The Property Tax Postponement Program

PRESENTED TO: The Select Committee on Social Determinants of Children’s Well-Being
Hon. Holly J. Mitchell, Chair
California’s Property Tax Postponement Program

Paying Property Taxes in California. Housing costs are much higher than the national average, but because Proposition 13 (1978) limits property tax growth after a home is purchased, property taxes paid in California are only somewhat higher than the national average.

Property Tax Postponement (PTP). The state offers PTP to help certain homeowners afford their property taxes and stay in their homes. Homeowners qualify for PTP if they are: (1) over the age of 62, blind, or disabled; (2) have household incomes less than $35,500; and (3) own at least 40 percent equity in their home.

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Alternatives to Change to PTP

Maintain Current Eligibility

- **Interest Rate.** Likely could reduce to 4 percent or 5 percent.
- **General Fund Support.** Eliminate General Fund sweep.

Increase Income Eligibility Threshold

- **Interest Rate.** Likely could reduce to 4 percent or 5 percent.
- **General Fund Support.** Eliminate General Fund sweep and repay swept funds. May require one-time General Fund transfer of tens of millions of dollars.

Allow Younger Homeowners to Participate

- **Interest Rate.** Keep same or reduce slightly (say, to 6 percent).
- **Possible Additional Risk to the State.** Younger homeowners could defer longer, possibly increasing the risk of nonpayment.
- **Options to Limit State Risk.** Limit total outstanding principal to held equity, limit the number of years a homeowner can make new deferments, consider using a higher interest rate for homeowners who defer for longer.
- **General Fund Support.** Eliminate General Fund sweep, repay swept funds, and provide a one-time General Fund transfer (tens of millions or one hundred million dollars).

Both

- **Interest Rate.** Keep same or reduce slightly (say, to 6 percent).
- **Other Ways to Limit State Risk.** Same as above.
- **General Fund Support.** Same as above.