



STATE BOARD OF EQUALIZATION
PROPERTY TAX DEPARTMENT
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064
1-916-274-3350 • FAX 1-916-285-0134
www.boe.ca.gov

TED GAINES
First District, Sacramento

SALLY J. LIEBER
Second District, San Francisco

ANTONIO VAZQUEZ
Third District, Santa Monica

MIKE SCHAEFER
Fourth District, San Diego

MALIA M. COHEN
State Controller

YVETTE M. STOWERS
Executive Director
No. 2025/029

September 4, 2025

TO COUNTY ASSESSORS:

2024 LITIGATION

This letter summarizes court cases involving property tax issues that were decided by the California Supreme Court and California's Courts of Appeal in 2024.

Equinix LLC v. County of Los Angeles (2024) 101 Cal.App.5th 1108

Appellants sought a property tax refund after the Los Angeles County Assessor's Office determined that the sale of the property in question constituted a reassessable change in ownership pursuant to Revenue and Taxation Code (RTC) section 61, subdivision (c)(1)(D) since the lease term on the property had less than 35 years remaining at the time of sale. Appellants did not dispute, under the express language of subdivision (c)(1)(D), that the sale of the property resulted in a reassessable change in ownership. They instead contended that subdivision (c)(1)(D) is invalid because it is inconsistent with Proposition 13 and RTC section 60.

Appellants argued that, prior to the sale, the lessee entered into a lease agreement that was originally for a term of more than 35 years. Thus, the property had been reassessed at that time, and the lessee had become the primary owner of the property for property tax purposes per RTC section 61, subdivision (c)(1)(A).

Appellants asserted that only a primary owner can transfer primary ownership. Because lessee was the primary owner before the sale, and lessee did not transfer any of its leasehold interest as part of that transaction, appellants concluded lessee remained the primary owner after the transaction and there was no change in ownership for tax purposes.

The Court of Appeal disagreed with the appellants and held that although the lease initially provided lessee with an interest in the property deemed under the statute to be substantially equivalent to ownership of the fee, there was no support for appellants' contention that lessee retained that interest throughout the lease despite the sale. The Court further held that RTC section 61, subdivision (c)(1)(D) is consistent with Proposition 13 and other statutory provisions, that the statutory language was clear, and that the 35-year rule was a rational legislative choice.

Prang v. Los Angeles County Assessment Appeals Bd. (2024) 15 Cal.5th 1152

A family corporation transferred ownership of two supermarkets to one of its shareholders, a revocable living trust. At the time of the transfer, the corporation had both voting stock and non-voting stock. The revocable living trust owned a majority of the corporation's stock, which included 100 percent of the corporation's voting stock, for the benefit of two individuals. The remaining nonvoting stock in the corporation was held by four individuals. The Los Angeles

County Assessor (Assessor) reassessed the transfer of the supermarkets as a change in ownership and determined that it did not qualify for the proportional ownership transfer under RTC section 62, subdivision (a)(2) because the ownership did not remain the same before and after.

The Los Angeles County Assessment Appeals Board (Appeals Board) decided that the Assessor erred, and asserted that the beneficial interest in corporate real property is ultimately held by the persons who control the corporation through its voting stock. The Assessor petitioned to vacate the Appeals Board decision, and argued that RTC section 62, subdivision (a)(2) requires measuring proportional ownership interests based on all corporate stock, not just voting stock, and that the transfer eliminated the nonvoting shareholders' beneficial interests, constituting a change in ownership.

The California Supreme Court agreed with the Assessor and held that the term "ownership interests" in RTC section 62, subdivision (a)(2) refers to beneficial ownership interests in real property, not interests in a legal entity. Furthermore, it held that for a corporation, these beneficial ownership interests are measured by all corporate stock, not just voting stock. The Court concluded that the transfer of the properties from the corporation to the trust resulted in a change in ownership because the proportional beneficial ownership interests in the properties did not remain the same before and after the transfer.

The full text of these court cases may be viewed from the California Courts website at <https://courts.ca.gov/opinions/publishedcitable-opinions>. If you have any questions regarding any of these court cases, please contact the County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
Property Tax Department

DY:mc