

[Assembly Bill 2314](#) (Bigelow)

Date: 04/25/16

Program: Property Tax

Sponsor: Author

Revenue and Taxation Code Sections 195.180, 195.181, and 195.182

Effective: Immediately upon chaptering until January 1, 2018

Michele Pielsticker (Chief) 916.322.2376

Rose Marie Kinnee (Analyst) 916.445.6777

Chris Butler (Revenue) 916.445.0840

Summary: Provides disaster-related fiscal relief to jurisdictions in Calaveras County related to the Butte Fire.

Summary of Amendments. The amendments since the last analysis substitute a specific appropriation made for this bill's purpose for a reference to an appropriation from the Special Fund for Economic Uncertainties, and add a sunset date.

Purpose: To backfill the property tax revenue loss resulting from the September 2015 fires.

Fiscal Impact Summary: One- time \$538,000 backfill.

Existing Law: Property Owner: Disaster Relief. The law¹ allows counties to provide property tax relief to property owners following a disaster, misfortune, or calamity if they enact a necessary county ordinance. The relief applies to both governor-proclaimed disasters,² such as a major wildfire, and site-specific disasters, like a single home fire. This law allows the county assessor to immediately reassess the property to recognize the property's market value loss following the disaster.

Local Government: Disaster Relief. Disasters also impact local governments because of the unexpected revenue loss from the property tax. The Government Code³ allows the Director of the Department of Finance (DOF) to allocate funds from the [Special Fund for Economic Uncertainties](#) for property tax related disaster relief when authorizing legislation is enacted in the Revenue and Taxation Code.⁴ Historically, but not recently, the state has reimbursed local governments for the property tax revenue loss associated with assessment reductions the law provides to property owners incurring a disaster, provided the governor proclaims a state of emergency. The reimbursement usually is limited to the taxes related to the fiscal year in which the disaster occurred.⁵

Proposed Law: This bill provides statutory language in the Revenue and Taxation Code necessary to backfill property tax revenue loss incurred by Calaveras County local governments in Fiscal Year 2015-16 if funds are appropriated for this purpose. The bill imposes duties and deadlines on the Calaveras County Auditor, the State Controller, and the Director of DOF. Generally, the county estimates the loss, DOF verifies and certifies the amount, and the Controller provides the funds to the county. Later, a corrective adjustment is made based on actual property tax revenue loss.

These provisions are repealed on January 1, 2018.

In General: Property tax law provides a variety of property tax relief to disaster victims. These laws address both the short and long term consequences of the disaster. In the short term, the law allows property tax liability to be redetermined to reflect the damage to the property. Additionally, some taxpayers may defer their next property tax installment payment. In the long term, the law allows

¹ [Article XIII Section 15](#) of the California Constitution and Revenue and Taxation Code [Section 170](#). All sections refer to the Revenue and Taxation Code unless otherwise specified.

² Property tax law uses the terminology of "an area or region subsequently proclaimed by the Governor to be in a state of disaster."

³ Government Code [Section 16418\(c\)](#).

⁴ [Chapter 5](#) "Disaster Relief: Tax Deferral" (commencing with Section 194) and "Earthquake and Fire Disaster Relief" and [Chapter 6](#) (commencing with Section 197) of Part 1 of Division 1 of the Revenue and Taxation Code.

⁵ See reimbursement in Sections [194.2 – 196.99](#). Also see reimbursements in Sections [181 – 191](#).

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 BOE's formal position.

property owners to rebuild or repair damaged properties without incurring any increase in property tax liability. Alternatively, property owners may relocate without an adverse property tax impact. The table below lists these disaster relief provisions.

DISASTER RELIEF— IMMEDIATE RELIEF

Section	Property Type	Type of Relief Available	Type of Disaster
170	All property types	Reassessment (resulting in refund of property taxes paid or adjusted bill)	Any disaster or calamity
194 194.1	Real property and manufactured homes	Property tax deferral – next installment.* <i>*Unless there is a mortgage-related impound account.</i>	Governor-proclaimed
195.1	Real property and manufactured homes	Property tax deferral – second consecutive installment	Governor-proclaimed
194.9	Real property and manufactured homes	Property tax deferral – supplemental assessment	Governor-proclaimed

DISASTER RELIEF— RECOVERY

Section	Property Type	Type of Relief Available	Type of Disaster
69	All property types	Base year value transfer within the same county	Governor-proclaimed
69.3	Principal place of residence	Base year value transfer to select other counties ⁶	Governor-proclaimed
69.5	Principal place of residence - over 55 or physically disabled	Base year value transfer within the same county or to select other counties	Any disaster or calamity
172 & 172.1	Manufactured home	Base year value transfer	Governor-proclaimed
70	Real property only	New construction exclusion	Any disaster or calamity
5825	Manufactured home	New construction exclusion; Base year value transfer	Any disaster or calamity

Background: Governor State of Emergency Proclamations. The Government Code⁷ 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 conditions of disaster or of extreme peril to the safety of persons and property within the state.
- "Local emergency" means the duly proclaimed existence of conditions of disaster or of extreme peril to the safety of persons and property within the territorial limits of a county, city and county, or city.

Historically, the state often provided property tax backfill to local governments for major disasters if the governor proclaimed a state of emergency. This includes events such as wildfires, earthquakes, severe weather, floods, mudslides, and riots. However, recently, the state has not provided backfill. Enacting

⁶ Contra Costa, Modoc, San Francisco, Solano, Sutter, Los Angeles, Orange, Santa Clara, Sonoma, Ventura.

⁷ Government Code Sections 8625 and 8558.

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 BOE’s formal position.

backfill legislation was so common that legislation to enact automatic backfill provisions for local governments was proposed.

- In 2005, Governor Schwarzenegger, in his signing messages to three disaster relief bills, directed his Office of Planning and Research (OPR) to work with the Legislature to streamline the process by which local governments and individuals receive property tax relief after a natural disaster.⁸
- In 2006, [AB 3039](#) (Houston) represented OPR's proposal to add new Chapter 7 (commencing with Section 199) "Emergency Property Tax Reassessment Reimbursement." The Assembly Appropriations Committee held AB 3039.
- In 2010, [AB 1782](#) (Harkey) contained provisions nearly identical to 2006's AB 3039. The Assembly Revenue and Taxation Committee held AB 1782.

As noted in the table below, backfill has not been provided for any wildfires occurring after July 2008. The most recent backfill that the state provided for any governor-proclaimed state of emergency was for the San Bruno gas explosion in 2009.

Fires Occurring After 2000	Year	Legislation
<p>September 2015 Calaveras (Butte Fire)</p>	2016	<p>AB 2314 (Bigelow) – Pending SB 825 and AB 1598- Budget Bills earmarks \$596,000</p>
<p>September 2015 Lake (Valley Fire)</p>	2016	<p>SB 937 (McGuire) State payment of non-federal share of eligible costs. Amends Government Code 8686 SB 825 and AB 1598 - Budget Bills earmarks \$1.31 million</p>
<p>May 2014 San Diego</p>	2014	<p><i>No property tax backfill for these wildfires</i> AB 922 (Stats. 2014, Ch. 352)</p>
<p>July 2010 Kern August 2009 Los Angeles (Station Fire), Monterey, Placer (49 Fire)</p>	2010	<p><i>No property tax backfill for these wildfires</i> AB 1662 (Stats. 2010, Ch. 447)</p> <ul style="list-style-type: none"> • Only provided backfill for January 2010 severe winter storms. • As amended August 17, 2010, no reimbursement for future fires unless counties demonstrate compliance with specified requirements at the time the fire occurred. • As amended August 31, 2010, all property tax reimbursement provisions for fires were deleted as well as the provisional reimbursement requirement.
<p>September 2009 San Mateo San Bruno Gas Pipeline Explosion</p>	2010	<p>ABx6 11 (Stats. 2010. Ch. 2)</p>
<p>May 2009 Santa Barbara November 2008 Orange, Riverside, San Bernardino, Santa Barbara October and November 2008 Los Angeles, Ventura</p>	2009	<p><i>No property tax backfill for these wildfires</i> AB 1568 (Stats. 2009, Ch. 299)</p>

⁸ General purpose language related to the homeowners' exemption was also proposed. Ultimately, [SB1494](#) (SR&T) Stats. 2010, Ch. 654 enacted general purpose provisions. See RTC [Section 218](#) (b)(3).

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 BOE's formal position.

Fires Occurring After 2000	Year	Legislation
<p>July 2008 Santa Barbara</p> <p>May and June 2008 Butte, Kern, Mariposa, Mendocino, Monterey, Plumas, Santa Clara, Santa Cruz, Shasta, and Trinity County</p> <p>May 2008 Humboldt</p> <p>September and October 2007 Los Angeles, Orange, Riverside, San Bernardino, San Diego (Witch Fire), Santa Barbara, Ventura</p> <p>July 2007 Inyo</p> <p>June 2007 El Dorado</p>	2008	SB 1064 (Stats. 2008, Ch. 386)
<p>July 2007 Santa Barbara and Ventura (Zaca Fire)</p> <p>June 2007 El Dorado (Angora Fire)</p> <p>September and October 2006 Ventura (Day and Shekell)</p>	2007	AB 62 (Stats. 2007, Ch. 224)
<p>October 2006 Riverside</p>	2007	SB 18 (Stats. 2007, Ch. 222)
<p>August 2004 Shasta</p>	2005	AB 164 (Stats. 2005, Ch. 623)
<p>October and November 2003 Los Angeles, Riverside, San Bernardino, San Diego (Cedar Fire), Santa Barbara, Ventura</p>	2003	SB 1147 (Stats. 2004, Ch. 792)

Commentary:

- Local Governments.** This bill provides state reimbursement to local governments in Calaveras County for property tax revenue losses due to the disaster tax relief given to property owners in the county.
- The April 25, 2016 amendments** add the January 1, 2018 sunset date and substitute an appropriation from the Special Fund for Economic Uncertainties with a specific appropriation for the purpose of this bill.
- Governor proclaimed a state of emergency.** Governor Brown [proclaimed](#) a state of emergency on September 11, 2015 for Amador and Calaveras County due to wildfires, known as the Butte Fire, that commenced September 9, 2015. In part, it reads:

WHEREAS under the provisions of section 8558(b) of the California Government Code, I find that conditions of extreme peril to the safety of persons and property exist in California due to this fire. NOW, THEREFORE, I, EDMUND G. BROWN JR., Governor of the State of California, in accordance with the authority vested in me by the State Constitution and statutes, including the California Emergency Services Act, and in particular, section 8625 of the California Government Code, HEREBY PROCLAIM A STATE OF EMERGENCY to exist in within the counties of Amador and Calaveras.

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 BOE's formal position.

4. **Related Legislation:** [AB 1598](#) (Weber) at page 601, and [SB 825](#) (Leno), at page 599, of the Budget Act of 2016, provide Calaveras County and the special districts located therein with funds not to exceed \$596,000 for property tax, sales and use tax, and transient occupancy tax losses incurred in the 2015-16 fiscal year related to the 2015 wildfires. This appropriation item also provides funds to Lake County and the special districts therein for 2015 fires for these same tax type losses at an amount not to exceed \$1,310,000.

Costs: This measure has no impact on BOE.

Revenue Impact:

Background, Methodology, and Assumptions. The Calaveras County Auditor estimates an assessed value of \$53.8 million in property damaged or destroyed by the fires that occurred beginning September 9, 2015. The resulting property tax revenue lost due to the fire is therefore estimated to be \$538,000 (\$53.8 million x 1% basic property tax rate).

Revenue Summary. The estimated state allocation resulting from the reassessment of property damaged or destroyed by wildfires in Calaveras County commencing September 9, 2015 is \$538,000.

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

This revenue estimate does not account for any school district or county office of education share of property tax revenue that may or may not be backfilled through this bill's provisions.

The revenue estimate does not account for the portion of the 2015-16 fiscal year remaining after the fires started in September. The fiscal year starts in July and the fire started two months into the fiscal year.