

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 29, 2011
POSITION: Neutral

BILL NUMBER: SB 947
AUTHOR: Senate Governance and Finance

SPONSOR: State Board of Equalization, California Assessors' Association

BILL SUMMARY: 2011 Property Tax Omnibus Bill

Under current law, all property is taxable, unless otherwise provided by the California Constitution or federal laws. Article XIII of the California Constitution limits ad valorem taxes on real property to one percent of the full cash value of that property and requires real property to be reassessed to its current fair market value whenever a change in ownership occurs, and excludes from reassessment transfers of a principal residence and the first \$1 million of the value of other real property between parents and their children.

Existing law provides that real property does not include an interest in a legal entity and, thus, precludes the application of the exclusion to transfers of stock in a cooperatively-owned housing between parents and their children.

This bill would allow the parent-child exclusion for transfers of interests in cooperative housing corporations.

Current law authorizes the base year value of property that is substantially damaged or destroyed by a disaster, as declared by the Governor, misfortune or calamity to be transferred to comparable property within the same county. Defines the phrase "substantially damaged or destroyed" as physical damage amounting to more than 50% of the property's fair market immediately prior to the disaster.

This bill would clarify the definition of "substantially damaged or destroyed" for consistency with other sections of the Revenue and Tax Code (RTC) by specifying that, beginning in the 2012-13 fiscal year, "substantially damaged or destroyed property" means physical damages to either the land or the improvements amounting to more than 50 percent of either the land's or the improvement's full cash value immediately prior to the disaster.

Under current law property owners over 55 years of age or disabled persons are allowed a once-in-a-lifetime opportunity to transfer the base year value of their principle residence, within two years from the sale of the original residence, to a replacement home of equal or lesser value within the same county, or to a replacement home in counties that have adopted ordinances allowing the transfer.

This bill would extend from 30 days to 6 months the period within which a homeowner, who is transferring a base year value from his/her principal residence to a newly purchased replacement home, must notify the county assessor of the completion of new construction on the replacement home.

Existing law allows a homeowner, who has been granted a base year value transfer from his/her original residence to a replacement dwelling, to perform new construction on the replacement property subsequent to the transfer and exempts the new construction from assessment, if the new construction is completed within two years of the sale of the original property and its value does not exceed the sales price of the original property. Homeowners must notify the assessor in writing of the completion of new construction within 30 days in order for it to be eligible for the property tax relief.

Analyst/Principal Date Program Budget Manager Date
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Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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This bill would update citations to the building codes for purposes of the new construction exclusion for seismic safety to include references to the current standards used by industry.

Current law provides specified exemptions from property taxes, such as disabled veterans' and non-profit entities, and provides that the disabled veterans' exemption is terminated once the subject property is transferred to a third party that is not eligible for the exemption.

This bill would clarify that property tax exemptions cease as of the date of sale or transfer of the property for consistency among various provisions of the RTC.

Existing law makes the disabled veterans' property tax exemption contingent upon a claim being filed, as specified, and allows eligible disabled veterans to apply for a property tax exemption before January 1st of the calendar year for any property acquired after the lien date.

This bill would extend the time a claimant may apply for the disabled veterans' property tax exemption to provide a reasonable time period to file a claim.

Current law requires the assessor each year to mail an annual notice to all disabled veterans who received the disabled veterans' exemption in the immediately preceding year, setting forth the eligibility requirements and the circumstances under which a property becomes ineligible.

This bill would clarify that the disabled veterans' exemption notice must be mailed annually, prior to the lien date, to claimants who received the exemption in the immediately preceding year.

Existing law requires that applications requesting separate assessment for the purpose of paying property taxes be made during the current fiscal year. County board of supervisors are authorized to prohibit these applications during the 10 working days preceding each tax installment delinquency and during the 10 working days preceding June 30 of each year.

This bill would clarify the period within which a person filing an affidavit of interest must apply to the tax collector to have a parcel separately valued on the current roll for the purpose of paying property taxes.

Current law requires state assesses to provide specific information concerning changes in ownership or interest to BOE, and imposes penalties upon a taxpayer's failure to timely file required information. BOE is permitted to abate penalties upon a written application for abatement by the applicant, specified, if the failure to file was due to reasonable cause.

This bill would allow partial abatement for state assessee penalties for failure to timely provide information, and would specify the local body through which an assessee must appeal a penalty for failure to timely file a change in ownership statement.

Existing law requires BOE to make available as a public record for 10 days any refund in excess of \$50,000 under all of its tax and fee programs, except the Private Railroad Car Tax Law that provides for a threshold of \$15,000.

This bill would Require BOE to make available, as a public record for 10 days, any refund in excess of \$50,000

This bill would also:

- Replace obsolete statutory references to the "Civil Aeronautics Board of the United States," which no longer exists, with the phrase the "Federal Aviation Administration" and deletes the

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obsolete statutory references to the "California Public Utilities Commission" in the definitions of "certificated aircraft," "air taxi," and "aircraft."

- Allow floating homes and manufactured homes to receive a decline in value after the roll has closed.

FISCAL SUMMARY

Finance estimates this bill would have no state General Fund impact.

COMMENTS

Finance notes the following with regard to this bill:

- This bill is the annual housekeeping measure sponsored by the Board of Equalization and the California Assessors' Association to make minor, technical changes and corrections to property tax law.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	
0001/Major Rev	SO	No		-----	No/Minor	Fiscal Impact	-----		0001