



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS**

DRAFT

Date Amended:	07/01/08	Bill No:	<u>SB 1064</u>
Tax:	Property	Author:	Hollingsworth
Related Bills:	AB 1759 (DeVore)	Position:	Support

BILL SUMMARY

This bill, among other things, would:

- Allow persons whose homes were destroyed in specified wildfires in Southern California and strong winds in Riverside County to retain the homeowners' exemption on their property while they are in the process of rebuilding. *§218*
- Provide one-year state reimbursement to backfill property tax revenue loss resulting from assessment reductions related to these disasters. *§§195.128-195.133*
- Change the fiscal year for which reimbursement will be made for state reimbursement to El Dorado County to backfill property tax revenue loss for the June 2007 fire near Lake Tahoe. *§§195.120 and 195.122*

Summary of Amendments

The amendments since the last analysis specify the dates that the governor issued the two proclamations of a state of emergency for the September and October of 2007 wildfires in Southern California.

ANALYSIS

CURRENT LAW

Homeowners' Exemption. Article XIII, Section 3(k) of the California Constitution exempts from property tax the first \$7,000 of the full value of a dwelling when occupied by an owner as his principal residence. This exemption is commonly referred to as the "homeowners' exemption."

Section 218 of the Revenue and Taxation Code details the qualifications for the homeowners' exemption authorized by the constitution. Eligibility is generally continuous once granted. However, if a property is no longer owner-occupied, is vacant, or is under construction on the lien date (January 1), the property is not eligible for the exemption for the upcoming tax year.

Relevant to this bill, homes that are totally destroyed on the lien date for a particular fiscal year (that is January 1 for the forthcoming fiscal year that begins July 1) are not eligible for the homeowners' exemption. For example, a home destroyed on or before January 1, 2008 is not eligible for the homeowners' exemption on the 2008-09 property tax bill.¹

¹A home destroyed on or after January 1, 2008, would continue to be eligible for the exemption on the 2008-09 property tax bill. However, if the home has not been rebuilt and occupied by the next lien date, January 1, 2009, it would not be eligible for the homeowners' exemption on the 2009-10 property tax bill.

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 Board's formal position.

Disaster Relief - Property Reassessment for Property Owners. Section 170 of the Revenue and Taxation Code provides that property taxes may be reduced following a disaster, misfortune, or calamity in those counties where the board of supervisors has adopted an ordinance authorizing these provisions. These provisions apply to both governor-declared disasters and site-specific disasters such as a home fire. Disaster relief is provided by allowing the county assessor, under specified conditions, to reassess the property as of the date of the disaster to recognize the loss in a property's market value. The loss in value must be at least \$10,000. The prior assessed value of the damaged property is reduced in proportion to the loss in market value; the new reduced value is used to calculate a pro-rata reduction in taxes. The affected property retains its lower value, with reduced taxes, until it is restored, repaired, or reconstructed. Generally, taxpayers have up to 12 months to file a request for reassessment.

Disaster Relief - State Reimbursement for Local Governments. Additionally, legislation is frequently enacted to fully reimburse local governments for one year's property tax revenue loss associated with Section 170 reductions in assessment.

State Reimbursement – El Dorado County Wildfire. Sections 195.120, 195.121, and 195.22 of the Revenue and Taxation Code provide reimbursement to El Dorado County for wildfires that commenced on June 24, 2007 for the property tax revenue losses associated with the 2006-07 fiscal year, which is a period of six days.

PROPOSED LAW

Homeowners' Exemption. This bill would allow persons whose homes were destroyed in specified disasters in certain counties to retain the homeowners' exemption on their property while they are in the process of rebuilding. Those are:

Southern California Wildfires. This bill adds subdivision (o) to Section 218 to provide that a dwelling qualified for the homeowners' exemption prior to the commencement of the wildfires listed in the governor's disaster proclamations of September 15, 2007, and October 21, 2007, and that was subsequently damaged or destroyed by these wildfires and any other related casualty in the counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, Santa Barbara, and Ventura will continue to be eligible for the homeowners' exemption.

Winds. This bill adds subdivision (p) to Section 218 to provide that a dwelling qualified for the homeowners' exemption prior to October 20, 2007 and subsequently damaged or destroyed by extremely strong winds and any other related casualty in Riverside County will continue to be eligible for the homeowners' exemption.

State Reimbursement – Southern California Wildfires and Winds. This bill would also provide state reimbursement for property tax revenue losses due to Section 170 disaster relief reassessments. Specifically, it adds provisions to the Revenue and Taxation Code to outline the process and timeline for the affected counties, the Department of Finance, and the State Controller to follow for each particular disaster.

State Reimbursement – El Dorado County Wildfire. This bill would modify state reimbursement provisions enacted last year for property tax revenue losses due to Section 170 disaster relief reassessments for the fire. Specifically, it changes the fiscal year for which reimbursement will be made from 2006-07 to 2007-08 and makes corresponding changes to the timeline for El Dorado County, the Department of Finance, and the State Controller to complete the reimbursement process.

IN GENERAL

Disaster Relief. There are a variety of provisions in property tax law to provide property tax relief for disaster victims. These provisions address both the short-term and the long-term consequences of the disaster as it relates to current and future property tax liabilities. In the short term, property tax liability is redetermined to reflect the damage to the property and for some the next property tax installment payment may be deferred. Over the long term, property owners may rebuild or repair the damage to their property without incurring any increase in property tax liability. Alternatively, property owners may instead relocate rather than rebuild without being adversely impacted by the property tax consequences. The various provisions of law in the Revenue and Taxation Code are noted below.

DISASTER RELIEF REFERENCE CHART

Section	Property Type	Type of Relief Available	Type of Disaster
170	All property types	Reassessment	Any disaster or calamity
194 & 194.1	Real property and manufactured homes	Property tax deferral – next installment	Governor-proclaimed
195.1	Real property and manufactured homes	Property tax deferral – second consecutive installment	Governor-proclaimed
194.9	Real property and manufactured homes	Property tax deferral – supplemental assessment	Governor-proclaimed
69	All property types	Base year value transfer	Governor-proclaimed
69.3	Principal place of residence	Base year value transfer	Governor-proclaimed
69.5	Principal place of residence —over 55 or physically disabled	Base year value transfer	Any disaster or calamity
172 & 172.1	Manufactured homes	Base year value transfer	Governor-proclaimed
70	Real property only	New construction exclusion	Any disaster or calamity
5825	Manufactured homes	New construction exclusion; Base year value transfer	Any disaster or calamity

BACKGROUND

Special purpose legislation has been enacted in recent years to provide that dwellings that were destroyed by specific disasters, as noted in the table below, will not be disqualified as a “dwelling” or be denied the homeowners’ exemption solely on the basis that the dwelling was temporarily damaged or destroyed or was being reconstructed by the owner.

