

## Property Tax Apportionment between Plumas County & GM CSD

**Background:** In 2007 the GM CSD negotiated with Plumas County to initiate a property tax sharing agreement to help support Gold Mountain's fire protection costs. This is normally done at the time that a new development is initially permitted or very soon after. In Gold Mountain's case, this should have happened back in 1998, but it didn't. When done correctly the tax sharing process directs a portion of the expanded new property taxes that are generated by the rapid increase in a new development's property values back to the new community for support of fire protection.

This tax apportionment process is an outgrowth of California's **Proposition 13** in 1976. Prop 13 ordered that all ad valorem property tax revenues be fixed to the percentages as apportioned in 1976. The new legislation contained no way to redirect taxes to newly formed public agencies. As a result, 1979 saw the implementation of Assembly Bill 8 (referred to as **AB 8**) which legislated how Counties can distribute growth in taxes due to growth of new municipalities and districts. AB 8 established a property tax apportionment system ensuring that in any fiscal year a local government will receive property tax revenue equal to what it received in the prior fiscal year (called **base**) plus its share (whether positive or negative) of growth in revenue due to growth in assessed value within its boundaries (called **increment**). AB 8 defined this incremental property tax growth, as being due to increased assessments from change in ownership, new construction, or the 2% maximum inflation factor as per Prop 13. This 'ad valorem' growth can accrue only to those jurisdictions where the increase took place. Each year this "AB 8 shift" will record the increment due to growth, which is then added to the increment of all previous years over the base year.

In our 2007 negotiations with the Plumas County BOS, the GM CSD asked for 7% of the base (going back to the start of the development in 1998 as it should have happened) plus 7% of the increment going forward. The Plumas Board of Supervisors admitted that sharing should have started back in 1998 but that was 'water under the bridge'. Eventually in November 2007, they passed a resolution for an exchange with the GM CSD of about **6% of the annual increment only**, from Plumas County's share of property taxes on the four tax rate areas that comprise Gold Mountain based on base valuations from 2006-07

This means that going forward from 2007-08 the increased taxes based on increased GM property values (due to construction, increases in prices of sold properties, and the Prop. 13 maximum of 2% per annum inflation rate): GM CSD would get about 6% of the aggregate of those increases since 2007-08. Plumas County's share of these incremental taxes would decline to about 24% instead of 30%.

During the past few years the Plumas BOS have shown an increased willingness to approve these tax apportionments for the purpose of helping to fund fire protection. This shift was partially based on a 2010 Grand Jury Report that alleged that a considerable percentage of Plumas Communities had no fire protection services provider. Property tax payers in these areas were surprised to learn that even though they paid property taxes, these taxes paid for no benefits to them in the way of fire protection.

**What has happened to the GM CSD Tax Share Agreement?** The 2006-07 base value of our tax rate areas totaled \$115,402,945. The next tax year 2007-08, the assessed value increased to \$122,609,498 - an increase of \$7,206,553. Taxes on this increment at 1% are \$72,065 and our 6% apportionment of that was about \$4,300. The following year, 2008-09 GM values again increased a little. Starting in 2009-10 and going forward values decreased dramatically to the point where in the current 2014-15 tax year, values stand at \$44,247,727. This is a decline of \$71,154,218, or a **62% decline from the base year**.

Currently although our 2014-15 valuations are an increase over the previous year, we are still so far in the hole that our current tax exchange may be meaningless into the foreseeable future. Information provided by Bianca Harrison in December of 2015 indicates that Gold Mountain is the only district in Plumas County that has a negative apportionment agreement.