California State
Board of Equalization

Legislative Bill Analysis

Assembly Bill 2167 (Macedo)
Date: June 11, 2026 (Amended)
Program: Property Taxes
Revenue and Taxation Code secs 214.03 and 11930.5
Effective: Immediately – Tax Levy

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Analysis Date: July 13, 2026

Summary: Assembly Bill (AB) 2167 authorizes entities owned and operated by a nonprofit corporation chartered pursuant to tribal law to transact Welfare Exempt tribal open-space-land-return transactions under Revenue and Taxation Code (RTC) section 214.03, and authorizes these entities to be exempt from the documentary transfer tax when acting on behalf of a tribe for transactions pursuant to RTC section 11930.5.

As documentary transfer tax is not subject to the State Board of Equalization's (BOE) jurisdiction, commentary on this item is limited.

Fiscal Impact Summary: No projected additional impact compared to existing law.

As Amended June 11: Adds clarifying language in RTC section 214.03 specifying that a nonprofit corporation be chartered by either a federally recognized Indian tribe pursuant to tribal law, or by section 17 of the federal Indian Reorganization Act.

Additionally, a "wholly owned tribal entity" is further defined as an entity wholly owned by one or more Indian tribal governments, as that term is defined in section 7701 (a) (40) of title 26 of the United States Code, that is organized or incorporated under the laws of the tribe or tribes that own the entity, or organized or incorporated under the laws of one or more of the tribes that own the entity and authorized by all of the other owning tribes. This definition is also added to proposed RTC section 11930.5, and to the reporting requirement in section 3 of AB 1485 (Chapter 2, statutes of 2026) signed into law earlier this year.

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 specific criteria are met.[2]

This exemption is known as the Welfare Exemption and is implemented according to RTC section 214. RTC section 214 generally exempts from taxation, subject to certain conditions and qualifications, property (1) owned by nonprofit organizations organized and operated for charitable purposes and (2) used exclusively for those purposes.

[1] Cal. Const., art. XIII, section 1.
[2] Cal. Const., art. XIII, section 4(b).

RTC section 214.02 also provides that the Welfare Exemption applies when property: 1) is used exclusively for the preservation of native plants or animals, biotic communities, geological or geographical formations of scientific or educational interest, or open-space lands used solely for recreation and for the enjoyment of scenic beauty; 2) is open to the general public subject to reasonable restrictions concerning the needs of the land, and is owned and operated by a scientific or charitable fund, foundation, limited liability company, or corporation, the primary interest of which is to preserve those natural areas; and 3) meets all the requirements of RTC section 214.

However, section 214.02 does not apply to any property of an organization that owns in the aggregate 30,000 acres or more in one county that were exempt under this section prior to March 1, 1983, or that are proposed to be exempt, unless the nonprofit organization that holds the property is fully independent of the owner of any taxable real property that is adjacent to the property otherwise qualifying for tax exemption under this section. Under 214.02, the nonprofit organization that holds the property shall be considered fully independent if the exempt property is not used or operated by that organization or by any other person so as to benefit any officer, trustee, director, shareholder, member, employee, contributor or bondholder of the exempt organization or operator, or the owner of any adjacent property, or any other person, through the distribution of profits, payment of excessive charges or compensations, or the more advantageous pursuit of their business or profession.

RTC section 214.02 also prohibits any future development of any land granted an open space exemption and establishes standards and protections to ensure the land is used for the actual operation of the exempt activity, including a prohibition of generating unrelated business income.

Organizational Certificate Process. The BOE and the 58 County Assessors jointly administer the Welfare Exemption. The BOE is responsible for determining whether an organization is organized and operating for exempt purposes, which qualifies the organization for either an Organizational Clearance Certificate (OCC) or a Supplemental Clearance Certificate (SCC). The County Assessor is responsible for determining whether using a qualifying organization's property is eligible for the Welfare Exemption. The County Assessor shall not grant the Welfare Exemption for an organization's property unless the organization holds either a valid OCC or SCC issued by the BOE. However, the County 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 BOE tracks eligible qualified organizations that 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 form BOE-267 Claim for the Welfare Exemption 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.

AB 1485 (Macedo) - Chapter 2, Statutes of 2026

This new statute expanded the definition of the Open-Space Exemption under RTC section 214.03 to include any “tribal land return transaction” performed by a federally recognized tribe (or its wholly owned subsidiary); and added RTC section 11930.5 to deem any “tribal land return transaction” to a federally recognized tribe as “fee simple” and exempt from any corresponding documentary transfer tax requirements.

Unless extended, the new provisions will sunset on January 1, 2031, as long as RTC section 214.03 remains in effect.

Proposed Law: Authorizes entities owned and operated by a nonprofit corporation chartered pursuant to tribal law to transact exempt tribal open-space-land-return transactions under RTC section 214.03, and authorizes these entities to be exempt from the documentary transfer tax when acting on behalf of a tribe for transactions pursuant to RTC section 11930.5.

Adds data collection requirements for determining whether the proposed exemptions are meeting the specific goals, purposes, and objectives – mirroring requirements in RTC section 41 applicable to other tax code sections outside of property tax statutes and including specific reporting requirements for BOE.

Costs: Expected to be absorbable and conform with the prior cost estimate for AB 1485 (chapter 2, statutes 2026).

AB 1485's costs to BOE established the new workload and were approximately $8,512 for fiscal year 2025-26, $18,062 for fiscal year 2026-27, $17,868 for fiscal year 2027-28, $6,000 for fiscal year 2028-29, and $6000 for fiscal year 2029-30.

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 RTC section 214, reiterating the constitutional authorization, outlining numerous conditions and qualifications for receiving the exemption, and adding scientific as the fourth qualifying purpose. RTC section 214 provides that property used exclusively for charitable purposes owned and operated by entities organized and operated for charitable purposes is exempt from taxation if the entities are not owned 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 California Supreme Court has broadly construed the charitable purpose aspect of the Welfare Exemption to include a wide range of activities that benefit the general public.[3] The term "charitable" is not confined to the relief of poverty but includes all kinds of humanitarian activities, rendered at cost or less, the object of which is the care of the physical and mental well-being of the recipients.

Revenue Impact: No new revenue impact anticipated that would differ from what was projected pursuant to new RTC section 214.03 implemented by AB 1485 (chapter 2, statutes 2026) earlier this year.

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[3] *Stockton Civic Theatre v. Board of Supervisors* (1967) 66 Cal.2d. 13.