STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS

Date Amended:	**5/02/02**	Bill No:	**SB 2086**
Tax:	**Property**	Author:	**Senate Revenue and Taxation Committee**
Board Position:	**Support, except** **No Position – Digital Maps**	Related Bills:	

BILL SUMMARY

This bill contains California Assessors' Association sponsored provisions to:

- Change the date from March 15 to February 15 when the assessor must be notified if property receiving an exemption under Section 214.15 or 231 no longer qualifies. *§254.5*
- Change the date from June 30 to February 15 when the assessor must be notified if property receiving the religious exemption no longer qualifies. *§257*
- Allow a partial exemption on late filed aircraft of historical significance exemption claims. *§270*
- Change dates for filing a claim for various exemptions on new purchases of property from prior to the lien date to within 90 days from the first day of the next month after acquired. *§271*
- Authorize a county board of supervisors to adopt an ordinance requiring a copy of a recorded digital subdivision map to be filed with the county assessor. *§327.1*
- Make special document retention requirements for first-time welfare exemption, religious exemption, and the disabled veterans' exemption claims. *§465*
- Corrects cross-reference errors. *§95.35*

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.

ANALYSIS

Welfare Exemption and Religious Exemption Claims

Revenue and Taxation Code §§254.5, 257

Current Law

Under existing law, Revenue and Taxation Code Section 254.5 requires the assessor to mail a notice to property owners receiving a property tax exemption pursuant to Section 214.15[1] or 231[2] by January 1 of each year. The notice includes a card that the property owner must return by March 15 indicating that there have been no changes regarding the property's eligibility to receive the exemption for the following fiscal year.

Revenue and Taxation Code Sections 257 and 257.1 require the assessor to mail a notice to property owners receiving the religious exemption by January 1, which similarly requires the property owner to return a card by June 30 indicating that there have been no changes regarding the property's eligibility to receive the exemption for the following fiscal year.

Proposed Law

This bill would change the date for property owners to return these cards to February 15, which is the final date to file a claim for all other exemptions.

Comments

Since the change in the lien date from March 1 to January 1, most filing deadlines for exemptions requiring annual filing have been moved forward and a uniform final filing date of February 15 has been established. (Previously, miscellaneous exemptions had various deadlines). However, for those exemptions where a simplified annual filing is permitted and the property owner merely returns a postcard sent to it by the assessor to receive the exemption for the following year, the date to return the card has not been adjusted to the new uniform date of February 15. With this amendment, all these exemptions would have a uniform February 15 deadline.

Aircraft of Historical Significance – Late Filed Claims

Revenue and Taxation Code §270

Current Law

Revenue and Taxation Code Section 220.5 provides a property tax exemption for aircraft of historical significance. A one-time fee of $35 is imposed with the initial

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[1] Section 214.15 provides the welfare exemption to land holdings for the future construction of homes for sale to low-income persons.

[2] Section 231 provides the welfare exemption for property owned by a nonprofit organization and leased to a governmental agency.

application for exemption. Thereafter, Section 255 requires that persons re-file for the exemption each year by February 15. If a person misses the deadline, the exemption is not available for that year. (Article XIII, Section 6 of the California Constitution and Section 260 provide that failure to claim an exemption is a waiver of the exemption for that year.)

Proposed Law

This bill would amend Section 270 of the Revenue and Taxation Code to allow a partial exemption for claims for the aircraft of historical significance exemption filed after February 15. Specifically, if the claim was filed after February 15, but before the following January 1, then 90% of any tax, penalty or interest would be cancelled or refunded. If the claim was filed on or after the following January 1, then 85% of any tax, penalty or interest would be cancelled or refunded. However, in no event would the tax, penalty, or interest assessed on the historical aircraft be more than $250.

Comments

1. **The historical aircraft exemption was created in 1987 (Stats. 1987, Ch. 267, SB 95).** The enacting legislation made no specific provisions for the general administration of the exemption and, therefore, did not provide for late filing. The following year, the Board of Equalization sponsored legislation (Stats. 1988, Ch. 1271, AB 2878) to provide basic administrative provisions for the new exemption. Specifically, Section 254 was amended to require an annual claim form, Section 255 was amended to specify a filing deadline of April 1, and Section 259.11 was added to specify that the claim provide information that both the owner and the aircraft qualify for the exemption. Late filing was not included in this follow-up legislation. Documents related to this Board-sponsored legislation do not indicate whether or not late filing was considered. Los Angeles County indicates that 2 to 3 taxpayers miss the current deadline each year. The sponsors note that most other exemptions have late filing provisions and believe that the lack of a partial exemption for claims filed after the deadline is an oversight that should be corrected.

2. **Technical Suggestion.** Section 270 is for organizations or entities that file late for certain exemptions. Additionally, Section 270 provides a partial exemption for prior tax years rather than limited to the current tax year. It is suggested that a separate section of law be created for late filing similar to that provided for individuals in Sections 275, 275.5, and 276.

Exemption Claims– New Property Acquisitions

Revenue and Taxation Code §271

Current Law

Revenue and Taxation Code Section 271 allows for the cancellation or refund of taxes on properties on the regular roll that are acquired by various exempt organizations after the lien date (January 1) but prior to the beginning of the fiscal year (July 1). It allows for a similar cancellation or refund of taxes for organizations that do not come into existence until after the lien date and thereafter acquired properties before the beginning of the fiscal year.

For organizations that acquire properties after the fiscal year begins (on or after July 1), the taxes for that fiscal year are either canceled or refunded in pro-ration to the number of days in the fiscal year that the property was owned by the organization.

To receive the cancellation, refund, or proration, an application for the exemption must be filed "on or before the lien date in the calendar year next succeeding the calendar year in which the property was acquired." Basically, this means that for any property acquired between January 2, 2002, and December 31, 2002, an exemption claim for the property must be filed on or before January 1, 2003. However, if an organization does not file a claim within this time period but files an exemption claim afterwards, the maximum tax on the property will not exceed $250.

Proposed Law

This bill would amend Section 271 to instead provide that the exemption claim must be filed "within 90 days from the first day of the next month following the date on which the property was acquired."

Comments

If an organization acquires property near the end of the calendar year (for example, a donation of property to the organization recorded on December 31, 2002) there may be insufficient time to complete and file a claim by the next lien date (i.e. January 1, 2003). This amendment would instead give organizations a uniform 90 days after acquiring properties to file a claim for the refund, cancellation, or pro-ration of taxes on the regular roll. This gives more time to file a claim form for property acquired in the last three months of the year, but less time to file a claim for property acquired in the first nine months of the year. The transition from "end of year" to "90 days" could result in some late filings from nonprofits not aware of the change in the first few years. However, if this occurred, the most tax owed would be $250.

Digital Subdivision Maps

Revenue and Taxation Code §327.1

Current Law

Current law requires subdivision maps to be filed with the county recorder. In most cases, the common practice today is to prepare and file such maps digitally.

Proposed Law

This bill would add Revenue and Taxation Code 327.1 to provide that the board of supervisors of any county may enact an ordinance that requires any party that records a digital subdivision map with the county recorder to also file a duplicate digital copy of that map with the county assessor.

Comments

Assessors indicate that a digital copy would eliminate the need for the Assessors' Office mapping and drafting personnel to manually redraft from a hard copy, and significantly reduce the time needed to prepare the official assessors parcel maps on new subdivisions, from months to weeks. This provision does not require that property owners prepare subdivision maps for recordation in a digital format in the first place. Those that are currently prepared digitally, however, would be filed with the assessor as well as with the recorder if the county adopts the necessary ordinance.

Welfare Exemption - First-Time Claims and Documents

Revenue and Taxation Code §465

Current Law

Existing law does not make any special provisions related to retention and destruction of first-time claims and supporting documents for the welfare exemption, the religious exemption, or the disabled veterans' exemption.

Proposed Law

This bill would add subdivision (b) to Section 465 to provide that:

"Affidavits claiming an exemption, for the first time, pursuant to Sections 254.5[3], 257[4], and 277[5] may be destroyed by the assessor as follows:

(1) Six years after the lien date of the tax year for which the exemption was last granted.

(2) Three years after the lien date described in paragraph (1) if the documents have been microfilmed, microfiched, imaged, or otherwise preserved on a medium that provides access to the documents.

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[3] The welfare exemption affidavit.

[4] The religious exemption affidavit.

[5] The disabled veterans' exemption affidavit.

Comments

The purpose of this language is to require that the assessor maintain first time filings for as long as the property is receiving the welfare exemption, the religious exemption, or the disabled veterans' exemption. Once property no longer receives an exemption, then the six year or three year period begins to run, after which the documents may be destroyed. Documents associated with first-time filings typically include information which establishes that basic eligibility requirements have been met, information usually not required to be re-filed in subsequent annual re-filings. Valuable information is contained in the first-time claim that makes subsequent changes of law easier to administer without requiring nonprofits to resubmit information previously provided in the first year.

COST ESTIMATE

The Board would incur some minor, absorbable costs in informing and advising county assessors, the public, and staff of these changes in law.

REVENUE ESTIMATE

This bill would have a minimal revenue impact.

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