STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
PROPERTY TAX DEPARTMENT
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To County Assessors:

Repeal Date for Active Solar Energy System New Construction Exclusion, New Filing Period for Initial Purchasers Claim for Solar Exclusion, and Welfare Exemption: Late Filing Requirements for Public Schools

Effective January 1, 2027, Senate Bill 710 (Stats. 2025, ch. 328) and Assembly Bill 1516 (Stats. 2025, ch. 72) amend sections 73, 75.21, 271, and 271.5 of the Revenue and Taxation Code.[1] Specifically, Senate Bill 710 amends section 73 to make a technical change to the solar exclusion repeal date. Assembly Bill 1516 adds to section 73(e) to institute a filing deadline for initial purchaser claims for new active solar energy systems. Additionally, Assembly Bill 1516 amends sections 75.21, 271, and 271.5 to expand the Welfare Exemption late filing provisions to include public schools.

Solar Exclusion

In 1980, voters approved Proposition 7 (SCA 28), which amended section 2, subdivision (c) of Article XIII A of the California Constitution and gave the Legislature the authority to exclude construction of active solar energy systems from property tax assessment. Implemented by section 73, this exclusion specifies that the term "newly constructed" does not include the construction or addition of any active solar energy system for property tax purposes.

Senate Bill 710 amends sections 73(i)(1) and (i)(2) to make a technical change to the new construction exclusion, which will become inoperative, rather than repealed, on January 1, 2027. After the exclusion becomes inoperative, any solar energy system previously excluded as new construction will remain excluded from property tax until the property changes ownership.

In 2008, section 73 was modified by Assembly Bill 1451 (Stats. 2008, ch. 538) to allow the active solar energy system new construction exclusion to be conveyed to the first buyer of a new building incorporating such a system if: (1) The owner-builder does not intend to occupy or use the building; (2) the owner-builder had not received the active solar energy system new construction exclusion, (3) the first buyer purchases the building prior to it becoming subject to reassessment to the owner-builder; as prescribed in subdivision (d) of section 75.12 and; (4) the first buyer files the appropriate claim form with the Assessor.

[1] All statutory references are to the Revenue and Taxation Code, unless otherwise provided.

Operative January 1, 2027, Assembly Bill 1516 adds sections 73(e)(1)(A)(i) and 73(e)(1)(A)(ii) to institute a filing deadline for the initial purchaser of a building with an active solar energy system. To be deemed timely, the *Initial Purchaser Claim for Solar Energy System New Construction Exclusion* (BOE-64-SES) must be filed within three years of the date of purchase. If the deadline has expired, the initial purchaser may file a claim for exclusion and receive prospective relief only. Prospective relief applies to the lien date of the assessment year in which a valid claim is filed. The assessment year is the period between lien dates (calendar year).

Welfare Exemption: Late Filing Provisions Added for Public Schools

Under the California Constitution, all property is taxable unless specifically exempted. Under section 3, subdivision (d) of Article XIII of the California Constitution, the Legislature may exempt property used exclusively for public schools, community colleges, state colleges, and state universities. This exemption is known as the Public School Exemption. The property is exempt from taxation on the basis of its exclusive use for public school purposes. If the property is not owned by the public school, the owner of the property is required to file a claim for the Lessor's Exemption. If the owner of the property does not claim the exemption, the public school may file the Public School Exemption claim.

Sections 254 and 255 provide that claims for exemption must be filed annually, between the lien date (January 1) and 5 p.m. on February 15 with the County Assessor where the property is located.[2] Section 260 provides that if a claimant fails to follow the required procedure, the exemption is deemed waived for that year. The only exceptions are the statutory late-filing provisions of section 270 (for most late-filed claims) and section 271 (for property acquired after lien date).

Statutory late-filing provisions allow an organization to file its application late and still receive the exemption if it is otherwise eligible. Section 75.21 allows for the cancellation or refund of taxes on the supplemental roll and provides that certain entities are not required to file a separate exemption claim for supplemental assessments resulting from new acquisition or new construction, if certain conditions are met. Section 271 provides for the cancellation or refund of taxes on property on the regular roll that is newly acquired after the lien date, but before the beginning of the fiscal year (July 1).

Additionally, section 271.5 specifies that property tax exemptions cease as of the date of sale or transfer of the property.

Effective January 1, 2027, Assembly Bill 1516 amends sections 75.21(f)(1), 271(a)(1), 271(a)(2), 271(a)(3), and 271.5(a) to add public schools to the list of entities eligible for late-filing provisions.

Therefore, as amended, section 75.21 adds public schools to the list of eligible entities not required to file an additional claim for exemption on the supplemental roll. Section 271 is amended to add public schools to the list of eligible entities entitled to a refund on the regular roll for any taxes paid on exempt property acquired after the lien date. Public schools are also added to the list of eligible entities for which the property tax exemption ceases as of the date of sale or transfer of the property under section 271.5.

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[2] When February 15 falls on a Saturday, Sunday, or holiday, the claim is timely if filed by the end of the next business day. See Government Code section 6700, 6706, 6707, and annotation 325.0015.

Enclosed is a copy of amended sections 73, 75.21, 271, and 271.5, shown in strikeout and italic format. If you have any questions regarding the above provisions, please contact the County Assessed Properties Division at 916-274-3350.

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
Property Tax Department

DY:lh
Enclosure

Section 73 of the Revenue and Taxation Code is amended to read:

73. (a) Pursuant to the authority granted to the Legislature pursuant to paragraph (1) of subdivision (c) of Section 2 of Article XIII A of the California Constitution, the term "newly constructed," as used in subdivision (a) of Section 2 of Article XIII A of the California Constitution, does not include the construction or addition of any active solar energy system, as defined in subdivision (b).

(b) (1) "Active solar energy system" means a system that, upon completion of the construction of a system as part of a new property or the addition of a system to an existing property, uses solar devices, which are thermally isolated from living space or any other area where the energy is used, to provide for the collection, storage, or distribution of solar energy.

(2) "Active solar energy system" does not include solar swimming pool heaters or hot tub heaters.

(3) Active solar energy systems may be used for any of the following:

(A) Domestic, recreational, therapeutic, or service water heating.

(B) Space conditioning.

(C) Production of electricity.

(D) Process heat.

(E) Solar mechanical energy.

(c) For *the* purposes of this section, "occupy or use" has the same meaning as defined in Section 75.12.

(d) (1) (A) The Legislature finds and declares that the definition of spare parts in this paragraph is declarative of the intent of the Legislature, in prior statutory enactments of this section that excluded active solar energy systems from the term "newly constructed," as used in the California Constitution, thereby creating a tax appraisal exclusion.

(B) An active solar energy system that uses solar energy in the production of electricity includes storage devices, power conditioning equipment, transfer equipment, and parts related to the functioning of those items. In general, the use of solar energy in the production of electricity involves the transformation of sunlight into electricity through the use of devices such as solar cells or other solar collecting equipment. However, an active solar energy system used in the production of electricity includes only equipment used up to, but not including, the stage of conveyance or use of the electricity. For the purpose of this paragraph, the term "parts" includes spare parts that are owned by the owner of, or the maintenance contractor for, an active solar energy system that uses solar energy in the production of electricity and which spare parts were specifically purchased, designed, or fabricated by or for that owner or maintenance contractor for installation in an active solar energy system that uses solar energy in the production of electricity, thereby including those parts in the tax appraisal exclusion created by this section.

(2) An active solar energy system that uses solar energy in the production of electricity also includes pipes and ducts that are used exclusively to carry energy derived from solar energy. Pipes and ducts that are used to carry both energy derived from solar energy and from energy derived from other sources are active solar energy system property only to the extent of 75 percent of their full cash value.

(3) An active solar energy system that uses solar energy in the production of electricity does not include auxiliary equipment, such as furnaces and hot water heaters, that use a source of power other than solar energy to provide usable energy. An active solar energy system that uses solar energy in the production of electricity does include equipment, such as ducts and hot water tanks, that is utilized by both auxiliary equipment and solar energy equipment, that is, dual use equipment. That equipment is active solar energy system property only to the extent of 75 percent of its full cash value.

(e) (1) Notwithstanding any other law, for purposes of this section, "the construction or addition of any active solar energy system" includes the construction of an active solar energy system incorporated by the owner-builder in the initial construction of a new building that the owner-builder does not intend to occupy or use. The exclusion from "newly constructed" provided by this subdivision applies to the initial purchaser who purchased the new building from the owner-builder, but only if the owner-builder did not receive an exclusion under this section for the same active solar energy system and only if the initial purchaser purchased the new building prior to that building becoming subject to reassessment to the owner-builder, as described in subdivision (d) of Section 75.12. The assessor shall administer this subdivision in the following manner:

(A) The initial purchaser of the building shall file a claim with the assessor and provide to the assessor any documents necessary to identify the value attributable to the active solar energy system included in the purchase price of the new building. The claim shall also identify the amount of any rebate for the active solar energy system provided to either the owner-builder or the initial purchaser by the Public Utilities Commission, the State Energy Resources Conservation and Development Commission, an electrical corporation, a local publicly owned electric utility, or any other agency of the State of California.

(i) (I) The claim for an exclusion under this subdivision shall be considered timely if it is filed within three years of the date of purchase.

(II) An otherwise valid claim for exclusion under this subdivision filed after the deadline set by subclause (I) shall be applied beginning on the lien date of the assessment year in which the claim is filed.

(ii) The provisions of clause (i) shall become operative on January 1, 2027.

(B) The assessor shall evaluate the claim and determine the portion of the purchase price that is attributable to the active solar energy system. The assessor shall then reduce the new base year value established as a result of the change in ownership of the new building by an amount equal to the difference between the following two amounts:

(i) That portion of the value of the new building attributable to the active solar energy system.

(ii) The total amount of all rebates, if any, described in subparagraph (A) that were provided to either the owner-builder or the initial purchaser.

(C) The extension of the new construction exclusion to the initial purchaser of a newly constructed new building shall remain in effect only until there is a subsequent change in ownership of the new building.

(2) The State Board of Equalization, in consultation with the California Assessors' Association, shall prescribe the manner, documentation, and form for claiming the new construction exclusion required by this subdivision.

(f) Notwithstanding any other law, the exclusion from new construction provided by this section shall remain in effect only until there is a subsequent change in ownership.

(g) This section applies to property tax lien dates for the 1999–2000 fiscal year to the 2025–26 fiscal year, inclusive.

(h) The amendments made to this section by the act that added this subdivision apply beginning with the lien date for the 2008–09 fiscal year.

(i) (1) *Except as provided in paragraph (2),* ~~This~~ *this* section shall remain in effect only until January 1, 2027~~, and as of that date is repealed~~.

(2) *Notwithstanding paragraph (1),* ~~Active~~ *active* energy solar systems that qualify for an exclusion under this section prior to January 1, 2027, shall continue to be excluded on and after January 1, 2027, until there is a subsequent change in ownership.

(j) Section 41 shall not apply to the extension of the exclusion under this section made by the act adding this subdivision.

Section 75.21 of the Revenue and Taxation Code is amended to read:

75.21. (a) Exemptions shall be applied to the amount of the supplemental assessment, provided that the property is not receiving any other exemption on either the current roll or the roll being prepared except as provided for in subdivision (b), that the assessee is eligible for the exemption, and that, in those instances in which the provisions of this division require the filing of a claim for the exemption, the assessee makes a claim for the exemption.

(b) If the property received an exemption on the current roll or the roll being prepared and the assessee on the supplemental roll is eligible for an exemption and, in those instances in which the provisions of this division require the filing of a claim for the exemption, the assessee makes a claim for an exemption of a greater amount, then the difference in the amount between the two exemptions shall be applied to the supplemental assessment.

(c) In those instances in which the provisions of this division require the filing of a claim for the exemption, except as provided in subdivision (d), (e), or (f), any person claiming to be eligible for an exemption to be applied against the amount of the supplemental assessment shall file a claim or an amendment to a current claim, in that form as prescribed by the board, on or before the 30th day following the date of notice of the supplemental assessment, in order to receive a 100-percent exemption.

(1) With respect to property as to which the college, cemetery, church, religious, exhibition, veterans' organization, free public libraries, free museums, or welfare exemption was available, but for which a timely application for exemption was not filed, the following amounts shall be canceled or refunded:

(A) Ninety percent of any tax or penalty or interest thereon, or any amount of tax or penalty or interest thereon exceeding two hundred fifty dollars ($250) in total amount, whichever is greater, for each supplemental assessment, provided that an appropriate application for exemption is filed on or before the date on which the first installment of taxes on the supplemental tax bill becomes delinquent, as provided by Section 75.52.

(B) Eighty-five percent of any tax or penalty or interest thereon, or any amount of tax or penalty or interest thereon exceeding two hundred fifty dollars ($250) in total amount, whichever is greater, for each supplemental assessment, if an appropriate application for exemption is thereafter filed.

(2) With respect to property as to which the welfare exemption or veterans' organization exemption was available, all provisions of Section 254.5, other than the specified dates for the filing of affidavits and other acts, are applicable to this section.

(3) With respect to property as to which the veterans' or homeowners' exemption was available, but for which a timely application for exemption was not filed, that portion of tax attributable to 80 percent of the amount of exemption available shall be canceled or refunded, provided that an appropriate application for exemption is filed on or before the date on which the first installment of taxes on the supplemental tax bill becomes delinquent, as provided by Section 75.52.

(4) With respect to property as to which the disabled veterans' exemption was available, but for which a timely application for exemption was not filed, that portion of tax attributable to 90 percent of the amount of exemption available shall be canceled or refunded, provided that an appropriate application for exemption is filed on or before the date on which the first installment of taxes on the supplemental tax bill becomes delinquent, as provided by Section 75.52. If an appropriate application for exemption is thereafter filed, 85 percent of the amount of the exemption available shall be canceled or refunded.

(5) With respect to property as to which any other exemption was available, but for which a timely application for exemption was not filed, the following amounts shall be canceled or refunded:

(A) Ninety percent of any tax or penalty or interest thereon, provided that an appropriate application for exemption is filed on or before the date on which the first installment of taxes on the supplemental tax bill becomes delinquent, as provided by Section 75.52.

(B) Eighty-five percent of any tax or penalty or interest thereon, or any amount of tax or penalty or interest thereon exceeding two hundred fifty dollars ($250) in total amount, whichever is greater, for each supplemental assessment, if an appropriate application for exemption is thereafter filed.

Other provisions of this division pertaining to the late filing of claims for exemption do not apply to assessments made pursuant to this chapter.

(d) For purposes of this section, any claim for the homeowners' exemption, veterans' exemption, or disabled veterans' exemption previously filed by the owner of a dwelling, granted and in effect, constitutes the claim or claims for that exemption required in this section. In the event that a claim for the homeowners' exemption, veterans' exemption, or disabled veterans' exemption is not in effect, a claim for any of those exemptions for a single supplemental assessment for a change in ownership or new construction occurring on or after June 1, up to and including December 31, shall apply to that assessment; a claim for any of those exemptions for the two supplemental assessments for a change in ownership or new construction occurring on or after January 1, up to and including May 31, one for the current fiscal year and one for the following fiscal year, shall apply to those assessments. In either case, if granted, the claim shall remain in effect until title to the property changes, the owner does not occupy the home as ~~his or her~~ *their* principal place of residence on the lien date, or the property is otherwise ineligible pursuant to Section 205, 205.5, or 218.

(e) Notwithstanding subdivision (c), an additional exemption claim may not be required to be filed until the next succeeding lien date in the case in which a supplemental assessment results from the completion of new construction on property that has previously been granted exemption on either the current roll or the roll being prepared.

(f) (1) Notwithstanding subdivision (c), an additional exemption claim is not required to be filed in the instance where a supplemental assessment results from a change in ownership of property where the purchaser of the property owns and uses or uses, as the case may be, other property that has been granted the college, *public school*, cemetery, church, religious, exhibition, veterans' organization, free public libraries, free museums, or welfare exemption on either the current roll or the roll being prepared and the property purchased is put to the same use.

(2) In all other instances where a supplemental assessment results from a change in ownership of property, an application for exemption shall be filed pursuant to the provisions of subdivision (c).

Section 271 of the Revenue and Taxation Code is amended to read:

271. (a) Provided that an appropriate application for exemption is filed within 90 days from the first day of the month following the month in which the property was acquired or by February 15 of the following calendar year, whichever occurs ~~earlier~~ *first*, any tax or penalty or interest imposed upon:

(1) Property owned by any organization qualified for the college, *public school*, cemetery, church, religious, exhibition, veterans' organization, tribal housing, or welfare exemption that is acquired by that organization during a given calendar year, after the lien date but ~~prior to~~ *before* the first day of the fiscal year commencing within that calendar year, when the property is of a kind that would have been qualified for the college, *pubic school*, cemetery, church,

religious, exhibition, veterans' organization, tribal housing, or welfare exemption if it had been owned by the organization on the lien date, shall be canceled or refunded.

(2) Property owned by any organization that would have qualified for the college, *public school*, cemetery, church, religious, exhibition, veterans' organization, tribal housing, or welfare exemption had the organization been in existence on the lien date, that was acquired by it during that calendar year after the lien date in that year but ~~prior to~~ *before* the commencement of that fiscal year, and of a kind that presently qualifies for the exemption and that would have so qualified for that fiscal year had it been owned by the organization on the lien date and had the organization been in existence on the lien date, shall be canceled or refunded.

(3) Property acquired after the beginning of any fiscal year by an organization qualified for the college, *public school*, cemetery, church, religious, exhibition, veterans' organization, tribal housing, or welfare exemption and the property is of a kind that would have qualified for an exemption if it had been owned by the organization on the lien date, whether or not that organization was in existence on the lien date, shall be canceled or refunded in the proportion that the number of days for which the property was so qualified during the fiscal year bears to 365.

(b) Eighty-five percent of any tax or penalty or interest thereon imposed upon property that would be entitled to relief under subdivision (a) or Section 214.01, except that an appropriate application for exemption was not filed within the time required by the applicable provision, shall be canceled or refunded provided that an appropriate application for exemption is filed after the last day on which relief could be granted under subdivision (a) or Section 214.01.

(c) Notwithstanding subdivision (b), any tax or penalty or interest thereon exceeding two hundred fifty dollars ($250) in total amount shall be canceled or refunded provided it is imposed upon property entitled to relief under subdivision (b) for which an appropriate claim for exemption has been filed.

(d) With respect to property acquired after the beginning of the fiscal year for which relief is sought, subdivisions (b) and (c) shall apply only to that pro rata portion of any tax or penalty or interest thereon that would have been canceled or refunded had the property qualified for relief under paragraph (3) of subdivision (a).

Section 271.5 of the Revenue and Taxation Code is amended to read:

271.5. (a) In the event that property receiving the college, *public school*, cemetery, church, religious, exhibition, veterans' organization, tribal housing, or welfare exemption is sold or otherwise transferred, the exemption shall cease to apply on the date of that sale or transfer. A new exemption shall be available subject to the provisions of Section 271.

(b) Termination of the exemption under this section shall result in an escape assessment of the property pursuant to Section 531.1.