

Court of Appeal Invalidates Tiered Rate For Parcel Tax Measure

In *Borikas v. Alameda Unified School District* (December 6, 2012) __ Cal.App.4th __ (2012 WL 6084027), the court of appeal issued an important decision regarding school district parcel taxes. The court held that a tiered-rate parcel tax exceeded the school district's taxing authority and was invalid because the rate structure was not uniform for all taxpayers and parcels.

This case is significant as an increasing number of schools districts have obtained voter approval for parcel tax measures with tiered-rate tax structures, as opposed to flat-rate tax structures. Tiered-rate tax structures generally have different rates for residential and non-residential use parcels, such as residential rates based on the number of housing units on each parcel, and non-residential rates based on the square footage of the parcel. It was previously understood that these tiered-rate structures complied with state law requiring that such taxes typically must apply uniformly to all taxpayers or all property within the school district, under principals of tax law. Since each type of parcel would pay the same tax, school districts have taken the position that there is adequate uniformity to comply with the statutory requirements. *Borikas* indicates that, for at least the time being, school districts are not authorized to use a tiered-rate parcel tax because it does not apply *uniformly* to all parcels in the school district.

In *Borikas*, plaintiffs challenged Alameda Unified School District's 2008 voter-approved parcel tax measure (Measure H) that taxed residential parcels at \$120 per year, commercial/industrial parcels of less than 2,000 square feet at \$120 per year, and commercial/industrial parcels of more than 2,000 square feet at \$.15 per square foot, up to a maximum of \$9,500 per year. Measure H also included exemptions for residential parcels owned and occupied by senior citizens or by those receiving Supplemental Security Income, regardless of age.

The trial court in *Borikas* ruled in favor of the school district, concluding that so long as like parcels are treated in a like way and the division of parcels into different classes has a rational basis, Government Code section 50079's requirement of uniformity and equal protection of the law is satisfied. The trial court also found that the statute allowed Measure H's exemptions for some senior and disabled taxpayers. This was the second time that Alameda Unified School District's tiered-rate structure was upheld in a trial court.

The court of appeal partially reversed the trial court, holding that the tiered-rate parcel tax was invalid, but that Measure H's exemptions for some senior and disabled taxpayers were expressly allowable under section 50079. The *Borikas* court read section 50079 literally as requiring that special taxes apply "uniformly" to everyone and all lots within the district, regardless of whether what sits on those lots is radically different from what sits on other lots.

The court acknowledged in passing that school districts and other local governmental entities are more dependent than ever on the revenues from parcel taxes, but any "fix" to the wording of the statute must come from the legislature and not the courts.

CLIENT NEWS BRIEF

December 2012
Number 79

Alameda Unified School District is considering appealing this decision to the California Supreme Court and has until approximately January 15 to make that decision. At the same time, we are exploring with our affected clients and CSBA possible legislation to clarify districts' right to use tiered-rate parcel tax structures going forward and to save the parcel tax measures already approved with such structures. We will keep school districts apprised of future developments in this important area. In the meantime, we urge districts that have passed tiered-rate parcel taxes or that are considering new or renewal parcel tax measures to work closely with their legal counsel in determining how to respond to this important development.

If you have any questions about the *Borikas* decision, or parcel taxes generally, or would like assistance with preparing a parcel tax measure, please feel free to contact one of our [eight offices](#) located statewide. You can also visit our [website](#), follow us on [Facebook](#), or download our [Client News Brief App](#).

Written by:

[Jeffrey L. Kuhn](#)
Shareholder
Fresno Office
jkuhn@lozanosmith.com

Aria Link
Law Clerk
Monterey Office
alink@lozanosmith.com



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