

## Could Your Business Survive the End of Prop 13?

By Lou Caron, PIASC President/CEO

Although over a year away, the 2020 election features not only a contested Presidential race but also a number of ballot initiatives that could dramatically affect your business. One such initiative, The California Schools and Local Community Funding Act of 2018, better known as the “split roll” property tax initiative, would repeal many of the protections of Proposition 13 as they apply to business property.

You remember Prop 13, don't you? Back in the 1970s, property values in the state were increasing. Tax assessors saw this and increased property assessments, thereby increasing the amount of property taxes owed. Every year, as the values went up so would property taxes. This made it difficult for homeowners and businesses to plan for the future.

While property values were increasing, homeowner's paychecks and profits earned by businesses did not keep pace. Older individuals on fixed incomes found it especially challenging to handle the ever-increasing tax burden. This led tax revolt leaders Howard Jarvis and Paul Gann to draft Proposition 13. Prop

13, officially called the People's Initiative to Limit Property Taxation, was an amendment to the Constitution of California. Its goal was to keep property taxes manageable and predictable. The way it works is simple...

### Prop 13 Protections

With Prop 13, property tax rates are capped at 1% of the property's assessed value. This is based on the market value as of the date of the most recent change in ownership or new construction. Prop 13 also capped increases to a property's assessed value at 2% per year.

When a property is sold, it is reassessed at its new purchase price. It is taxed at a rate of 1% of the new value, and from then on, Prop 13's tax limits apply until it is sold again. Of course, there are some loopholes such as the ability to pass property down to family members while protecting the assessment from 1978.

With Prop 13 in place, both businesses and homeowners know what their property tax burden will be from year to year. This also benefits the state government because they can predict tax

revenue from year to year. Everyone is protected from very high or very low reassessed property values each year. This is why Prop 13 received overwhelming support at the ballot box in 1978.

### The End of Prop 13

If it passes, the split roll property tax initiative will remove Prop 13 protections from businesses. This means companies will have to pay property taxes based on the property's value today and not the original purchase price. Moreover, that property will continue to be reassessed every three years to the current market price.

Let's say in the early 1980s you paid \$1,000,000 for a building in Los Angeles. That means you're currently paying about \$10,000 or 1% per year in property taxes. With the removal of Prop 13 protections, your property will be reassessed to determine its 2019 value. If that property value increased to \$5,000,000 over the last 40 years, you would now pay \$50,000 a year in property taxes. Also, as the value of your property increases, so will your property taxes.

These are not random numbers pulled from thin air. These figures are based on

a discussion I had with a member of our association. He's looking at an increase of \$40,000 a year in property taxes on his business. How can a company remain competitive with an increase like that?

### Commercial Rental Properties

If you rent your building, you too will feel the effects of the split roll property tax initiative. Even though the initiative will exempt business owners with property holdings of less than \$2 million, you will be affected. The owner of the property where your building is located will, without a doubt, pass on the property tax increase to you.

Imagine a small printing company that is renting a location. When the landlord's property taxes are raised, the printer's rent will increase, and they will have no choice but to increase the cost of their products. Will they be competitive with the print shop that has bought a small building that is worth less than \$2 million, that sees no increase in their property taxes?

Now expand that to small companies throughout California. What will happen to the corner donut shop, the local

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## NATIONAL ASSOCIATION NEWS

### Printing Industries of America Announces Revitalization of National Buying Program with Xerox

Printing Industries of America (PIA) is pleased to announce the revitalization of its national buying program partnership with Xerox Corporation. This agreement builds upon the strong relationship that exists between the two organizations and offers Printing Industries of America members the exclusive benefit of cash rebates on seven select Xerox products, in addition to Tier One pricing.

“We, at Xerox, are excited to launch this proprietary program to members of PIA. Our goal is to reward customers who give to the print community by their participation in the industry's primary trade association,” said Jim Gavitt, Senior Vice President Graphic Communications with Xerox Corporation. “As new key products are introduced to the market we are likely to add them to the program as well.”

“We are very pleased to have Xerox returning as one of our key national buying program partners. This program has been one of the most valued by our members,” said Michael Makin, President and CEO of Printing Industries of America. “By retooling the program to give members a direct benefit that they can see in the form of a cash rebate, in addition to special pricing, Xerox is demonstrating that they are a committed partner to PIA and want to help drive the printing industry forward to greater success.” The following products are eligible under the new rebate program:

- iGen5 150 | Rebate: \$10,000
- iGen5 120 | Rebate: \$ 7,000
- Iridesse IR120 | Rebate: \$ 6,000
- Color Press XC1000i | Rebate: \$ 3,500
- Versant V3100 | Rebate: \$ 2,500
- Nuvera (> 144 ppm) | Rebate: \$ 2,000
- Versant V180P | Rebate: \$ 1,500

The agreement between the organizations is effective as of July 1, 2019 and verification of membership is required. For more information about membership in Printing Industries of America, please visit [www.printing.org/join](http://www.printing.org/join). For more information about the numerous digital production printer options offered by Xerox, please visit [www.xerox.com](http://www.xerox.com).

## BUSINESS & MANAGEMENT

### Annual Paper & Substrate Show

On Tuesday September 17, printers, graphic designers, marketing agencies, print buyers, students and vendors will all come together for the Annual Paper & Substrate Show. This year's theme is “Dia de los Papers,” and the event is sure to be a very spirited celebration of paper! Here are the top reasons why you should attend:

- **Learn about new products** – Mike Keefe, Domtar's Account Manager for Southern California, has been exhibiting at this event for years. As Mike points out, “The paper industry has changed dramatically over the last 15 to 20 years. Whereas in the old days you might have had a steady stream of Spec. Reps from the mill and merchant companies calling on you to keep you up to date, now you don't. Events like these are a great way to find out what's new in the industry.”
- **Discover new vendors** – Parie Petty, President of Western Lithographics, has attended the past three Paper & Substrate Shows. Parie finds that in addition to learning about the latest offerings from the major paper companies, the show is also a great opportunity to discover specialty vendors that you might not otherwise come across. “You can even find vendors that will sell you small quantities of specialty stocks,” Parie shares.
- **Increase your sales** – Last year one of the specialty vendors at the show introduced Parie to paper that can be printed digitally and then mounted to another stock to create very thick business cards.



“I was able to immediately sell that solution to a customer for their on-going business card orders,” Parie says. “This was worth my \$30 admission right there!”

- **Stock up on up-to-date sample books** – You'll go home with a large collection of new swatch books, as well as cool promotional pieces showcasing ways to make the most of the vendors' latest offerings. The paper nerd in you will rejoice!
- **See it all in just a few hours** – “It's small enough that you can quickly go around and see what's new,” explains Parie, “but big enough to be well worth going.”
- **Network with others** – The Paper & Substrate Show is a great opportunity to catch up with your existing industry friends and make new contacts in the creative community.
- **Enjoy great food & drinks** – “It's also a great social get-together” says Mike. “The PIASC team does an excellent job putting the show together. And the fact that the venue, Andrei's Conscious Cuisine, is a top-flight restaurant known for their amazingly delicious food is a real plus.” Ready to sign up? Here's what you need to know...

- **What:** Dia de los Papers Paper & Substrate Show
- **When:** Tuesday September 17, 5:30 pm – 9:00 pm
- **Where:** Andrei's Conscious Cuisine Event Center, 2607 Main Street, Irvine, CA 92614
- **Register at:** [www.piasc.org/papershow](http://www.piasc.org/papershow)
- **Contact:** Maribel Campos, 323-728-9500 ext. 210 or [Maribel@piasc.org](mailto:Maribel@piasc.org)

## GOVERNMENT & LEGISLATIVE

### Legislative Action Day: Making a Difference in Sacramento

On June 18 and 19, 10 PIA members from throughout the state headed to Sacramento to participate in the Printing Industries of California Legislative Action Day. The overriding goal was to help build a legislative presence, and the printing industry's “brand,” in the state capitol. Participants educated legislators and staff members about the industry's impact on the California economy, and discussed some of the pending legislation that will impact us the most.

One of these 10 attendees was Doug Grant, President and CEO of Westamerica Communications. Like many, Doug was motivated to participate by a desire to make a difference. “It doesn't do me much good to complain about things in Sacramento,” Doug points out, “without making an effort to do something about it.” Here is a recap of the event...

#### Day one: Getting the lay of the land

Legislative Action Day was coordinated by RJ Cervantes, our lobbyist in Sacramento. “We began our day on Tuesday with a great presentation from the Californians Against Higher Property Taxes,” RJ shares. “This is the group that's leading the charge against the split roll property tax initiative, which would increase taxes on commercial buildings. After that attendees were led on a private tour of the capitol, where they learned the history of the institution and the legislative process. As part of this tour Senator Mike Morrell from District 23 took our group



onto the Senate floor.” “I really enjoyed getting a better understanding of how the system works,” says Doug. “For example, sometimes when there's a bill that's not favorable to our industry's interests, and you cannot block that bill, you can tack on an amendment that ‘softens the blow.’”

Tuesday evening's highlight was a dinner with Jerry Hill, the California State Printer. Jerry directs all printing and publishing operations for the State of California; when his department cannot handle a print job in-house they contract with commercial printers to get the

work done. The key take-away from the discussion was an understanding of how this outsourcing system works.

#### Day two: Meeting with legislators and staff

The guest speaker at Wednesday morning's breakfast was Assemblymember Mike Gipson from District 64. Gipson spoke about his desire to partner with our industry on workforce development needs, and in getting young people interested in working in the printing industry.

“One of my first observations on day one,” recalls Doug, “was that there are

many people throughout the halls of government who genuinely care about our state and doing what they believe is the right thing. Assemblymember Gipson was a great example of this. You really got the impression that his motives are pure, that he wants to make a positive difference for his constituents.”

“After breakfast,” RJ explains, “we split into two groups and headed to the capitol. One group represented Northern California, and the other represented Southern California. Each visited six legislative offices.”

“Our group was able to meet directly with three legislators as well as the staff members of three others,” states Doug. “All were important. As RJ had explained, the staff members are quite influential, as they're typically the ones who pass along constituents' concerns.”

After the meetings, everyone came together to meet with Assemblymember Patrick O'Donnell from District 70, the champion of the career technical education funding effort in the state legislature, and Debbie Look, the Principal Consultant of the Assembly Education Committee. We were able to educate them about the printing industry's unique technical education needs, as well as our existing partnerships with high schools and community colleges.

#### Final take-aways

“I'm glad I went,” Doug shares, “and I

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printer's rent will increase, and they will have no choice but to increase the cost of their products. Will they be competitive with the print shop that has bought a small building that is worth less than \$2 million, that sees no increase in their property taxes?

Now expand that to small companies throughout California. What will happen to the corner donut shop, the local car repair locations and small manufacturers? They will all see an increase in their rent due to the rise in property taxes. The resulting increase will be passed on to consumers.

There are additional consequences that will affect everyone living in California. According to the California Chamber of Commerce (see <http://bit.ly/SplitRollTax>), the split roll initiative "would harm consumers, employers, and ultimately the economy." The Chamber expressed concern that smaller businesses will be less able to absorb a sudden property tax increase. In California, 93% of printing companies have 49 or fewer employees, thus qualifying as small businesses. Small businesses, like printers, will need to cut costs. These cuts will likely include:

- Reducing employee compensation and benefits
- Reducing the number of employees
- Relocating or closing their business

All of these options will lead to less economic activity, and thus less job opportunity. These are not empty threats. During a conversation with another PIASC member, whose property taxes will double if this initiative passes, I learned his simple business philosophy.

He said, "If I make more money I pass that on in higher wages or hiring new people. If I'm losing money, I either pay them less or lay them off."

#### Corporations as the Enemy

A big fear of this PIASC member is that those pushing the initiative will attack corporations, saying they're "ruthless and vile, and are abusing their employees." However, that's not how he runs his company. He said, "I'm afraid the pundits will include our little company in that group."

That's the problem. The campaign in support of the initiative will most likely make businesses look evil: Companies are hoarding all the money and making all the profits while the poor school districts are being robbed and need more money.

#### Who Benefits Most from the Split Roll Tax?

According to California's Legislative Analyst's Office (see <http://bit.ly/BallotAnalysis>), the split roll initiative will raise between \$6.5 and \$10.5 billion per year. The monies will first go to the county assessors to cover their administrative costs, with *no limits placed on those costs*.

Second, the state General Fund will take some money to backfill income tax losses coming from higher property tax deductions. Then, after the state gets their share, whatever is left will be split 60/40. Cities, counties and special districts get 60% of the balance of the funds. Schools and community colleges will get the rest, with little or no requirements on how the money would be spent.

So, even though the initiative is called the California Schools and Local Community Funding Act of 2018, the schools are the last to see any of the money.

#### The Negative Effects of the Split Roll Initiative

California's business environment is going from bad to worse. In 2016 alone, 1,800 companies left the state. Based on news reports, many big-name companies have left in the past few years. These include:

- Carl's Jr.
- Toyota
- Nestle USA
- Nissan North America
- Jamba Juice
- Occidental Petroleum

Corporate relocation expert Joe Vranich says, "A rule of thumb among business site-selection experts is that five companies leave for each one that actually gets reported in the press." So it's likely that as many as 10,000 companies have left in recent years. And millions of dollars of print collateral business went along with them.

When businesses leave so do jobs. Maybe that's why, in 2017, some 130,000 more residents left California than arrived from other states. California has seen more than 15 consecutive years of net resident losses to other states. The California Schools and Local Community Funding Act of 2018 will exacerbate this problem.

In addition to causing companies to close or leave the state, the ballot initiative has several flaws. According to the California Chamber of Commerce, "the ballot initiative does not include taxpayer protections, cost controls, ac-

countability measures, or transparency requirements. The proponents even removed a cap on administrative expenses—so the government can waste this new tax money on administration and overhead with no limits or checks."

In addition, the amount of revenue raised will depend heavily on the strength of California's real estate markets. In 2008–2009, commercial property values dropped 35% due to the economic recession. In 2019, values have once again risen. If this initiative passes, the state's property tax revenue streams would be considerably more volatile than they are now under Prop 13.

#### It's Time to Take a Stand

Every printer in this state needs to become familiar with and take a stand on the California Schools and Local Community Funding Act of 2018. If we don't say no to the coming business property tax increases, our industry and many others will be severely threatened. As an industry, we can make a difference. Imagine the power of over 4,800 business owners combined with our more than 71,600 employees. As a group, we generate over \$13,600,000,000 in revenue. Those are impressive numbers. We represent a significant part of this state's economy.

With industry members located in all 58 counties of the state from Del Norte County in the north to San Diego County in the south, we can reach each and every one of our state senators and assembly members. We cannot possibly complain if we have not exercised our right to speak out. To contact your local representative, visit <https://www.usa.gov/elected-officials>.

## CONTACT US

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## Upcoming Events

### WEBINAR: What We Can and Can't Do with Employment Background Screening

Tuesday, August 20, 2019  
11:00 am – 12:00 pm PDT

Sign up for this upcoming webinar where Cody Farzad of Employers Choice Online will be discussing the good, the bad and the ugly of employment background screening.

Be up to date on current laws and what is allowed and not allowed specifically in California. We'll also focus on what employers should be mindful of when conducting new hire background checks.

We will discuss:

- Ban The Box / Fair Chance Acts
- Salary History Bans
- Social Media Searches
- Compliant Disclosures / Authorizations

Employers of any size and location will benefit from this webinar. Don't miss this FREE member-only webinar with Employers Choice Online, Inc., our preferred partner. Log in and be prepared to interact by asking questions.

Contact Emily Holguin at 323.728.9500, Ext. 200, or [emily@piasc.org](mailto:emily@piasc.org) or visit [www.piasc.org/events](http://www.piasc.org/events) to register.

### WEBINAR: PRINTING United: New Expo Opportunities & Industry Economic Update

Thursday, August 22, 2019  
11:00 am – 12:00 pm PDT

In the lead-up to this year's inaugural PRINTING United expo in Dallas, get an inside view into all the excitement, education and opportunity that will be on display during the event (Oct. 23-25). This webinar will also feature the findings of recent research reports, and will feature vertical markets and product areas, operating ratio information, and how current economic conditions are affecting today's printing industry. Join this session for an excellent view of what's to come.

Contact Emily Holguin at 323.728.9500, Ext. 200, or [emily@piasc.org](mailto:emily@piasc.org) or visit [www.piasc.org/events](http://www.piasc.org/events) to register.



## GOVERNMENT & LEGISLATIVE

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highly recommend that others plan to attend future events in Sacramento. Engaging with those who are creating laws and regulations that have such an enormous direct impact on our businesses is vitally important. As RJ said more than once, if you're not at the table you're on the menu. We want to be at the table, carrying the message of our industry's needs and impact."

"The event was a great start," observes RJ, "but there's a lot more work to do. To build on this we'd like to arrange for association members to provide facility tours to their legislators when they are out visiting their districts. Let's give our elected representatives a first-hand understanding of the impact that our industry has on employment and the economy!"

To help make this happen PIASC is composing a list of members

who are available to provide these facility tours. To add your business to the list please contact Kristy Villanueva at [kristy@piasc.org](mailto:kristy@piasc.org) or 323-728-9500 ext. 215.

### On Our Radar

Recently added to the list of proposed regulations and other issues that we're following

- **Protection from wildfire smoke** – This emergency regulation proposed by Cal/OSHA would apply to indoor and outdoor workplaces where the Air Quality Index for PM2.5 is >150 and there is a realistic possibility that employees may be exposed to wildfire smoke. For more information, see <http://bit.ly/Smoke-Protection>

## PIASC Events Calendar

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**Print 101: An Introduction to Graphic Communications**  
8:00 am – 3:30 pm  
Fullerton College  
Contact Emily Holguin, Ext. 200 or [emily@piasc.org](mailto:emily@piasc.org)

AUG  
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**WEBINAR: Like a Pro: How to Analyze an M&A Opportunity**  
11:00 am - 12:00 pm  
Online  
Contact Emily Holguin, Ext. 200 or [emily@piasc.org](mailto:emily@piasc.org)

AUG  
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**WEBINAR: What We Can and Can't Do with Employment Background Screening**  
11:00 am - 12:00 pm  
Online  
Contact Emily Holguin, Ext. 200 or [emily@piasc.org](mailto:emily@piasc.org)

SEPT  
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**PIASC Paper & Substrate Show**  
5:00 pm – 9:00 pm  
Andrei's Consensus Cuisine Event Center, Irvine  
Contact: Kristy Villanueva, Ext. 215, [kristy@piasc.org](mailto:kristy@piasc.org)

AUG  
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**WEBINAR: PRINTING United: New Expo Opportunities & Industry Economic Update**  
11:00 am - 12:00 pm  
Online  
Contact: Kristy Villanueva, Ext. 215, [kristy@piasc.org](mailto:kristy@piasc.org)

*For full list of workshops and virtual classes, please visit [www.piasc.org/training](http://www.piasc.org/training).*