicly owned firms than in privately owned firms.

Table 1-3: Publicly and Privately Owned Firms in California, Employees, 2002.

Type	Employees	% of total	Employees per Firm
Public	5,813,835	45.41%	95.05
Private	6,990,238	54.59%	2.45
Total/Average	12,804,073	100.00%	4.40

Chart 1-3a: Publicly and Privately Owned Firms in California, Annual Receipts, 2002.

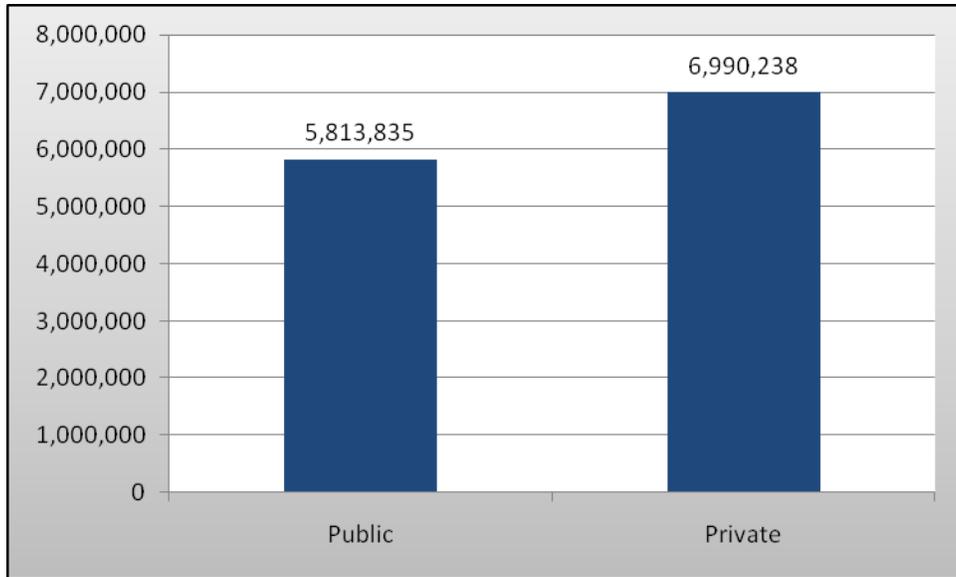


Chart 1-3b: Publicly and Privately Owned Firms in California, Employees per Firm, 2002.

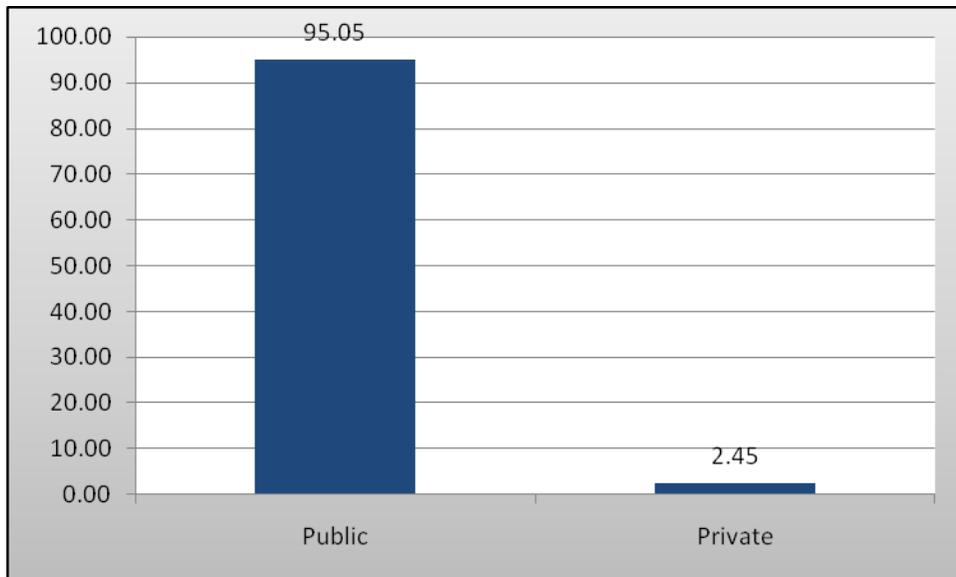


Table 1-4 and Charts 1-4a, 1-4b and 1-4c show data about the payroll profiles of publicly owned and privately owned firms in California. Publicly owned firms pay 54.13% of this payroll, and privately held firms pay the balance of 45.87%. Publicly owned firms pay much more, on average, per employee (\$45,341) than privately owned firms (\$31,953), as noted in the last column of Table 1-4 and as illustrated in Chart 1-4c on the following page. Nevertheless, the payroll of privately held firms is still quite substantial, and constitutes a very significant fiscal factor in the California economy.

Table 1-4: Publicly and Privately Owned Firms in California, Annual Payroll, 2002.

Type	Payroll	% of total	Payroll per Firm	Payroll per Employee
Public	\$263,605,429,000	54.13%	\$4,309,813	\$45,341
Private	\$223,358,383,000	45.87%	\$78,438	\$31,953
Total/Average	\$486,963,812,000	100.00%	\$167,413	\$38,032

Chart 1-4a: Publicly and Privately Owned Firms in California, Annual Payroll, 2002.

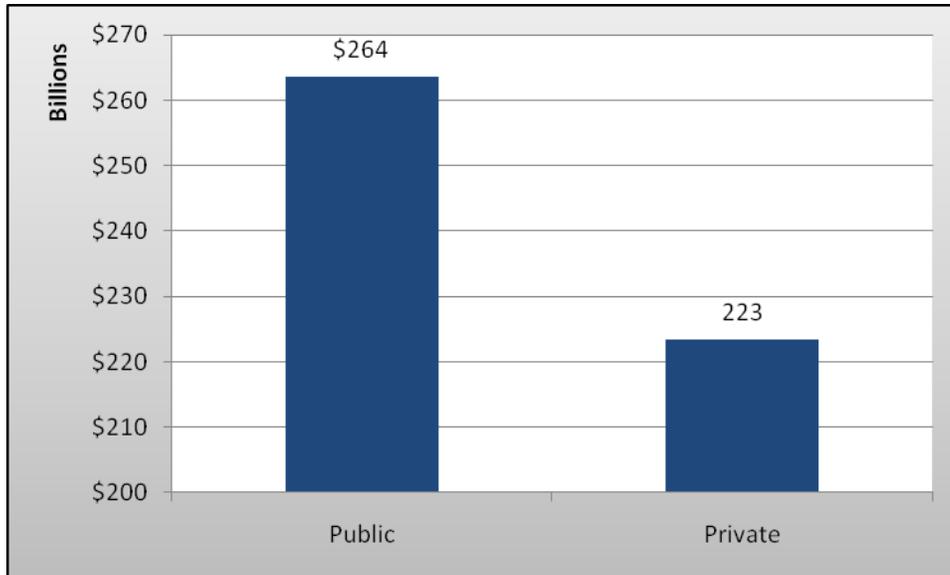


Chart 1-4b: Publicly and Privately Owned Firms in California, Payroll per Firm, 2002.

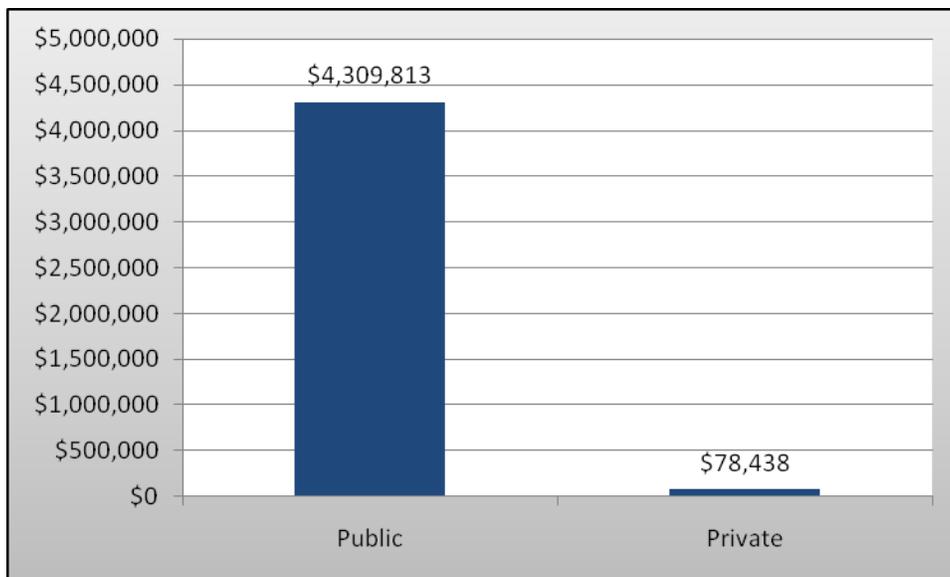
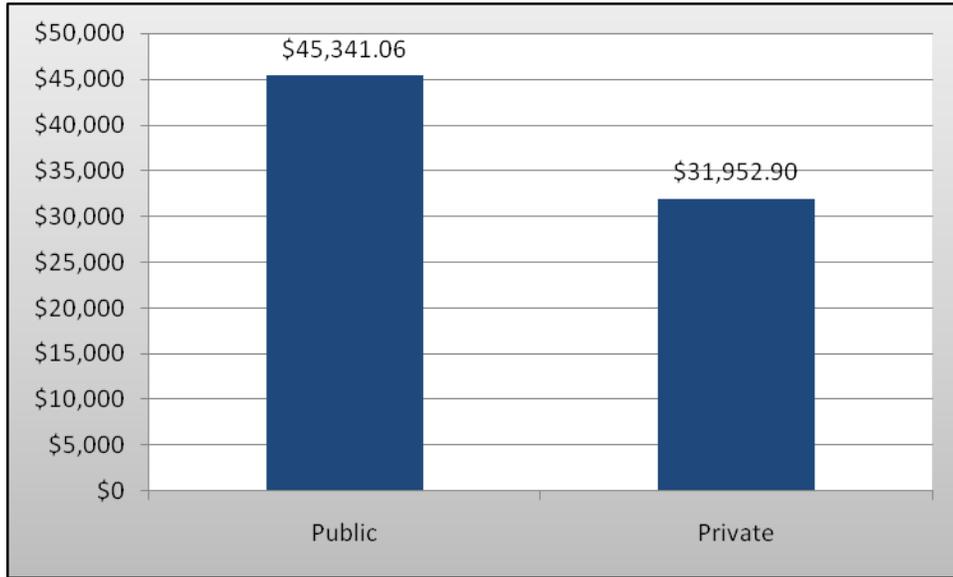


Chart 1-4c: Publicly and Privately Owned Firms in California, Payroll per Firm, 2002.



Section II: Minority-Owned Firms in California

Table 2-1 and Chart 2-1 show demographic data about the privately owned firms in California. Approximately one-third (33.62%) of these firms are minority owned.

Table 2-1: Minority and Non-Minority Owned Firms in California, Number of Firms, 2002.

Type	Firms	% of total
Non-minority	1,890,372	66.38%
Minority	957,222	33.62%
Total/Average	2,847,594	100.00%

Chart 2-1: Minority and Non-Minority Owned Firms in California, Number of Firms, 2002.

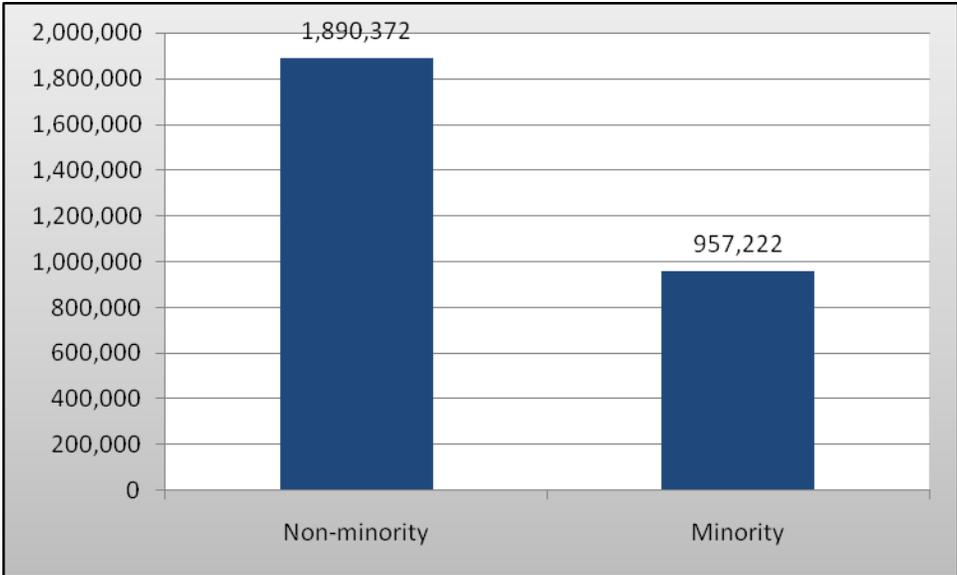


Table 2-2 and Charts 2-2a and 2-2b show data about the receipts of minority and non-minority owned firms in California. Minority owned firms garner about 17% of the total receipts. Note also that, on average, the receipts per firm are significantly lower for minority owned firms (\$206,629) than for non-minority owned firms (\$511,020).

Table 2-2: Minority and Non-Minority Owned Firms in California, Annual Receipts, 2002.

Type	Receipts	% of total	Receipts per Firm
Non-minority	\$966,018,413,000	83.00%	\$511,020
Minority	\$197,790,269,000	17.00%	\$206,629
Total/Average	\$1,163,808,682,000	100.00%	\$400,105

Chart 2-2a: Minority and Non-Minority Owned Firms in California, Annual Receipts, 2002.

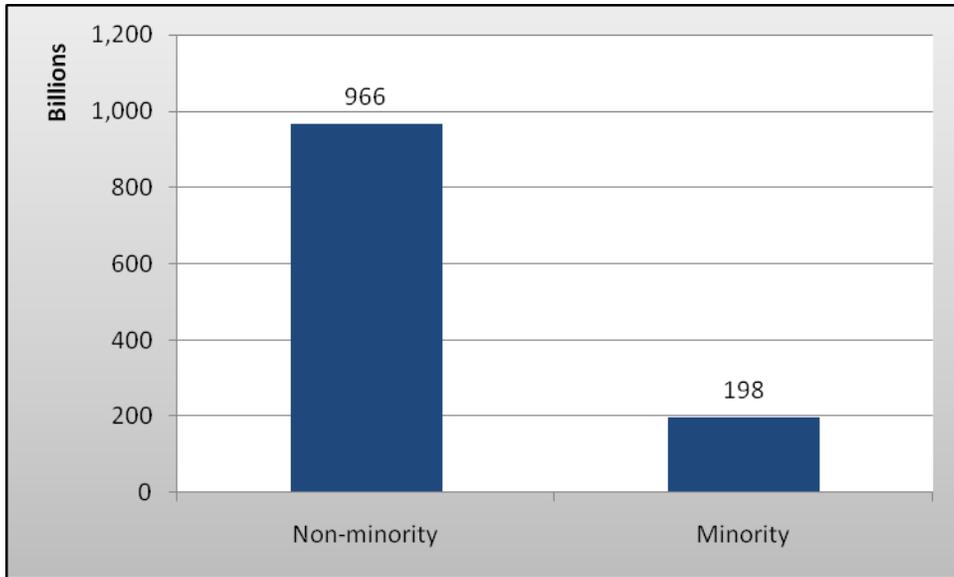


Chart 2-2b: Minority and Non-Minority Owned Firms in California, Annual Receipts per Firm, 2002.

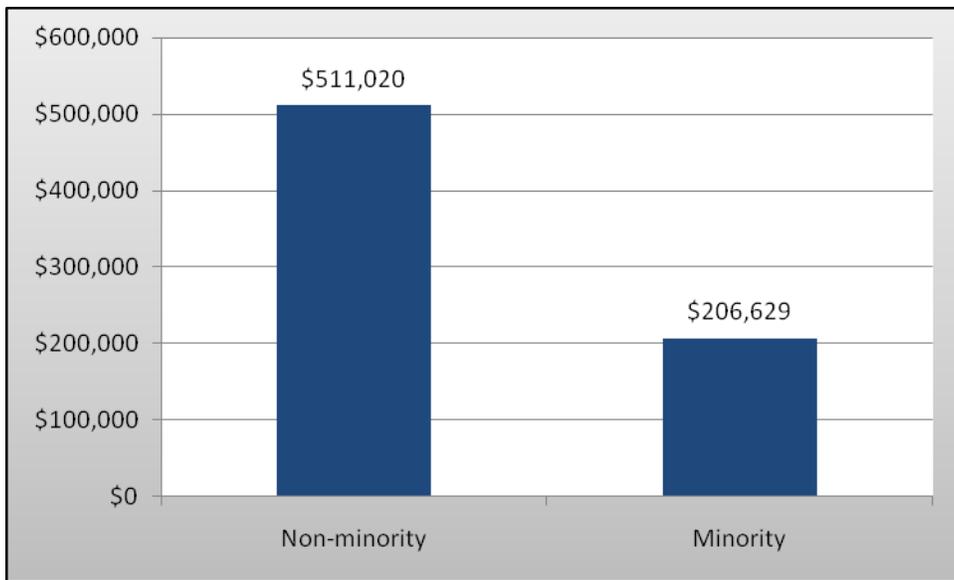


Table 2-3 and Charts 2-3a and 2-3b show data about the number of employees in minority and non-minority owned firms in California. Non-minority owned firms employ the largest share (81.61%) of these employees. Note also that the average number of employees per firm is over twice as high (3.02 employees) at non-minority owned firms than at minority owned firms (1.34).

Table 2-3: Minority and Non-Minority Owned Firms in California, Employees, 2002.

Type	Employees	% of total	Employees per Firm
Non-minority	5,704,464	81.61%	3.02
Minority	1,285,774	18.39%	1.34
Total/Average	6,990,238	100.00%	2.40

Chart 2-3a: Minority and Non-Minority Owned Firms in California, Annual Receipts, 2002.

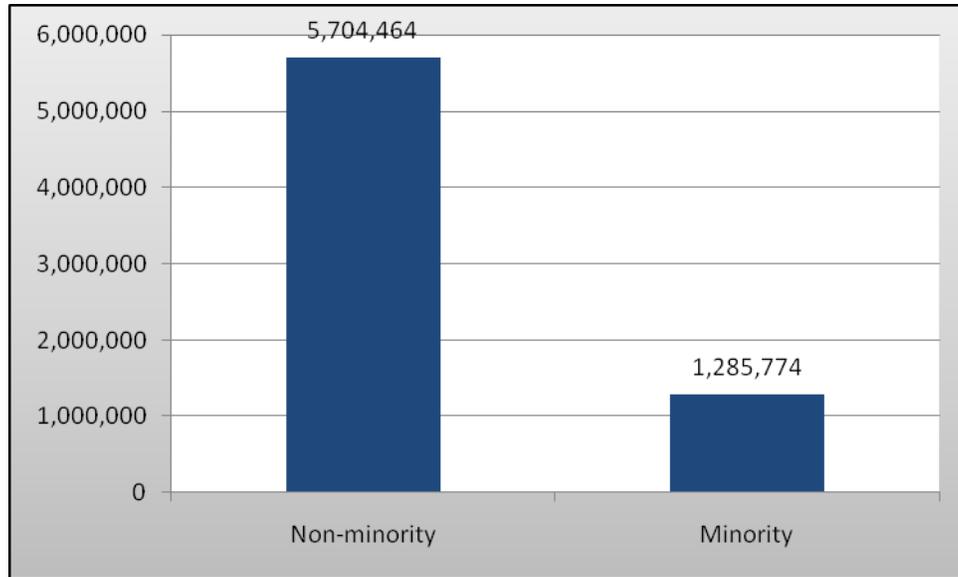


Chart 2-3b: Minority and Non-Minority Owned Firms in California, Employees per Firm, 2002.

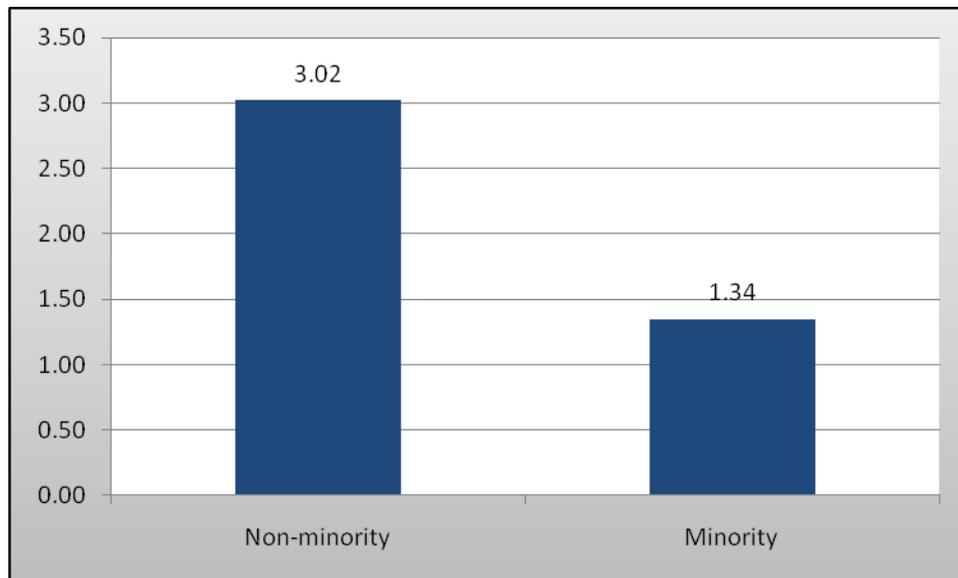


Table 2-4 and Charts 2-4a, 2-4b and 2-4c (following page) show data about payrolls for non-minority and minority firms in California. Non-minority firms have, on average, a much higher payroll per firm (\$101,416) as well as a significantly higher payroll per employee (\$33,608) than the corresponding amounts for minority owned firms (\$33,059 payroll per firm and \$24,611 payroll per employee).

Table 2-4: Minority and Non-Minority Owned Firms in California, Annual Payroll, 2002.

Type	Payroll	% of total	Payroll per Firm	Payroll per Employee
Non-minority	\$191,713,813,000	85.83%	\$101,416	\$33,608
Minority	\$31,644,570,000	14.17%	\$33,059	\$24,611
Total/Average	\$223,358,383,000	100.00%	\$76,788	\$31,953

Chart 2-4a: Minority and Non-Minority Owned Firms in California, Annual Payroll, 2002.

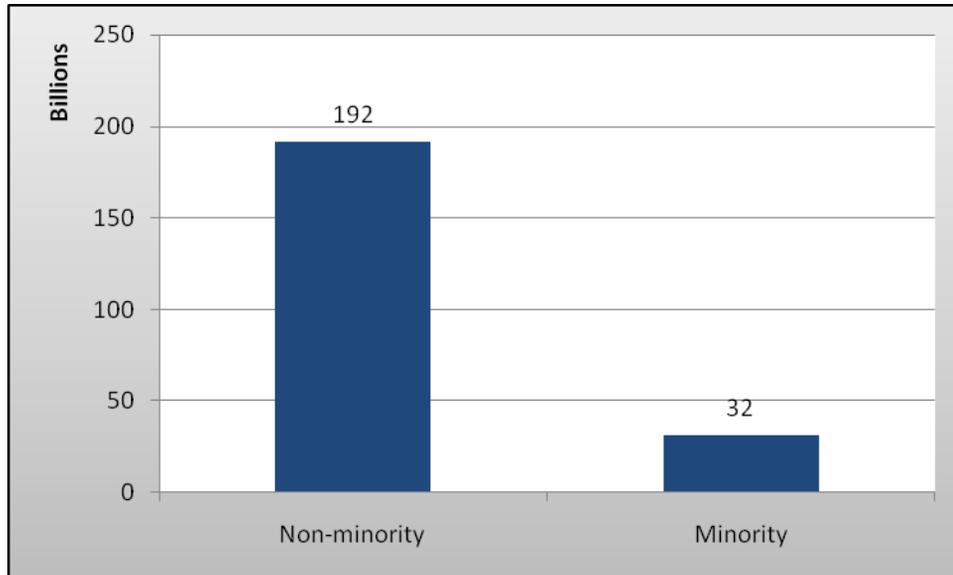


Chart 2-4b: Minority and Non-Minority Owned Firms in California, Payroll per Firm, 2002.

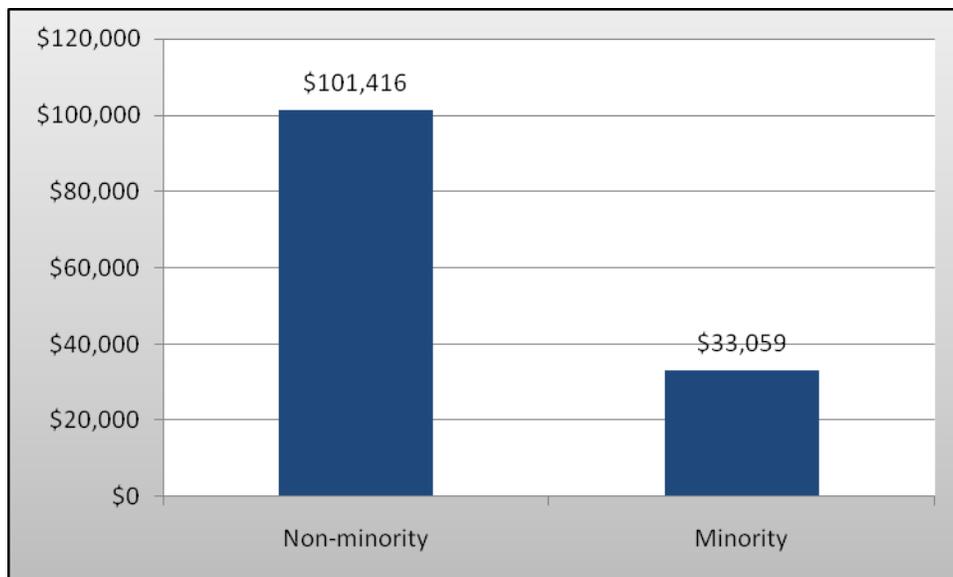
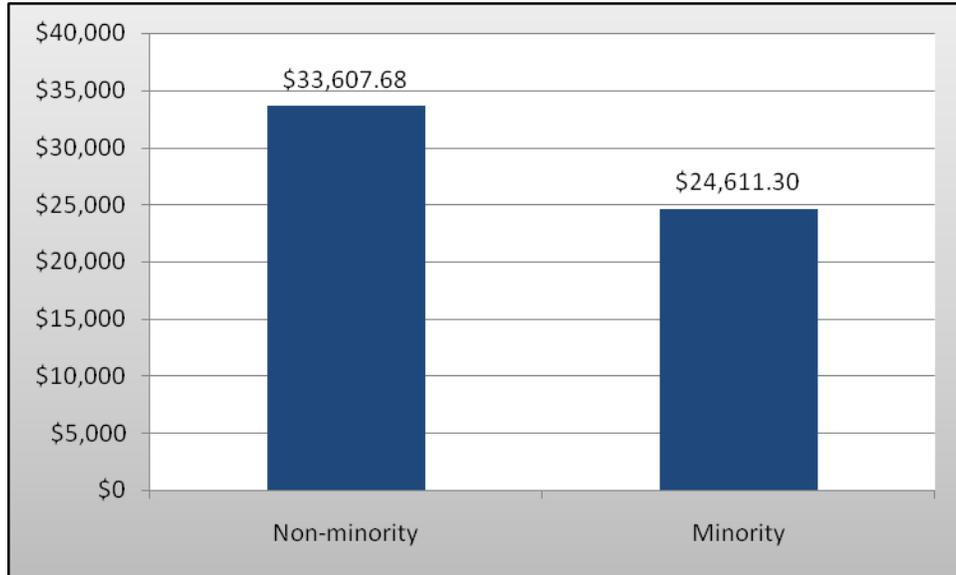


Chart 2-4c: Minority and Non-Minority Owned Firms in California, Payroll per Employee, 2002.



Section III: Women-Owned Firms in California

Table 3-1 and Chart 3-1 show data about women and men privately owned firms in California. Over 30% (30.57%) of the privately owned firms in California are owned by women.

Table 3-1: Women and Men Privately Owned Firms in California, Number of Firms, 2002.

Type	Firms	% of total
Men-owned	1,977,098	69.43%
Women-owned	870,496	30.57%
Total/Average	2,847,594	100.00%

Chart 3-1: Women and Men Privately Owned Firms in California, Number of Firms, 2002.

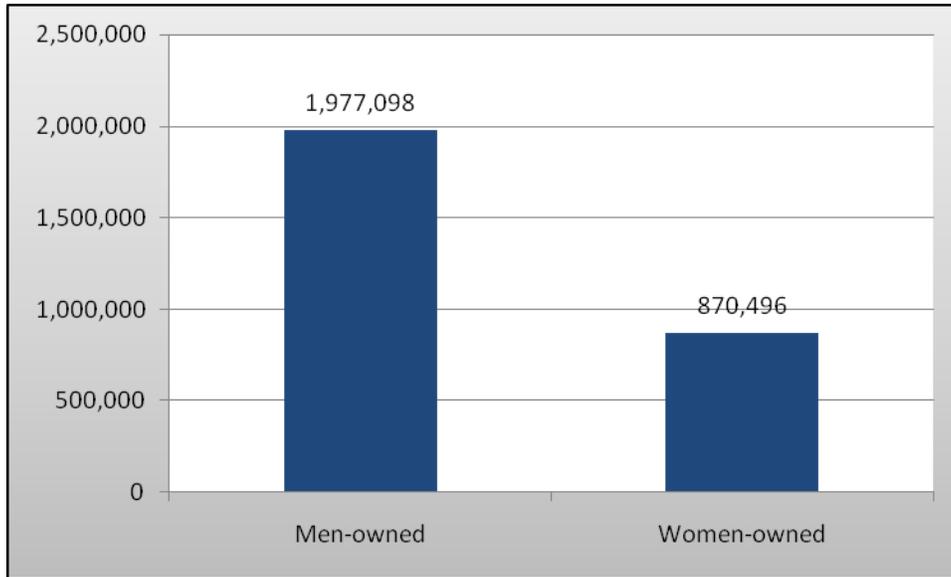


Table 3-2 and Charts 3-2a and 3-2b show data about the receipts of women and men privately owned firms in California. Men owned firms garner, by far, the largest percentage of such receipts (88.17%). The average receipts per firm is also much larger for men owned firms (\$519,000) than for women owned firms (\$158,177).

Table 3-2: Women and Men Owned Firms in California, Annual Receipts, 2002.

Type	Receipts	% of total	Receipts per Firm
Men-owned	\$1,026,116,357,000	88.17%	\$519,001
Women-owned	\$137,692,325,000	11.83%	\$158,177
Total/Average	\$1,163,808,682,000	100.00%	\$400,105

Chart 3-2a: Women and Men Owned Firms in California, Annual Receipts, 2002.

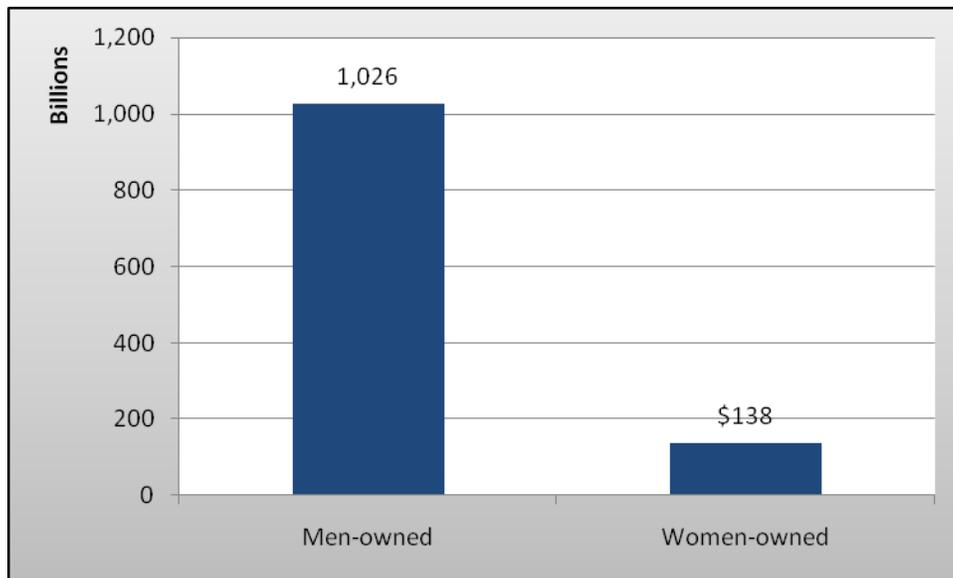


Chart 3-2b: Women and Men Owned Firms in California, Annual Receipts per Firm, 2002.

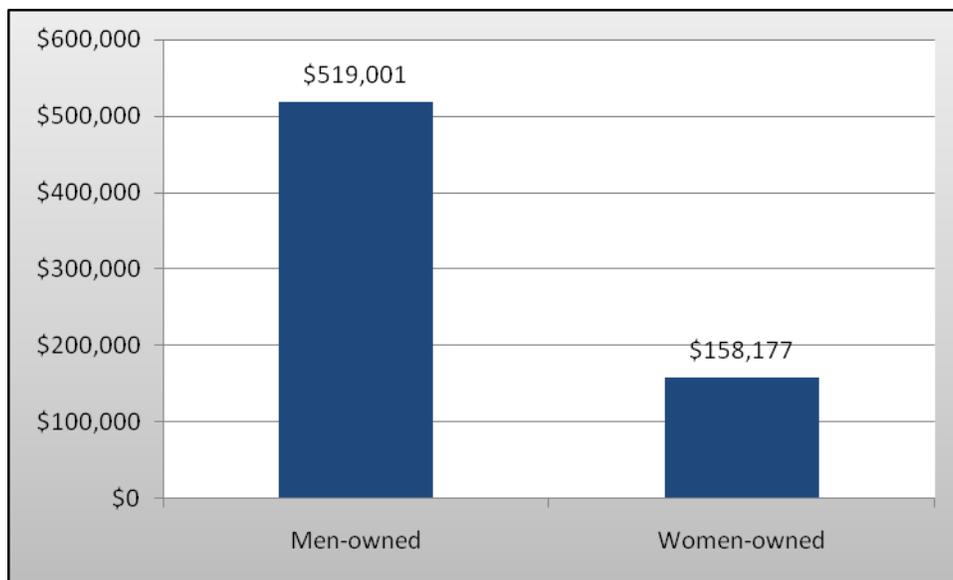


Table 3-3 and Charts 3-3a and 3-3b show data about the employment patterns in women and men privately owned firms in California. The vast majority of employees in these privately owned firms work for firms owned by men (86.54%). Note also that, on average, the number of employees per firm is over twice as high in firms owned by men (3.06) than in firms owned by women (1.08).

Table 3-3: Women and Men Privately Owned Firms in California, Employees, 2002.

Type	Employees	% of total	Employees per Firm
Men-owned	6,049,102	86.54%	3.06
Women-owned	941,136	13.46%	1.08
Total/Average	6,990,238	100.00%	2.40

Chart 3-3a: Women and Men Privately Owned Firms in California, Employees, 2002.

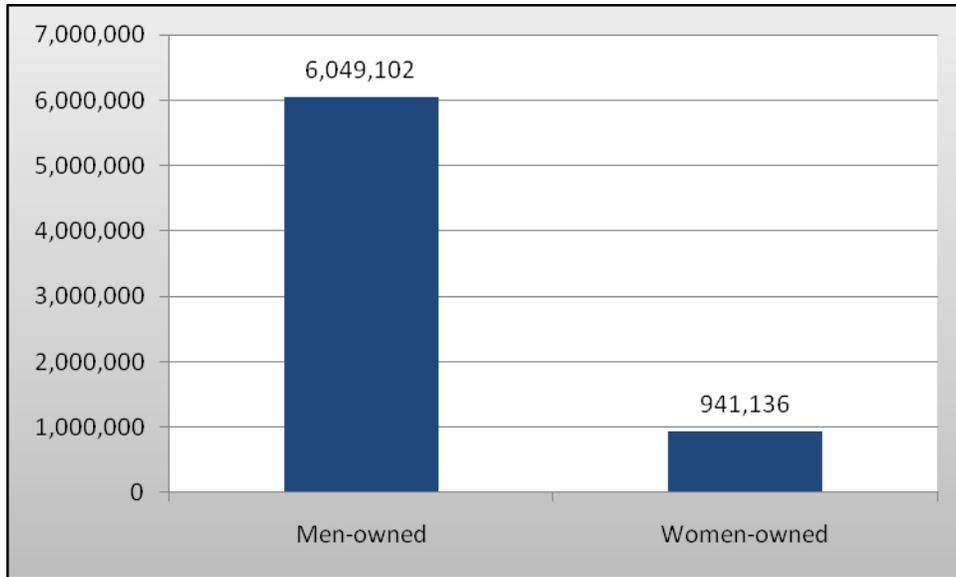


Chart 3-3b: Women and Men Privately Owned Firms in California, Employees per Firm, 2002.

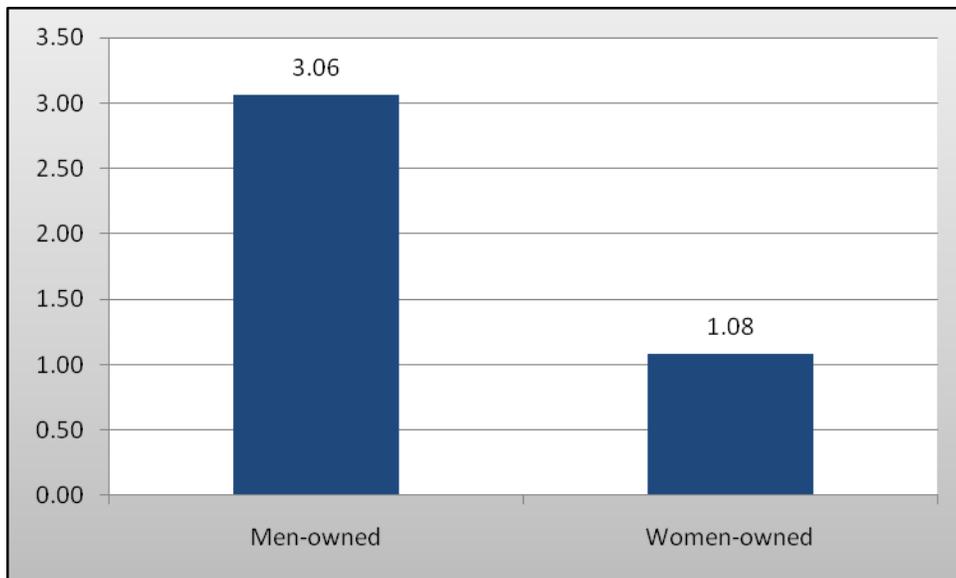


Table 3-4 and Charts 3-4a, 3-4b and 3-4c (following page) show payroll data about privately owned firms in California. Such firms owned by men had, by far, the largest portion (88.67%) of the total payroll. On average, the payroll per firms for men owned establishments was approximately three times as large (\$100,171) as the comparable payroll per firm for women owned firms (\$29,076). Note also that the payroll per employee was, on average, significantly higher in the men owned firms.

Table 3-4: Women and Men Privately Owned Firms in California, Annual Payroll, 2002.

Type	Payroll	% of total	Payroll per Firm	Payroll per Employee
Men-owned	\$198,047,952,000	88.67%	\$100,171	\$32,740
Women-owned	\$25,310,431,000	11.33%	\$29,076	\$26,893
Total/Average	\$223,358,383,000	100.00%	\$76,788	\$31,953

Chart 3-4a: Women and Men Privately Owned Firms in California, Annual Payroll, 2002.

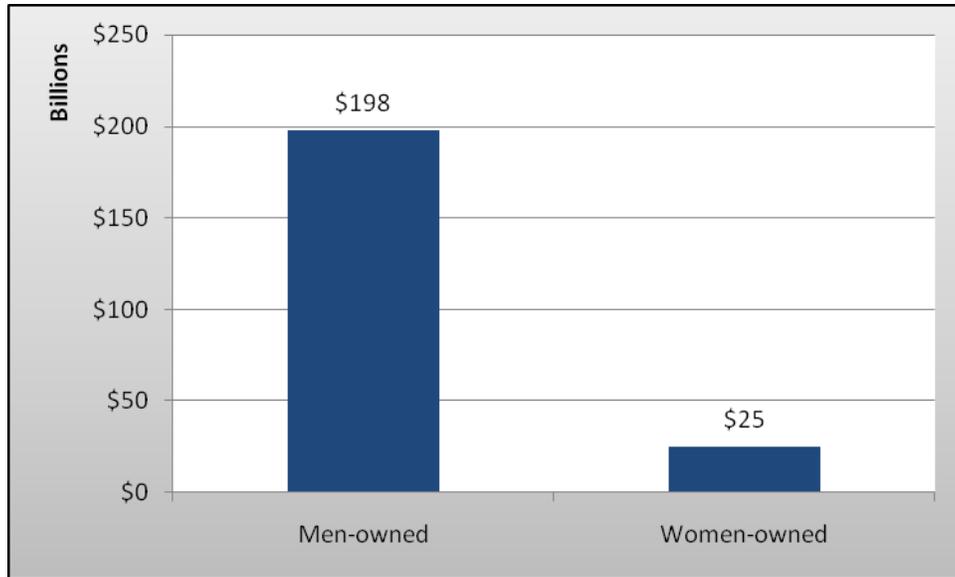


Chart 3-4b: Women and Men Privately Owned Firms in California, Payroll per Firm, 2002.

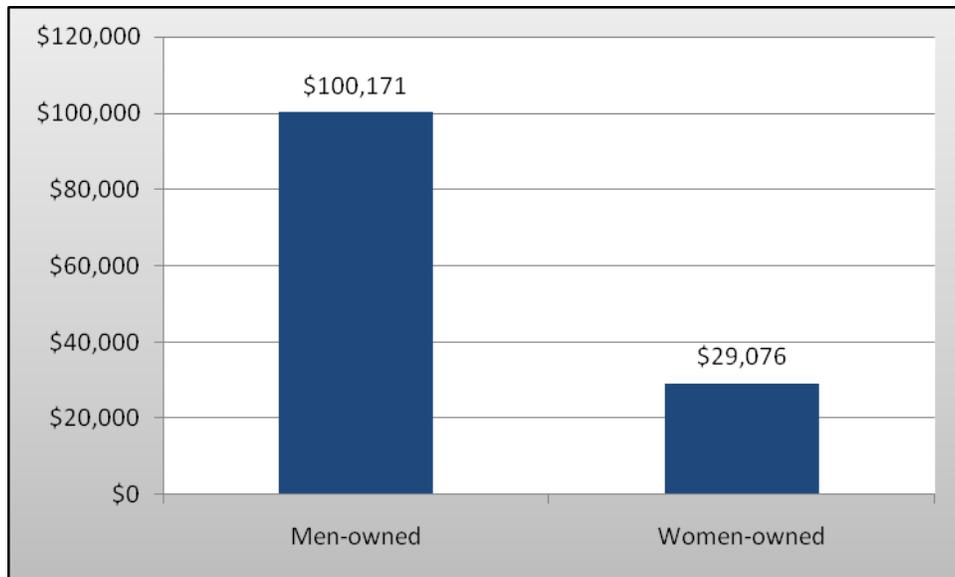
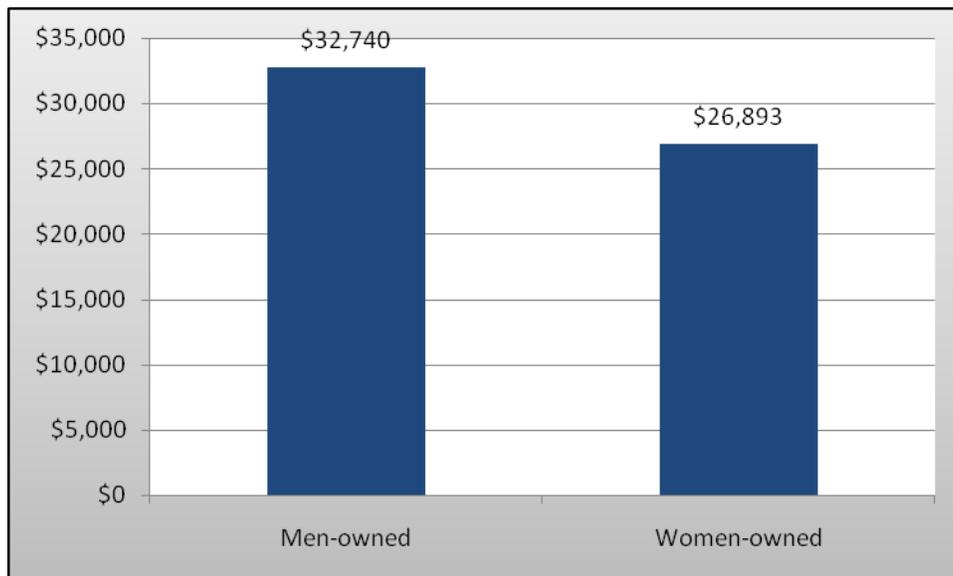


Chart 3-4c: Women and Men Privately Owned Firms in California, Payroll per Employee, 2002.



Section IV: Hispanic-Owned Firms in California

Table 4-1 and Chart 4-1 show data about the ownership of minority owned firms in California. Of the 957,222 minority owned firms in California, 427,678 or approximately 44.7% are owned by Latino or Hispanic persons.

Table 4-1: Hispanic-Owned Private Firms in California, Number of Firms, 2002.

Type	Firms
Minority	957,222
Hispanic or Latino	427,678
Difference	529,544

Chart 4-1: Hispanic-Owned Private Firms in California, Number of Firms, 2002.

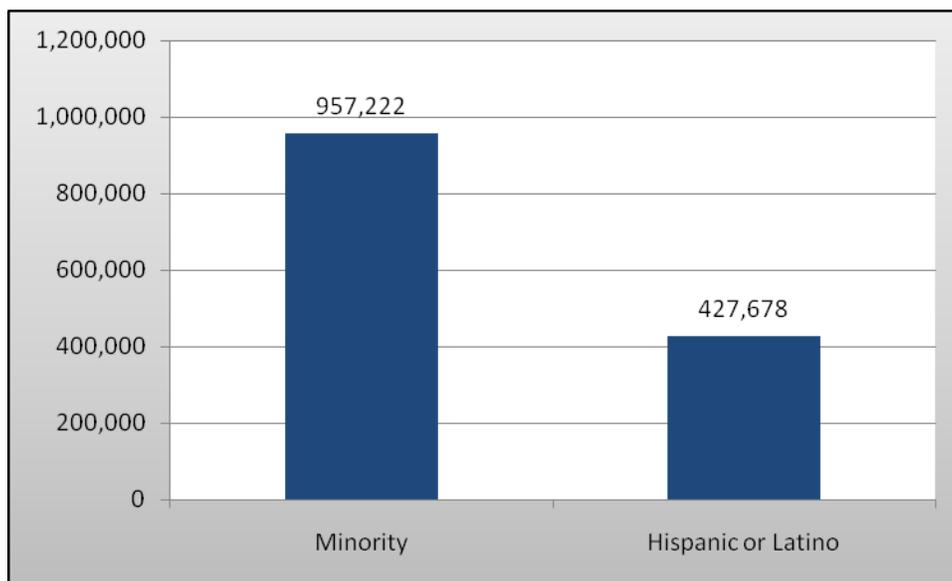


Table 4-2 and Charts 4-2a and 4-2b show data about the annual receipts of minority owned firms, and of Latino/Hispanic owned firms in California. Latino/Hispanic privately owned firms earned approximately 29% (\$57,186,145,000 of \$197,790,269,000) of the total earned by all minority firms in California. Note also that the average receipts per firm for Latino/Hispanic owned firms were substantially less (\$133,713) than the average receipts per firm for all minority privately owned firms (\$206,629) in California.

Table 4-2: Hispanic-Owned Private Firms in California, Annual Receipts, 2002.

Type	Receipts	Receipts per Firm
Minority	\$ 197,790,269,000	\$206,629
Hispanic or Latino	\$ 57,186,145,000	\$133,713
Difference	\$140,604,124,000	\$ 72,916

Chart 4-2a: Hispanic-Owned Private Firms in California, Annual Receipts, 2002.

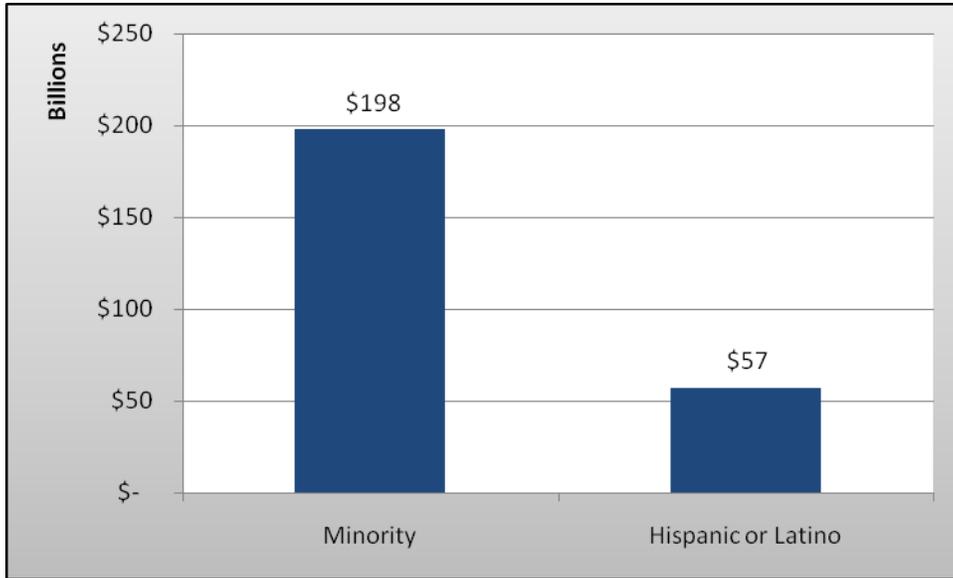


Chart 4-2b: Hispanic-Owned Firms in California, Annual Receipts per Firm, 2002.

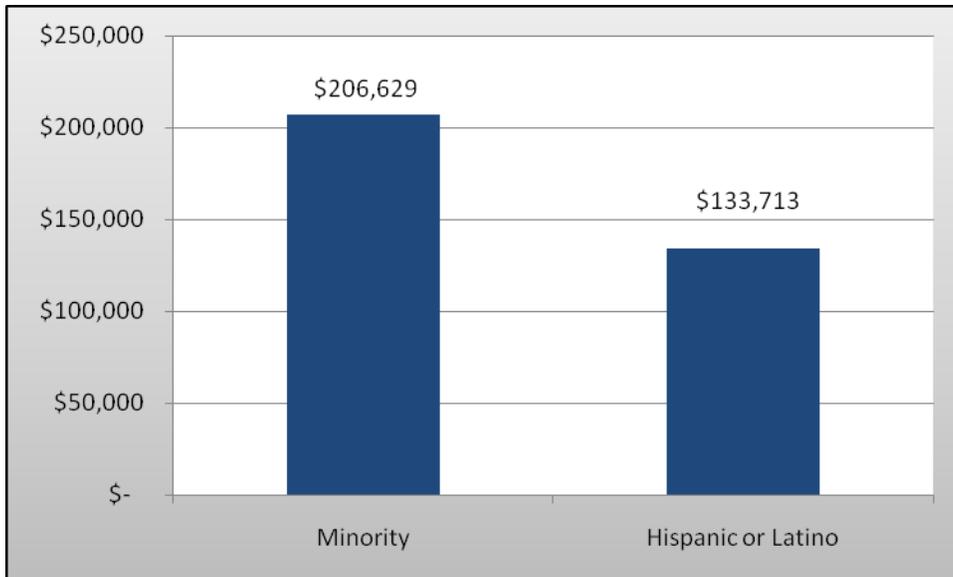


Table 4-3 and Charts 4-3a, 4-3b, and 4-3c show payroll data about minority owned private firms in California and about the Hispanic/Latino owned subset of minority owned private firms in California. Note that the total payroll, payroll per firm, and payroll per employee are all lower for the Hispanic/Latino subset than for the entire population of minority owned firms.

Table 4-3: Hispanic-Owned Firms in California, Payroll, 2002.

Type	Payroll	Payroll per Firm	Payroll per Employee
Minority	\$31,644,570,000	\$33,059	\$24,611
Hispanic or Latino	\$9,828,759,000	\$ 22,982	\$ 22,046
Difference	\$41,473,329,000	\$14,258	\$ 3,239

Chart 4-3a: Hispanic-Owned Firms in California, Payroll, 2002.

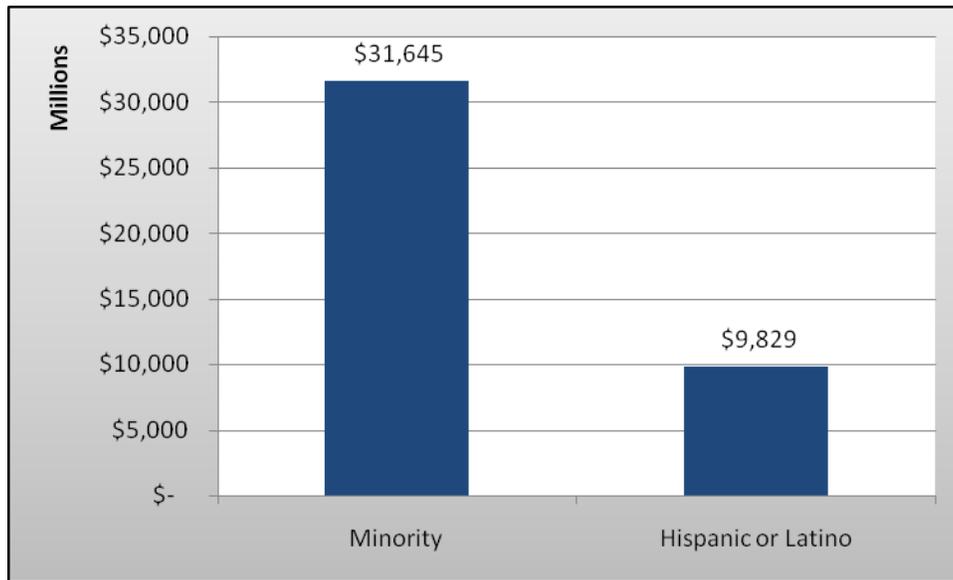


Chart 4-3b: Hispanic-Owned Firms in California, Payroll per Firm, 2002.

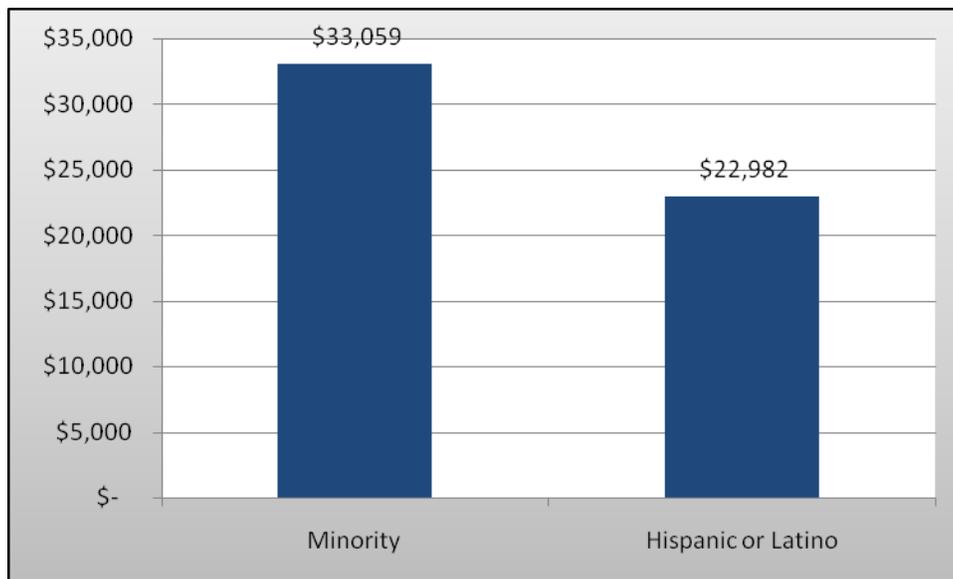
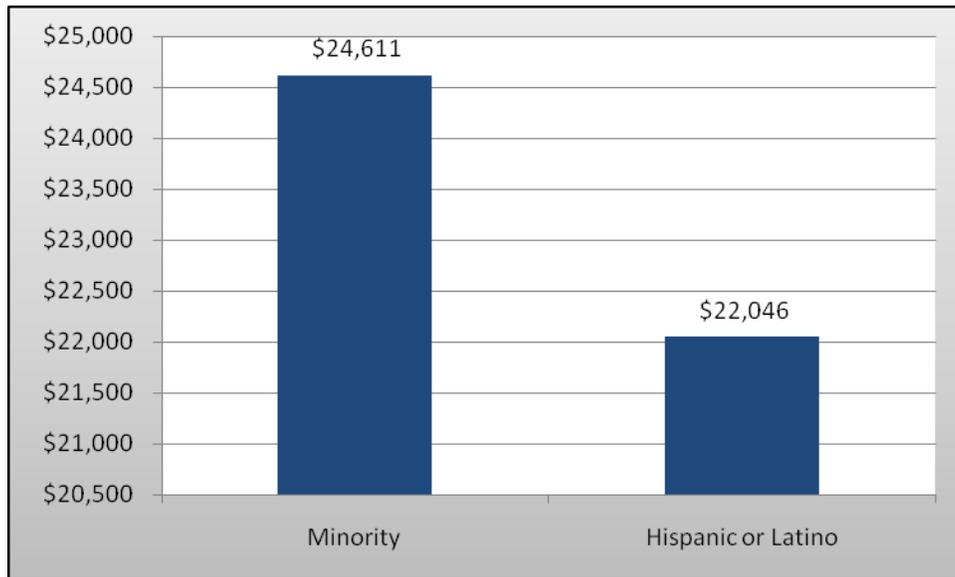


Chart 4-3c: Hispanic-Owned Firms in California, Payroll per Employee, 2002.



About the Center

The Center for Government Analysis was established in 2003 to provide any interested citizen with readily accessible data regarding state and local government finances in the United States. As an independent corporation, the Center for Government Analysis is not influenced or controlled by any financial contributor or special interest.

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February 2009