STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS

DRAFT

Date:	**04/02/14**	Bill No:	**Senate Bill 1323**
Tax Program:	**Property**	Author:	**Lieu**
Sponsor:	**California Assessors' Association**	Code Section:	**See below**
Related Bills:		Effective Date:	**01/01/15**

BILL SUMMARY

This bill contains California Assessors' Association-sponsored provisions to:

- Change the way partial exemptions for late filed exemption claims are provided. *Revenue and Taxation Code (RTC) §270, §271, §276, §75.21.*
- Require the Board of Equalization (BOE) to prescribe forms currently detailed in statute. *RTC §254.5, §257.1.*
- Delete the congregation-size limitation for the leased church parking lot exemption. *RTC §206.1.*

ANALYSIS

Institutional Exemptions
RTC §§75.21, 254, 270, and 271

CURRENT LAW

Exemption claims. Existing administrative practices require an exemption claim to be filed and processed for each property location.

Partial exemption for late claims. Existing law allows a partial exemption for claims filed after the February 15 annual deadline. Specifically, if a claim is filed after February 15, but before the following January 1, then 90% of any tax, penalty, or interest is cancelled or refunded. If the claim is filed on or after the following January 1, then 85% of any tax, penalty, or interest is cancelled or refunded. However, in no event does the tax, penalty, or interest imposed on the property exceed $250.

Restriction basis. Notwithstanding the partial exemption provisions, existing law restricts the tax liability related to a late-filed claim to $250. Existing law is silent on how to apply the partial exemption provisions for late-filed claims when an organization owns multiple properties and files multiple claims. Existing administrative guidance provides that the $250 cap applies per organization.[1]

PROPOSED LAW

Exemption claims. This bill expressly provides that claimants must file exemption claims for each property location. A single claim may be filed for a property location consisting of contiguous parcels.

[1] Letter to Assessor dated 12/22/71 and 2/22/72

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

Partial exemption for late claims. This bill eliminates the 85% partial exemption for claims filed between February 16 and the following January 1. Instead, any claim filed after the February 15 deadline would receive an exemption equal to 90% of the exemption amount otherwise available. The tax, penalty, or interest paid would be applied to an assessed value that does not exceed $20,000.[2]

Restriction basis. The restriction basis would change from a limit on the taxes paid ($250) to a limit on the assessed value ($20,000). This bill provides that the $20,000 assessed value restriction applies for each claim filed. If a claim is filed for a property location consisting of contiguous parcels, the assessment can be applied to a single parcel.

COMMENTS

1. **Sponsor and Purpose.** The CAA is sponsoring this bill to make late filing provisions more efficient to administer.
2. **Basing the assessment cap on assessed value.** Switching to an assessed value basis allows the assessor to process the exemption without the need to collaborate with the county auditor to determine an assessed value amount that would equate to $250 in tax. The assessor can process the exemption more efficiently if the law is based on an assessed value standard.
3. **Eliminating the 85% exemption provisions.** Because of the restriction cap, most organizations are rarely affected by the existing 90% and 85% provisions. However, the two provisions complicate the administration of the exemption.
4. **Restriction limitations.** The sponsor notes that guidance for applying the tax cap per organization has not been updated since the early 1970's, while exemption processing has undergone significant changes. Those changes bifurcated exemption processing between the BOE and local assessors. At the local level, assessors process exemptions for each property location and each claim relates to a single property location. At the state level, the BOE reviews each organization for purposes of granting an organizational clearance certificate that can be used statewide.
5. **Examples of new assessed-value based cap:** The following two examples illustrate the impact of this bill.

   Late filed claim on property with a $1,000,000 assessed value. The exemption amount available (90%) is $900,000. But because taxes would apply to a $100,000 assessed value ($1,000,000-$900,000), the assessed value restriction is triggered. Because the tax can only be assessed based on an assessed value of $20,000 or less, the organization receives a tax bill based on an assessed value of $20,000. Thus, the cap effectively increases the exemption amount to $980,000.

   Late filed claim on property with a $195,000 assessed value. The exemption amount available (90%) is $175,500. After the exemption is applied the assessed value is $19,500. In this case, the restriction provision is not triggered, and the organization receives a tax bill based on an assessed value of $19,500.

[2] At the basic 1% tax rate, taxes on an assessed value of $20,000 equal $200.

Welfare and Religious Exemption Renewal Cards
Revenue and Taxation Code §§254.5, and 257.1

CURRENT LAW

Existing law provides a simplified procedure to renew the religious exemption, as well as two other exemptions.[3] Under this procedure, the assessor mails each exemption recipient a notice with a card to return by February 15 indicating that no changes have occurred that will disallow the exemption for the next fiscal year.[4] Current statute details the form of the cards.[5]

PROPOSED LAW

This bill removes the card's details from statute and instead requires the BOE to prescribe the card's contents.

BACKGROUND

The law requires the BOE to "[p]rescribe and enforce the use of all forms for the assessment of property for taxation."[6] Numerous property tax law provisions that require a form require that BOE prescribe the form's content. These forms are referred to as BOE-prescribed forms. Each year, BOE staff reviews and approves all BOE-prescribed forms for county use for the next year.

COMMENTS

1. **Purpose.** This provision is intended to allow modifications and improvements to the annual form to be made without the need for legislation. The change makes exemption administration more efficient.
2. **Collaborative form process.** The BOE has created over 130 property tax forms for counties' property tax administration use. The BOE develops and revises the forms in coordination with the CAA Forms Subcommittee. This combined effort aims to standardize property tax forms throughout California.

Church Parking Lot Exemption
Revenue and Taxation Code §206.1

CURRENT LAW

Existing law extends the religious exemption to real property used for worshippers parking vehicles on land receiving the religious exemption. [7]

In the case of parking lots that a church leases but does not own, additional restrictions apply. One restriction is that the congregation does not exceed 500 members.

PROPOSED LAW

This bill deletes the congregation size limitation on leased land.

[3] RTC §214.15, §231
[4] RTC §254.5(d),
[5] RTC §254.5, §257.1
[6] Government Code §15606(d).
[7] CA Constitution Article XIII, Section 4(d) and RTC § 206.1

BACKGROUND

In 1996, Assembly Bill 1991 (Stats. 1996, Ch. 1169) added the provisions for leased parking lots. The language was crafted for a specific church previously denied the exemption on land it leased for parking purposes.

COMMENTS

1. **Purpose.** This provision deletes the congregation size limitation because it is unnecessary and has proven to be difficult to administer.
2. **Membership calculation.** The CAA reports that congregational "membership size" is subjective and is calculated differently by each place of worship.
3. **Congregation size is not a determining factor.** Regardless of congregation size, if leased property is not being used exclusively for exempt religious purposes, the assessor has grounds to deny the exemption. In 1991, when the exemption was extended to leased real property, the legislation was designed to match the facts in the particular case giving rise to the issue. Since that time, congregation size has not been shown to be a relevant concern.

Disabled Veterans' Exemption
Revenue and Taxation Code §§75.21, 255, 276

CURRENT LAW

Partial exemption for claims filed after the deadline. The law requires claimants of the disabled veterans' exemption to file a claim with the local county assessor.[8] Generally, the law provides that any exemption not claimed within the time specified by statute is deemed waived for that year.[9] However, the law allows a 90% or 85% partial disabled veterans' exemption for a claim filed after the deadline.[10] The exception to this general rule relates to claims filed late because of delayed United States Department of Veterans Affairs disability ratings.[11] In this case, the exemption amount provided is not reduced.

Exemption claim deadline. The law does not explicitly detail the February 15 filing deadline for disabled veterans' exemption claims.

PROPOSED LAW

Partial exemption for claims filed after the deadline. This bill eliminates the 85% partial exemption for claims filed between February 16 and December 10. Instead, any claim filed after the February 15 deadline would receive an exemption equal to 90% of the disabled veterans' exemption amount otherwise available.

Exemption claim deadline. This bill adds the February 15 disabled veterans' exemption filing deadline to the code.

[8] RTC Section 277 and RTC Section 255
[9] California Constitution Article XIII, Section 6 and RTC Section 260
[10] RTC Section 276
[11] RTC Section 276.1 added by SB 1362 (Stats. 2000, Ch. 1085) and Military and Veterans Code Section 890.3 added by AB 2092 (Stats. 2000, Ch. 575)

COMMENT

Purpose. This provision is intended to simplify the administration of exemption claims filed after the deadline. Limiting the available exemption for late-filed claims to 90% serves to increase the amount of the exemption provided to claimants by 5%. The current two tiers of 85% and 90% complicate exemption administration and consume limited staff resources.

COST ESTIMATE

The BOE and counties co-administer the welfare exemption. The BOE would incur some minor absorbable costs to inform and advise county assessors, the public, and staff of the law changes and address ongoing implementation issues and questions. These costs are estimated to be under $10,000.

REVENUE ESTIMATE

This bill would have a minimal revenue impact.

Analysis prepared by:	Rose Marie Kinnee	916-445-6777	04/04/14
Contact:	Michele Pielsticker	916-322-2376	

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