



## SMALL BUSINESS FAQs

Big corporations and wealthy investors receiving billions of dollars in commercial property tax breaks are hiding behind small business scare tactics to mislead the public about Schools & Communities First.

Here are the facts:

- **SCF provides a substantial CUT in small business taxes:** Schools & Communities First eliminates the business personal property tax (taxes on things such as equipment, supplies, machinery, desks and chairs, restaurant equipment, computers and servers) for the first \$500,000 in investments, reducing tax obligations by hundreds of millions of dollars and encouraging new business investment. The vast majority of businesses will no longer pay any of this tax.
- **The vast majority of small businesses will not pay more in property taxes:**
  - **Small business with under \$3 million in property are explicitly exempted from SCF tax changes:** The summary of SCF from the Attorney General of California explicitly states, “Exempts from this change: residential properties; agricultural properties; and owners of commercial and industrial properties with combined value of \$3 million or less.” These smaller properties are where many small businesses are renters.
  - According to the California Department of Industrial Relations, **more than half of all small businesses are home-based and therefor exempt.** 1.
  - According to a USC Program for Environmental and Regional Equity [report](#), **nearly 78% of the increase in business property taxes under split roll comes from just the most expensive 6%** of commercial and industrial properties valued over \$5 million. Many properties are already assessed at or near market value.
  - And Schools & Communities First **maintains California’s low property tax rate – 1% of the assessed value, one of the lowest in the nation.**
- **Even for the roughly 28% of businesses who rent and are not in exempt smaller properties, there is an extended phase in – at least** a 3-year period with the largest properties being reassessed first. Under current law, anytime more than 50% of a commercial property is sold, the property is reassessed. Rents are determined by the market, not property values and SCF will not change that. 2.
- **Small businesses are already paying more than their fair share.** Local governments need revenues for the vital services small businesses and communities rely on. When the largest commercial property owners don’t pay their fair share, we all pay more in the form of increased fees, sales taxes, gross receipts taxes, parcel taxes, bond measures and more.
- **Now more than ever we need SCF:** The Schools & Communities First initiative puts more resources back in the hands of local leaders who best know how to address local needs and priorities. Schools & Communities First will be a vital part of how California recovers from this crisis. SCF is tax friendly to small businesses, many of whom will receive a net tax cut. And it also benefits businesses with investments in education, health care, parks, public safety and infrastructure that we all count on for a decent quality of life and a healthy business climate.

1. <https://www.dir.ca.gov/SmallBusiness/index.htm>

2. <https://www.nfib.com/content/news/california/nfib-in-thick-of-fight-for-prop-13/>