



[Assembly Bill 672](#) (Caloza)

Date: April 28, 2026 (Amended)

Program: Property Taxes

Revenue and Taxation Code section 214.18

Effective: Upon enactment, immediately

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Summary: Assembly Bill (AB) 672 extends the sunset date for the property tax Welfare Exemption for community land trusts (CLTs) that qualify under the exemption granted under Revenue and Taxation Code (RTC) section 214.18 for an additional five years from January 1, 2027, to January 1, 2032.

Fiscal Impact Summary: At this time, based on unknown factors explained below, the revenue loss is indeterminable.

Existing Law: Under the California Constitution, all property is taxable, unless otherwise provided for by the State Constitution or the laws of the United States.¹ The Legislature may exempt from property taxation in whole or in part, property used exclusively for religious, hospital, scientific, or charitable purposes and owned or held in trust by nonprofit corporations or other entities, if certain criteria are met.²

This exemption is known as the Welfare Exemption and it is implemented pursuant to RTC³ section [214](#).

Section 214 generally exempts from taxation, subject to certain conditions and qualifications, property that is (1) owned by nonprofit organizations organized and operated for charitable purposes and (2) used exclusively for those purposes.

Section 214(g)(1) provides generally that property used exclusively for rental housing used for low-income rentals owned and operated by nonprofit organizations, including limited partnerships in which the managing general partner is an eligible nonprofit corporation, shall be deemed to be within the exemption authorized by section 214.

Organizational Clearance Certificate Process. The State Board of Equalization (BOE) and 58 County Assessors are jointly responsible for administering the Welfare Exemption. The BOE is responsible for determining whether an organization is qualified for either an *Organizational Clearance Certificate* (OCC) or a *Supplemental Clearance Certificate* (SCC), while the Assessor is responsible for determining whether the use of a qualifying organization's property is eligible for the Welfare Exemption. The Assessor shall not grant the Welfare Exemption on an organization's property unless the organization holds either a valid OCC or SCC issued by the BOE. However, the Assessor may deny a Welfare Exemption claim based on non-qualifying use of the property, notwithstanding that the BOE has issued the organization an OCC or SCC. The

¹ California Constitution, [article XIII, section 1](#).

² California Constitution, [article XIII, section 4\(b\)](#).

³ All statutory references are to the Revenue and Taxation Code, unless otherwise provided.

BOE tracks [qualified organizations](#) who hold valid OCCs and SCCs and monitors those organizations for continued eligibility.

Once the BOE issues an OCC or an SCC to a qualified organization, the organization must file a *Claim for the Welfare Exemption* (BOE 267) with the County Assessor where the property is located. The County Assessor is responsible for evaluating the claim, determining whether the use of the property meets the statutory requirements for receiving the Welfare Exemption, and ultimately granting or denying the exemption to claimants.

Under existing property tax law, property that meets these requirements and is used exclusively for rental housing and related facilities is entitled to a partial exemption.⁴ The partial exemption is equal to that percentage of the value of the property that is equal to the percentage that the number of units serving lower income households represents of the total number of residential units. Property is eligible in any year that specified criteria apply, which includes that the property be subject to a legal restriction that provides that units designated for use by lower income households are continuously available to or occupied by lower income households, at rents not exceeding specified limits.⁵

In 2019, the Legislature added section [214.18](#) into law which stated that property owned by a CLT that qualifies for a Welfare Exemption under section 214 is also within the exemption provided by sections 4 and 5 of article XIII of the California Constitution as long as several conditions were met; additionally, the provision sunsets on January 1, 2025.⁶

Senate Bill (SB) 196 also required the BOE to annually collect data from County Assessors relating to CLTs and the number of units created by CLTs under the Welfare Exemption authorized under section 214.18.⁷ In 2020, the Legislature clarified the requirements for CLTs to claim the Welfare Exemption and made property owned by a CLT eligible for the Welfare Exemption prior to beginning construction.⁸

Additionally, this section prevented County Assessors from denying the Welfare Exemption to CLTs who were in the process of constructing affordable housing, but did not have any units complete. However, this section made CLTs liable for property tax for the years the CLT received the exemption if construction was not completed by a certain timeframe.

On December 1, 2021, the BOE issued a Letter To Assessors (LTA) providing information and guidance on the treatment of CLT housing considering these legislative changes.⁹

Proposed Law: This bill would extend the sunset date for the property tax Welfare Exemption for CLTs from January 1, 2027, until January 1, 2032.

Effective Date. Takes immediate effect as a tax levy.

⁴ Section 214, subd. (g)(1).

⁵ Section 214, subd. (g)(2).

⁶ SB 196, Chapter 669, Stats. 2019.

⁷ Ibid.

⁸ SB 1473, Chapter 371, Stats. 2020.

⁹ [Letter To Assessors No. 2021/052](#), California State Board of Equalization, December 1, 2021.

In General: Under section 4(b) of article XIII of the California Constitution, the Legislature is authorized to exempt from taxation, in whole or in part:

Property used exclusively for religious, hospital, or charitable purposes and owned or held in trust by corporations or other entities (1) that are organized and operated for those purposes, (2) that are nonprofit, and (3) no part of whose net earnings inures to the benefit of any private shareholder or individual.

In exercising the above constitutional authorization, the Legislature enacted section 214, which reiterates the constitutional authorization and outlines numerous conditions and qualifications for receiving the exemption, and adds scientific as the fourth qualifying purpose. Section 214 provides that property used exclusively for charitable purposes owned and operated by corporations organized and operated for charitable purposes is exempt from taxation if the owner is not organized and operated for profit and the property is used for the actual operation of the exempt activity.

Charitable Purposes. An organization's primary purpose must be either religious, hospital, scientific, or charitable. Whether its operations are for one of these purposes is determined by its activities. The courts have broadly construed "charitable" to include some educational purposes and activities.¹⁰ These court decisions have been codified in section 214(j), which provides that charitable purposes include certain educational purposes and activities, subject to the following requirements:

- The educational purposes and activities must benefit the community as a whole or an unascertainable and indefinite portion thereof.
- The educational activities include the study of relevant information, the dissemination of that information to interested members of the general public, and the participation of interested members of the general public.

Section 214(j) expressly precludes exemption to educational purposes and activities primarily for the benefit of the organization's shareholders.

Exclusive Use. The RTC does not specifically define the term "used exclusively." However, the courts have done so in a series of decisions. The California Supreme Court has stated that the phrase "used exclusively " may not be given a literal interpretation so as to mean that the property exempted must be used solely for the purposes stated to the total exclusion of any other use. The Supreme Court held that used exclusively for exempt purposes includes any use of the property which is incidental to and reasonably necessary for the accomplishment of the exempt purpose.¹¹ Courts have applied this precedent to mean that a qualified organization's primary use of its property must be for exempt purposes, but the term "exclusively" does not

¹⁰ See *Lundberg v. County of Alameda* (1956) 46 Cal.2d 644, 653; *Stockton Civic Theatre v. Board of Supervisors* (1967) 66 Cal.2d. 13; *Greek Theatre Association v. County of Los Angeles* (1978) 76 Cal.App.3d 768, 778-779.

¹¹ *Cedars of Lebanon v. County of Los Angeles* (1950) 35 Cal.2d 729, 736.

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preclude activity “which while not charitable in the traditional sense, is merely incidental to the charitable purpose and not in competition with commercial enterprise.”¹²

Housing Welfare Exemption. Property tax administrators have historically taken a narrow view of the exemption and have viewed much housing to be non-exempt on the grounds that the property is being used primarily for private residential purposes rather than exempt purposes and is not being used exclusively for exempt purposes as required by section 214.¹³

However, the courts have taken a broader view, consistent with the Supreme Court’s directive that statutory and constitutional provisions granting exemptions are to be construed strictly, but reasonably.¹⁴

In 1999, the BOE adopted [Property Tax Rule 137](#), *Application of the Welfare Exemption to Property Used For Housing*, effective December 31, 1999. The purpose of Rule 137 is to clarify that the Welfare Exemption from property taxation applies to housing and related facilities owned and operated by qualified nonprofit organizations and to establish a single uniform statewide standard for determining qualification for the Welfare Exemption as it applies to such properties.¹⁵

In addition, [Property Tax Rule 140](#) further specifies requirements for the Welfare Exemption for low-income housing properties.

Background: Community Land Trusts. Federal law, the Cranston-Gonzalez National Affordable Housing Act, allows CLTs to obtain organizational support, technical assistance, education, training, and community support from the government in fulfilling their housing mission.¹⁶ The Act defines CLT to mean a community housing development organization not sponsored by a for-profit organization, with a specified board membership, that is established to carry out the following activities:

- Acquire parcels of land, held in perpetuity, primarily for conveyance under long-term ground leases;
- Transfer ownership of any structural improvements located on the leased parcels to the lessees; and
- Retain a preemptive option to purchase any structural improvement at a price determined by a formula designed to ensure that the improvement remains affordable to low- and moderate-income families in perpetuity.

CLTs are nonprofit organizations governed by a board of CLT residents, community residents and public representatives that provide lasting community assets and shared equity homeownership opportunities for families and communities. CLTs develop rural and urban agriculture projects, commercial spaces to serve local communities, affordable rental and

¹² *Greek Theatre Association v. County of Los Angeles* (1978) 76 Cal.App.3d 768, at 776; see also *Honeywell Information Systems, Inc. v. County of Sonoma* (1974) 44 Cal.App.3d 23; *YMCA v. County of Los Angeles* (1950) 35 Cal.2d 760; *St. Germain Foundation v. County of Siskiyou* (1963) 212 Cal.App.2d 911.

¹³ Assessors’ Handbook Section 267, *Welfare, Church, and Religious Exemptions*, p. 62.

¹⁴ *Ibid.*

¹⁵ *Id.* at p. 65.

¹⁶ [42 U.S.C. 12773](#)

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cooperative housing projects, and conserve land or urban green spaces. However, the heart of their work is the creation of homes that remain permanently affordable, providing successful homeownership opportunities for generations of lower income families.¹⁷

CLTs provide an affordable housing model to help low- and moderate-income households that may not otherwise be able to purchase homes. The CLT acquires and develops properties for sale to income-qualified households, but then retains ownership of the underlying land and leases the land to the homeowner for a nominal fee through a long-term ground lease (usually a 99-year term). Therefore, the home is more affordable because the homeowner is only buying the building and leasing the land underneath. If the homeowner decides to sell the property, the home must be resold to another income-qualified household, and the original owner will only be eligible for a smaller share of its appreciated value. Since the CLT is the owner of the land, it will be a party to all future sales and enforce resale restrictions.

For California property tax purposes, a "community land trust" is defined in section 402.1(a)(11)(C)(ii) as a nonprofit corporation organized pursuant to section 501(c)(3) of the Internal Revenue Code that satisfies all the following:

- Has as its primary purposes the creation and maintenance of permanently affordable single-family or multifamily residences.
- All dwellings and units located on the land owned by the nonprofit corporation are sold to a qualified owner to be occupied as the qualified owner's primary residence or rented to persons and families of low or moderate income.
- The land owned by the nonprofit corporation, on which a dwelling or unit sold to a qualified owner is situated, is leased by the nonprofit corporation to the qualified owner for the convenient occupation and use of that dwelling or unit for a renewable term of 99 years.

Commentary:

1. **Extends Sunset Date.** The bill proposes extending the welfare exemption provided under Section 214.18 for an additional five years from January 1, 2027 until January 1, 2032.
2. **Data Collection.** Currently, the BOE collects specified data from County Assessors relating to the Welfare Exemption authorized under section 214.18 so the Legislature may examine the efficacy of the exemption. However, RTC section 41 only applies to taxes imposed under Parts 1, 10, and 11 of Division 2 of the RTC.¹⁸ RTC section 41 does not apply to property tax or the Welfare Exemption, as the referenced Parts of Division 2 refer to sales and use taxes, personal income tax, and corporation tax. As such, these reporting requirements are only within the findings and declarations section of the bill and are not statutorily mandated. Accordingly, if the reporting requirement is

¹⁷ <https://groundedsolutions.org/strengthening-neighborhoods/community-land-trusts>.

¹⁸ RTC section [41, subd. \(a\)](#).

based solely on RTC section 41 and an uncodified note from the Legislature, the data reporting requirements may have low response rates.

CLTs are required to report data with County Assessors, but no requirement is made to County Assessors to house the data. In 2025, the BOE requested 2024 lien date data from the 58 County Assessors' offices. The BOE received only 33 responses. Of the 33 responses, only eight counties specified the number of parcels owned by CLTs. Only five counties reported parcels owned by CLTs eligible under section 214.18. and reported assessed value of those properties. As of January 1, 2024, lien date, the estimated assessed value for the five counties with eligible CLTs was \$10.3 million. The author may wish to consider an amendment specifying that the County Assessors shall track the data separately to ensure the Legislature has the best data for future policy discussions around the exemption authorized under section 214.18.

3. **Past Legislation.** Effective September 28, 2022, AB 2651, Chapter 656, Statutes of 2022, extended the Welfare Exemption for CLTs from January 1, 2025, to January 1, 2027. AB 2651 reduces the time for the CLT to develop or rehabilitate the property or start construction of the property from seven years to five years from the date of acquisition of the property. AB 672 proposes an extension of the current terms.

Costs: The BOE estimates minor one-time administrative costs of approximately \$4000.

Revenue Impact: Estimating the revenue impact of this bill is difficult. Staff cannot estimate the number of CLTs that would qualify under this bill as the location and value of those properties are not known. Revenue impact depends on: (1) the number of properties that would qualify under this bill, (2) the taxable value of the property, and (3) the location of these properties. At this time, based on these unknown factors, the revenue loss is indeterminable.

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