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No. 2014/059

November 21, 2014

TO COUNTY ASSESSORS:

SUMMARY OF 2014 PROPERTY TAXES LEGISLATION

This is a summary of 2014 legislation affecting property taxes. All bills will become effective January 1, 2015, unless otherwise specified.

AB 777 (Muratsuchi), Chapter 13, Effective April 29, 2014

Adds and repeals section 242 of the Revenue and Taxation Code.

Personal Property Exemption – Space Flight Property. For lien dates 2014 through 2024, exempts qualified personal property for use in space flight, including fuel, if the taxpayer's primary business purpose is in space flight activities. Defines "space flight activities" as suborbital, orbital, interplanetary travel by space vehicle, satellite, space facility, or space station. Repeals this provision of law on July 1, 2025.

AB 1143 (Skinner), Chapter 325, Effective September 15, 2014

Among others, amends sections 402.5, of the Revenue and Taxation Code.

Sales Comparison Approach. To improve clarity, substitutes the term "valuation date" for "lien date" in reference to selecting comparable sales that are "near in time" when estimating a property's value using the sales comparison approach.

AB 1760 (Chau), Chapter 671

Adds sections 214.06, 214.07, and 214.09 to the Revenue and Taxation Code.

Welfare Exemption – PILOT Agreement. On or after January 1, 2015, prohibits a local government from entering into a payment in lieu of taxes (PILOT) agreement with a property owner of a low-income housing project that is eligible for exemption and makes any PILOT agreement entered into on or after January 1, 2015 void and unenforceable. Defines a PILOT agreement to mean any agreement entered into between a local government and a property owner of a low-income housing project that requires the property owner to pay the local government a charge to compensate the local government for lost property tax revenues resulting from the property tax exemption available under section 214(g).

Creates a conclusive presumption that any payments made under any PILOT agreement entered into prior to January 1, 2015 are used to maintain the affordability of or reduce the rents for the units occupied by lower income households. This bill is a companion measure to Senate Bill 1203.

AB 1888 (Ting), Chapter 20

Amends sections 11932 and 11933 of the Revenue and Taxation Code.

Documentary Transfer Tax. Deletes the ability to request that the documentary transfer tax due be shown on a separate paper affixed to the recorded document rather than on the face of the document.

AB 2109 (Daly), Chapter 781

Adds section 12463.2 to the Government Code.

Parcel Tax Reports. Requires the State Controller to include in its local government financial transaction reports information relating to the imposition of locally assessed parcel taxes, as defined, including the type and rate of parcel tax, the number of parcels subject to or exempt from that tax, any sunset date, the amount of revenue received from the parcel tax, and the manner in which that revenue is used. Requires local government entities that levy a parcel tax to provide this information to the State Controller.

AB 2231 (Gordon), Chapter 703, Effective September 28, 2014

Amends sections 16181, 16182, 16183, 16184, 16186, 16190, 16200, 16210, 16211, and 16211.5 of, repeals sections 16185, 16212, 16213, and 16214 of, and repeals and adds section 16180 of, the Government Code; and amends sections 2514, 2515, 3375, 3691, 3698.5, 3698.7, 3793.1, 4673.1, 20503, 20583, 20584, 20585, 20602, 20621, 20622, 20639.10, 20639.11, 20639.12, 20645.5, and 20645.6 of, amends and repeals section 20623 of, repeals section 20583.1 of, and adds section 3376 to, the Revenue and Taxation Code.

Property Tax Postponement Program. Beginning on July 1, 2016, reinstates the State Controller's Property Tax Postponement Program for senior citizens and disabled citizens. To participate, a claimant's household income may not exceed \$35,500 and the claimant's equity interest in the dwelling must be at least 40%. Provides that applications may be filed beginning September 1, 2016. For property under the program, requires the assessor or tax collector, whichever is applicable, to notify the State Controller within 60 days of (1) a change in ownership, (2) a change in mailing address, (3) knowledge of a claimant's death, or (4) a tax default.

AB 2241 (Eggman), Chapter 582

Amends section 51255.1 of the Government Code.

Williamson Act and Farmland Security Zone Rescission Fee – Solar-Use Easements. Increases the rescission fee from 6.25 percent to 10 percent for Williamson Act contracts and decreases the rescission fee for a Farmland Security Zone contract from 12.5 percent to 10 percent when parties mutually agree to rescind the contract and enter into a solar-use easement contract. Allows the county or city that is a party to the contract to retain 50 percent of the rescission fee.

SB 854 (Committee on Budget and Fiscal Review), Chapter 28, Effective June 20, 2014

Among others, amends section 75.70 of, and adds section 95.5 to, the Revenue and Taxation Code.

State-County Assessors' Partnership Agreement Program. Creates a three-year pilot program to be administered by the State Department of Finance, under which counties that submit an application to participate and are ultimately selected will receive funding for certain property tax administration purposes. Counties must have applied to the Department of Finance on or before September 15, 2014. Limited to nine counties, competitively selected from three classes of counties based on county population, as specified. Requires participating counties to annually match the program funds apportioned to its assessor's office and to report specified information to the State Department of Finance.

SB 871 (Committee on Budget and Fiscal Review), Chapter 41, Effective June 20, 2014

Amends section 73 of the Revenue and Taxation Code.

New Construction Exclusion – Active Solar Energy Systems. Extends the new construction exclusion to the 2023-24 fiscal year and postpones the repeal date until January 1, 2025.

SB 1113 (Knight), Chapter 656

Amends section 890.3 of the Military and Veterans Code, and amends section 5097 of the Revenue and Taxation Code.

Disabled Veterans' Exemption. Extends the statute of limitations period from four to eight years on property tax refunds related to the Disabled Veterans' Exemption. Corrects an incorrect cross reference to section 5097 in a Military and Veterans Code provision related to the disabled veterans' exemption.

SB 1203 (Jackson), Chapter 693

Amends section 214 of, and adds sections 214.06 and 214.08 to, the Revenue and Taxation Code.

Welfare Exemption – Partial Exemption. Specifies that the partial exemption percentage calculation use a unit method. Defines "related facilities" to explicitly include any manager's units and common area spaces that are included within the physical boundaries of the rental housing development, other than nonexempt commercial space. Defines "units serving lower income households" to include units that are vacant when determining the occupancy percentage, provided that the project operator is holding the units for rental to low-income tenants only.

Welfare Exemption – PILOT Agreement. On or after January 1, 2015, prohibits a local government from entering into a payment in lieu of taxes (PILOT) agreement with a property owner of a low-income housing project. Makes any PILOT agreement subsequently entered into void and unenforceable. Regarding any property taxes levied because a PILOT agreement was deemed to preclude a certification that property tax savings are used to maintain affordability or reduce rents: (1) requires cancellation of outstanding tax liabilities, (2) requires refunds of taxes paid, and (3) prohibits escape or supplemental assessments.

This bill is a companion measure to Assembly Bill 1760.

SB 1353 (Nielsen), Chapter 322

Amends section 51244.3 of, amends and repeals sections 16142, 16142.1, and 51244 of, and repeals Section 51244.4 of, the Government Code.

Williamson Act and Farmland Security Zones. Deletes the January 1, 2016 sunset date for provisions that authorize counties to reduce the term for contracts to 9-year and 18-year terms and make an additional assessment of 10% with the resulting revenue allocated to the county when state subvention payments are insufficient, as specified.

SB 1462 (Committee on Governance and Finance), Chapter 201

Among others, amends sections 670 and 671 of the Revenue and Taxation Code.

California Assessors' Association. Updates the name from the State Association of County Assessors to the California Assessors' Association in provisions related to appraiser certification.

SB 1464 (Committee on Governance and Finance), Chapter 134

Amends sections 62, 170, 201.7, and 439.2 of the Revenue and Taxation Code.

Change in Ownership Exclusion – Disabled Ward. Corrects a cross reference to the Welfare and Institutions Code disability definition for the change in ownership exclusion available to a low-income disabled person that acquires their home after the death of their guardian.

Disaster Relief Appeals. Clarifies that an assessment appeal is made to either the county board of equalization or the assessment appeals board, as the case may be for the applicable county.

Possessory Interest – State Park Operators. Clarifies that the qualifying entity that can be excluded from a possessory interest for operating a state park is a nonprofit organization.

Mills Act Historical Properties. Updates the name of the federal agency that issues the effective rate on conventional mortgages which is used to set the interest component, from the Federal Housing Finance Board to the Federal Housing Finance Agency.

These bills may be viewed from the California State Legislature's website at www.legislature.ca.gov/the_state_legislature/bill_information/bill_information.html. The Board of Equalization's bill analyses are at www.boe.ca.gov/legdiv/legcont.htm.

If you have any questions regarding the application of these measures, please contact the County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ Benjamin Tang for

Dean R. Kinnee
Acting Deputy Director
Property Tax Department

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