California State
Board *of* Equalization

Legislative Bill Analysis

SB 603 (Niello)
Date: Amended 5/7/25
Program: Property Taxes
Revenue and Taxation Code Sec 69
Effective: Upon enactment, immediately

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Summary: This bill amends Revenue and Taxation Code (RTC) section 69 to authorize the county board of supervisors of any county affected by a disaster proclaimed or declared by the Governor on or after January 1, 2025, to extend the 5-year time period to complete an intracounty base year value transfer by up to 3 years.

Summary of Amendments: The May 7, 2025 amendments authorize the county board of supervisors of any county-proclaimed by the Governor to be in a state of emergency, or otherwise determined or declared by the Governor to be in a state of disaster, on or after January 1, 2025, to extend the 5-year time period to complete an intracounty base year value transfer by up to 3 years. The bill would apply to the determination of base year values for lien dates occurring on or after January 1, 2025.

Fiscal Impact Summary: Indeterminable.

Existing Law: For property tax purposes, the law requires County Assessors to reassess real property from its Proposition 13 protected value ("base year value") to its current market value whenever a change in ownership occurs or upon completion of new construction[1]. Exceptions to this reassessment requirement have been enacted, including three base year value transfers as discussed below, for property owners whose property has been damaged or destroyed in a disaster for which the Governor proclaimed a state of emergency.

- On June 3, 1986, the voters of California approved Proposition 50, adding subdivisions (e) and (f) to section 2 of Article XIII A of the California Constitution to allow the transfer of the base year value of real property that is substantially damaged or destroyed by a disaster for which the Governor proclaims a state of emergency to comparable replacement property located within the same county. These provisions are implemented by RTC section 69.

- On November 2, 1993, California voters approved Proposition 171, which amended section 2(e) of Article XIII A, to allow the base year value of a principal residence substantially damaged or destroyed in a disaster for which the Governor proclaims a state of emergency to be transferred to a replacement principal residence located in another county, provided that the replacement residence is located in a county that has adopted an ordinance to accept such base year value transfers. These provisions are implemented by RTC section 69.3.

[1] Article XIII A, section 2 of the California Constitution.

- On November 3, 2020, California voters approved Proposition 19, which added section 2.1 to Article XIII A, to allow, as relevant here, an owner of a primary residence who is a victim of a wildfire or natural disaster to transfer the taxable value of their original primary residence to a replacement primary residence that is purchased or newly constructed as that person's principal residence within two years of the sale of the original primary residence. Proposition 19 became operative as of April 1, 2021. These provisions are implemented by RTC section 69.6.

<u>(RTC) Section 69</u>

Related to this bill, RTC section 69 provides tax relief to persons who own property substantially damaged or destroyed in a Governor-proclaimed disaster. Among the various requirements and conditions, the base year value of the damaged property may be transferred to a comparable property located within the same county and purchased or newly constructed within five years of the disaster's occurrence. However, for properties damaged or destroyed in the November 2018 Camp Fire in Butte County, the base year value must be transferred within eight years. Physical damage must amount to more than 50 percent of the property's market value immediately before the disaster. This base year value transfer is available for any type of real property, not just the home, and the damaged and replacement property must be the same property type and of comparable size, utility, and function. While the damaged property does not need to be sold to transfer its base year value under the provisions of R&TC section 69, a homeowner is not allowed to also receive the new construction exclusion under R&TC section 70(c), 70.5, or 170 if the damaged or destroyed property is rebuilt.

Although SB 603 is not proposing to amend RTC 70.5, it provides for the reconstruction of a damaged or destroyed property on the same location.

Proposed Law:

<u>RTC section 69 Amendment</u>

SB 603 authorizes the county board of supervisors of any county affected by a disaster declared by the Governor on or after January 1, 2025, may by ordinance extend the time period to transfer the base year value of property in that county that is substantially damaged or destroyed by the disaster to comparable property within the same county that is acquired or newly constructed as a replacement for the substantially damaged or destroyed property by up to three years.

Effective Date. As a tax levy, this bill is effective immediately upon enactment.

In General: Disaster Relief. California's system of property taxation under Article XIII A of the California Constitution (Proposition 13) values the property at its 1975 fair market value, with annual increases after that limited to the amount of inflation or 2 percent, whichever is less, until the property changes ownership or new construction occurs. Once a reassessable event occurs (i.e., a change in ownership or new construction), the property's value for tax purposes is redetermined based on its current market value. The value initially established, or redetermined where appropriate, is called the "base year value."

Because real estate values generally appreciate at a rate greater than 2 percent per year, when an event triggers a reassessment of property to its current market value, the reassessed value (i.e., its new base year value) will likely be substantially higher.

California property tax law provides for various situations where the base year value of a property is either: (1) retained, notwithstanding that new construction has taken place or that the property has changed ownership, or (2) transferred to another property, notwithstanding that the property has changed ownership. These special situations are provided pursuant to various constitutional amendments modifying the original Proposition 13 framework and serve to avoid the otherwise required reassessment of a property to its current market value.

RTC section 69 provides that persons who own property substantially damaged or destroyed in a Governor-proclaimed disaster may transfer the base year value of that property to a property acquired or newly constructed as a replacement if it is acquired within five years after the disaster[2]. "Substantially damaged" means physical damage amounting to more than 50 percent of its current market value immediately before the damage. Base year value transfers are available for all property types, with the limitation that the original property and the replacement property must be of the same property *type*: residential, commercial, agricultural, or industrial. The replacement property is "comparable" if it is similar in size, utility, and function to the destroyed property and if the market value of the acquired property does not exceed 120 percent of the fair market value of the replaced property in its pre-damaged condition. Property owners may, nevertheless, still receive partial disaster relief in cases where the value of the replacement property exceeds the 120 percent limitation. Specifically, under section 69, any amount over this threshold is assessed at full market value and added to the transferred base year value.

Governor State of Emergency Proclamations. The Government Code[2] authorizes the Governor to proclaim a state of emergency under specified circumstances, including:

- "State of war emergency" means the condition which exists immediately, with or without a proclamation thereof by the Governor, whenever this state or nation is attacked by an enemy of the United States or upon receipt by the state of a warning from the federal government indicating that such an enemy attack is probable or imminent.

- "State of emergency" means the duly proclaimed existence of disaster conditions or extreme peril to the safety of persons and property within the state.

- "Local emergency" means the duly proclaimed existence of disaster or extreme peril to the safety of persons and property within the territorial limits of a county, city, and county

[2] Government Code (GC) sections 8558 and 8625.

or city.

Background: In 1993, Assembly Bill (AB) 1824 (Stats. 1993, ch. 1053) extended the timeframe for RTC section 69 base year value transfers from two years to three years for all disasters occurring on or after October 20, 1991, the date of the Oakland Hills fire. In 1997, Senate Bill (SB) 594 (Stats. 1997, ch. 941) provided a special five-year timeframe for any victim of the 1994 Northridge earthquake. In 2006, AB 1890 (Stats. 2006, ch. 317) extended the timeframe for RTC section 69 base year value transfers from three years to five years for all disasters occurring after July 1, 2013, when several devastating fires swept through Southern California.

AB 2013 (Stats. 2020, ch. 124) provided RTC section 70.5, allowing similar benefits to RTC section 69 for those electing to reconstruct similar improvements on an existing property instead of purchasing a replacement property.

Commentary:

1. **Amends RTC Section 69 Exclusively.** This bill only amends RTC section 69 and applies only to those purchasing replacement property. It does not extend RTC section 70.5 base year value transfers to those electing to reconstruct improvements on a currently owned property. The author believes this proposal would be a more efficient way to handle base year value transfers following a disaster proclamation by authorizing a county board of supervisors to approve a three-year extension.

2. **Related Legislation.** AB 1500 (Irwin, 2023) allows victims of both the Camp Fire and the Woolsey Fire that affected Los Angeles and Ventura Counties in 2018 an additional three years to apply the assessed value of their damaged or destroyed property to reconstructed property on the same site. AB 556 (Gallagher, 2023) extends the time period for base year value transfers, where taxpayers transfer the assessed value from their damaged or destroyed property to a newly acquired or constructed replacement property. SB 303 (Borgeas, 2021) provided a blanket two-year extension due to the COVID-19 pandemic.

   In the current 2025-26 session, two bills, AB 245 (Gipson) and SB 663 (Allen) propose three-year extensions.

3. **Recent Governor Emergency Proclamations.** On January 7, 2025, the Governor proclaimed a state of emergency to exist in Los Angeles and Ventura counties due to the Palisades fire and windstorm conditions. A total of nineteen Executive Orders were issued during the devastation period. According to Cal Fire, as of February 7, 2025, an estimated 23,707 acres burnt down in the Palisades Fire, destroying 6,833 structures. In the Eaton Fire, an estimated 14,021 acres were affected, and 9,413 homes were destroyed. This disaster has triggered several bills, some of which also include base year transfer extensions.

4. **Local Government Reimbursement.** Existing law requires the state to reimburse

local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation. This bill would provide that, notwithstanding those provisions, no appropriation is made, and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

5. **Recent Disaster Example.** In the report *Impact of 2025 Los Angeles Wildfires and Comparative Study* that was commissioned by the Southern California Leadership Council and produced by the Los Angeles County Economic Development Corporation, it was reported that an estimated 6,833 structures were destroyed in the Palisades fire, and 9,413 structures destroyed in the Eaton fire. The Legislative Analyst's Office estimated that the fires caused a reduction in assessed value of $10 billion to $20 billion, and that this reduction in assessed value would correspondingly reduce property tax payments by $100 million to $200 million in 2025-26.

Costs: The estimated one-time cost is approximately $9,913.

Revenue Impact:

The SB 603 proposal is not related to one specific disaster or one specific jurisdiction. In general, this proposal provides any affected county, starting January 1, 2025, the option to decide at the local level, on an on-going basis, the need for up to three additional years for intracounty base year transfers. Considering the location, nature, and severity of future disasters, and the scope of resulting damages, revenue impact is difficult to determine with any reasonable accuracy.

Qualifying Remark:

This revenue estimate does not account for any changes in economic activity that may or may not result from the enactment of the proposed law.