

Date of Hearing: July 14, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

SB 303 (Borgeas) – As Amended July 8, 2021

Policy Committee: Revenue and Taxation

Vote: 10 - 0

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

**SUMMARY:**

This bill extends, from five years to seven years, the time for transferring the property tax base year value of property substantially damaged by a Governor-proclaimed disaster to a comparable replacement property, if the last day for the transfer or the damage to the property occurs between March 4, 2020, and the “COVID-19 emergency termination date.” This bill specifies that the state shall not reimburse any local agency for lost property tax revenues.

**FISCAL EFFECT:**

- 1) Absorbable costs to the Board of Equalization (BOE) to update documents, website materials and guidance to county assessors.
- 2) The BOE estimates minimal statewide revenue impact, as data indicates very few requests for base year value transfers are denied due to time constraints, and this bill only applies to a limited subset of properties. However, the number of affected properties is highly uncertain, since the COVID-19 emergency termination date is unknown. Thus, the statewide revenue impact is unknown. Although property tax is a local government revenue source, reductions in property tax revenues, in turn, increase General Fund Proposition 98 spending by up to roughly 50 percent (the exact amount depends on the specific amount of the annual Proposition 98 guarantee).

**COMMENTS:**

- 1) **Purpose.** According to the author, the unprecedented number of wildfires in recent years has destroyed many homes across the state, leaving “countless residents displaced and in a fight against the clock to meet the five year deadline allowed to acquire or construct a replacement property and qualify for a transfer of their base year value.” The author adds that the COVID-19 pandemic brought the economy and government to a halt, preventing some residents from meeting the deadline, so this bill extends the deadline by two years to allow disaster-impacted residents additional time to rebuild or acquire replacement property.
- 2) **Base Year Value Transfers.** Existing law provides several exceptions to the required reassessment of real property from its base year value to its current market value when a change in ownership occurs. For example, the base year value of a property substantially damaged or destroyed by a Governor-proclaimed disaster may be transferred to a comparable replacement property in the same county within five years. All property types (residential, commercial, agricultural or industrial) are eligible for such base year value transfers. Since

Proposition 13 capped the annual growth of a property's assessed value and set the tax rate at 1% of assessed value, this exception allows the taxpayer to maintain lower property tax bills.

- 3) **Impact of Wildfires and COVID-19.** California has experienced consecutive record-breaking fire seasons that destroyed thousands of homes. For example, the 2015 Butte Fire, 2017 Tubbs Fire, 2018 Camp Fire and 2020 August Complex displaced large numbers of residents and exhausted local supplies of rebuilding resources. Rebuilding projects were then further delayed when the COVID-19 pandemic hit in March 2020. This bill grants taxpayers, whose property was damaged by such disasters, two additional years to acquire a comparable replacement property and transfer their base year value if: a) the last day the taxpayer was eligible to benefit from the transfer occurred between March 4, 2020, and the COVID-19 emergency termination date; or b) the property became eligible to benefit from the transfer between March 4, 2020, and the COVID-19 emergency termination date.
- 4) **Will It Ever End?** This bill defines the COVID-19 emergency termination date as the date the Governor proclaims the termination of the pandemic emergency declared on March 4, 2020. Although the Governor rescinded the stay-at-home order, "reopened" the state on June 15, 2021, and set a timeline to end most pandemic-related executive orders, the state of emergency declared on March 4, 2020, is still in effect and could remain for years to come, if needed, to ensure California qualifies for federal recovery funds. Thus, this bill does not set a specific end date of when a property is no longer eligible for an extended base year value transfer. For example, if the emergency declaration is in effect on January 1, 2025, and a taxpayer's property is substantially damaged in 2024, long after the immediate impacts of the COVID-19 pandemic have hopefully subsided, the taxpayer would still have seven years, or until 2031, to transfer their base year value.

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