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To County Assessors:

2025 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 2025.

La Paloma Generating Company, LLC v. California State Board of Equalization, et al., (2025) Unpublished Decision, Court of Appeal, Second District: A state-assessed power generation facility located in Kern County contended the California State Board of Equalization (BOE) adopted valuations of its unitary property in excess of fair market value and sought property tax refunds for lien dates 2012-2016. The Court of Appeal affirmed the trial court's judgment in the dispute between La Paloma Generating Company and the BOE regarding property tax assessments for tax years 2012 through 2016. The trial court found the BOE's assessments inaccurate but limited La Paloma's refunds to the tax amounts paid based on its state-assessed property appeals before the BOE. The court denied a refund for the 2012 tax year because La Paloma agreed to the BOE-adopted value. Additionally, the court capped the 2013–2016 tax year refunds at the lower values La Paloma requested in its original petitions for reassessment.

On appeal, La Paloma argued that the caps were improper and that it should be able to seek lower assessments in court than those requested in the petitions for reassessment. The appellate court disagreed, holding that tax refund statutes strictly limit refund actions to disputes and values presented in administrative petitions. For 2012, the court held that La Paloma agreed to an assessment value adopted by the BOE and; therefore, no "dispute" remained under Revenue and Taxation Code section 5148. In addition, the court held that La Paloma was not entitled to a refund for 2012 because it failed to exhaust its administrative remedies by reaching an agreement on the assessed unitary value. For 2013–2016, the court concluded that the statutory framework (Revenue and Taxation Code sections 5148 and 5143) permits taxpayers to challenge only the portion of an assessment they contested administratively, meaning La Paloma could not seek refunds based on lower values than those it had requested in its petitions for reassessment.

The BOE cross-appealed, challenging the trial court's calculation of refund amounts and the imposition of a 10% post-judgment interest rate. The Court of Appeal rejected those arguments, holding that the BOE lacked standing because the refund order applied only to Kern County as the aggrieved party and the County did not appeal. The court also held that even if the BOE had

standing, the BOE and the County waived any challenges by failing to raise refund-calculation issues in the trial court.

***Morgan v. Ygrene Energy Fund, Inc.* (2025) 18 Cal.5th 1061:** A group of California homeowners, each over the age of 65, entered into agreements to finance residential energy efficiency upgrades through the Property Assessed Clean Energy (PACE) program. Under this program, local governments provide financing for qualifying improvements, and borrowers repay the obligation through voluntary special assessments placed on their property tax bills. Many local governments delegated the administration of these financing programs to private companies.

The homeowners alleged that the private PACE administrators failed to comply with consumer lending and consumer protection laws, including requirements to provide mandatory disclosures and prohibitions against taking certain security interests. The homeowners filed an action under California's Unfair Competition Law (UCL) seeking injunctive relief and restitution. Specifically, they requested repayment of assessment amounts already collected and an order preventing the collection of delinquent assessments unless those assessments were removed from their properties.

The trial court granted the defendant PACE administrators' demurrers and dismissed the action, concluding that the plaintiffs were required to exhaust the administrative procedures governing tax disputes before filing suit. The California Court of Appeal affirmed, explaining that because PACE assessments are collected through the property tax system and the requested relief would effectively invalidate those assessments, the plaintiffs were first required to pay the assessed amounts and follow the statutory tax refund process.

On review, the California Supreme Court considered whether the plaintiffs were obligated to follow California's statutory procedures for challenging taxes before filing a court action. The court held that claims seeking to invalidate PACE assessments or prevent their future collection must comply with the State's administrative tax remedy requirements by paying the assessments and following the statutory refund procedures. At the same time, the court recognized that claims directed solely at the administration of the PACE program that do not directly or indirectly challenge the validity or collection of a tax or assessment are not subject to those tax challenge requirements. Accordingly, the court affirmed the judgment in part, reversed it in part, and remanded the matter for the lower court to determine whether the plaintiffs should be granted leave to amend their complaints to assert only claims unrelated to the validity or collection of the PACE assessments.

***Pacific Bell Telephone Company v. County of Merced* (2025) 109 Cal.App.5th 844:** Five California public utilities, including Pacific Bell Telephone Company and AT&T Mobility LLC, challenged the property tax rates imposed by Merced County for the 2017–2018 and 2018–2019 fiscal years. The utilities contended that Article XIII, section 19 of the California Constitution

requires utility property to be taxed at the same rate as nonutility property and argued that the County's tax rates exceeded that constitutional limitation.

The utilities filed an action in Merced County Superior Court seeking partial refunds of the taxes they had paid, asserting that the rates applied to their state-assessed property were higher than the County's average rates for locally assessed property in violation of Article XIII, section 19 of the California Constitution. The County demurred, relying on the Sixth District Court of Appeal's decision in *County of Santa Clara v. Superior Court* (2023) 87 Cal.App.5th 347 which rejected the same constitutional argument. The trial court sustained the demurrer and dismissed the complaint.

On appeal, the Fifth District Court of Appeal reviewed the text and structure of the provision and concluded that Article XIII, section 19 was an enabling clause authorizing the taxation of utility property rather than a limiting clause requiring equal tax rates between utility and nonutility property. Thus, the court held that Merced County's tax rates did not violate the California Constitution and affirmed the trial court judgment.

Pacific Bell Telephone Co. v. County of Napa, (2025) 112 Cal.App.5th 952: Pacific Bell Telephone Company and several other public utilities brought suit against Napa County and the BOE seeking property tax refunds and declaratory relief. The utilities alleged that, between 2018 and 2023, the debt-service component of the tax rates applied to their state-assessed property exceeded the rates imposed on other property, violating the constitutional requirement that utility property “be subject to taxation to the same extent and in the same manner as other property.”

In light of *County of Santa Clara v. Superior Court*, the trial court entered judgment in favor of the County. On appeal, the utilities argued that *County of Santa Clara v. Superior Court* was wrongly decided and that Article XIII, section 19 requires utility property to be taxed at the same rate as locally assessed property.

The First District Court of Appeal agreed with the courts’ reasoning in both *Santa Clara* and *Pacific Bell Telephone Co. v. County of Merced*, holding that, based on the language and legislative history, Article XIII, section 19 does not mandate identical or comparable debt-service tax rates for utility and nonutility property. The court also rejected the utilities' argument that the differing tax rates violated the Constitution's general requirement of tax uniformity. As a result, the appellate court upheld the judgment entered for the County and the BOE.

Pacific Bell Telephone Co. v. County of Placer (2025) 111 Cal.App.5th 634: Several utility companies operating in Placer County filed suit against the County and the BOE seeking refunds of property taxes they alleged were unlawfully assessed. The utilities claimed that the tax rate imposed on their state-assessed property under Revenue and Taxation Code section 100 was higher than the rate applied to locally assessed property and therefore violated Article XIII, section 19 of

the California Constitution, which provides that utility property is to be taxed to the same extent and in the same manner as other property.

In light of *County of Santa Clara v. Superior Court*, the trial court entered judgment in favor of the County. Although the utilities acknowledged that the decision was controlling at the trial court level, they maintained their constitutional arguments for purposes of appeal.

On appeal, the utilities argued that Article XIII, section 19 requires that utility property be taxed at rates comparable, but not identical, to the tax rates imposed on locally assessed property. The Third District Court of Appeal concluded that the utilities failed to establish any basis for their claim because they did not identify an appropriate standard or formula for determining when tax rates are not comparable under Article XIII, section 19. Without proposing a workable method for measuring comparability, the utilities could not demonstrate that the county's tax rates were unconstitutional. The appellate court therefore upheld the trial court's judgment.

Pacific Bell Telephone Company v. County of Riverside (2025) 114 Cal.App.5th 717: Several California public utility companies challenged Riverside County's property tax rates, asserting that the debt-service portion of the tax rate imposed on state-assessed utility property exceeded the average rate applied to locally assessed, nonutility property. The utilities argued that this disparity violated Article XIII, section 19 of the California Constitution, which provides that utility property is subject to taxation to the same extent and in the same manner as other property. Based on that claim, the utilities filed a complaint seeking partial refunds of property taxes paid over multiple fiscal years and a judicial declaration that the county's tax rate applied to state-assessed property violated Article XIII, section 19.

In light of the decision in *County of Santa Clara v. Superior Court*, the trial court entered judgment in favor of the court. Although the utilities acknowledged that the decision was controlling, they preserved their arguments for appellate review.

The Fourth District Court of Appeal examined the language, history, and purpose of Article XIII, section 19, and agreed with the analyses and conclusions of *County of Santa Clara v. Superior Court* and *Pacific Bell Telephone Co. v. County of Merced* that the constitutional provision authorizes taxation of utility property but does not require utility property to be taxed at the same rate as nonutility property. The court also rejected the utilities' argument that *ITT World Communications, Inc. v. City and County of San Francisco* (1985) 37 Cal.3d 859 held that Article XIII, section 19 requires that utility property be taxed at the same rate as locally assessed property. Accordingly, the court affirmed the trial court judgment.

Pacific Bell Telephone Company v. County of Ventura (2025) 114 Cal.App.5th 755: Several public utility companies challenged Ventura County's method of calculating property taxes on their state-assessed utility property. They alleged that the formula used to determine the debt-service

component produced higher tax rates than those imposed on locally assessed, nonutility property, in violation of Article XIII, section 19 of the California Constitution, which provides that utility property is to be taxed to the same extent and in the same manner as other property.

The utilities filed suit seeking partial refunds for taxes paid between 2018 and 2023. The Superior Court sustained, entering judgment for the County and the BOE.

On appeal, the Second District Court of Appeal rejected the utilities' argument that *ITT World Communications, Inc. v. City and County of San Francisco* (1985) 37 Cal.3d 859 held that Article XIII, section 19 requires that utility property be taxed at the same rate as locally assessed property. The court also concluded that Article XIII, section 19 does not mandate comparable tax rates between utility and locally assessed property. Rather, the court held that provision is an enabling clause permitting the taxation of utility property rather than a limiting clause requiring equivalent tax rates between utility and nonutility property. Finally, the court concluded that the general constitutional requirement of tax uniformity under Article XIII, section 1 does not require the Legislature to overlook differences between utility property and locally assessed property that require differential taxation of those properties. The judgment in favor of the County and the BOE was therefore affirmed.

***Sceper v. County of Trinity* (2025) 113 Cal.App.5th 548:** The dispute arose when a property owner sought to utilize the base year value transfer benefit of Proposition 90, which was implemented by Revenue and Taxation Code section 69.5. After newly constructing the replacement residence in Trinity County and selling the original property in San Diego County, the property owner sought to transfer the base year value of his former property to their new one. The request to transfer the base year value was denied by Trinity County as they had no ordinance in place that allowed such inter-county transfers, as required by law.

In 2009, the property owner sued the Trinity County Board of Supervisors to compel such a transfer under California law. Litigation was settled in 2012 when the parties reached an agreement stating that if the county later adopted an ordinance, or if a change in law required it, the property owner would be entitled to retroactively transfer the base year value. In 2020, California voters approved Proposition 19, which allowed the inter-county transfer of base year values between all California counties, and the property owner requested the transfer from the County Assessor. That request was denied and the property owner filed suit against the County for breach of contract and fraud in the inducement.

The trial court ruled in favor of the property owner on his breach of contract claims, ordering the County to specifically perform its obligations under the settlement agreement, while also awarding damages. The court rejected the county's arguments that the agreement was limited to intra-county transfers and that the Trinity County Board of Supervisors lacked authority to bind the Assessor

to grant the base year value transfer. The court also found that the passage of Proposition 19 triggered the County's obligations under the 2012 agreement.

The California Court of Appeal, Third Appellate District, concluded that the settlement agreement was void and unenforceable as the Trinity County Board of Supervisors did not have the authority to direct the Assessor in setting or transferring base year values, as this is a duty assigned by law to the Assessor, an elected official independent of the Trinity County Board of Supervisors' control. As a result, the judgment on the breach of contract claims was reversed, while the remainder of the judgment was affirmed.

Scott v. County of Riverside (2025) 112 Cal.App.5th 265: Owners of timeshare interests at a Riverside County resort challenged the County's annual fee for issuing separate property tax assessments on individual timeshare estates. The owners alleged that the fee exceeded the actual cost of providing the assessment service, making it an unlawful tax imposed without the voter approval required by Article XIII C of the California Constitution. The County maintained that the fee reflected the reasonable costs associated with administering separate assessments.

The Riverside County Superior Court entered judgment in favor of the County, finding that the assessment fee was supported by the County's costs. In reaching its decision, the court considered expenses associated with implementing a new computer system and handling assessment appeals, even though those costs were not included in the fiscal-year budget used to establish the fee.

The Fourth District Court of Appeal reversed the Superior Court decision. The court held that the County failed to satisfy its burden of proving that the \$23 charge qualified as a lawful regulatory fee rather than a tax requiring voter approval. According to the court, the methodology used to calculate the fee improperly included costs unrelated to the specific service of preparing separate timeshare assessments and, therefore, did not accurately reflect the reasonable and necessary cost of providing that service. The court also determined that the trial court erred by relying on expenses incurred after the fiscal year in which the fee was established.

The case was remanded for further proceedings to determine the amount of any refunds. The parties were directed to attempt to resolve informally the amount of the refund to be paid to the owners. If the parties could not agree, a trial would be held and the County would bear the burden of proving by a preponderance of the evidence the reasonable and necessary costs of providing the separate assessment to a timeshare estate owner. The court also directed the trial court to exercise its discretion to decide whether and to what extent to award the declaratory, injunctive, and writ relief sought by the owners.

The full text of these court cases may be viewed from the [California Courts website](#). If you have any questions regarding any of these court cases, please contact the County-Assessed Properties Division at 916-274-3350.

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
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