

Date of Hearing: April 20, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Mike Gipson, Chair

AB 2089 (Ward) – As Amended April 6, 2026

Majority vote. Fiscal committee.

SUBJECT: Property taxation: welfare exemption: filing of claims: delinquency penalties

SUMMARY: Requires assessors to undertake certain actions, and prohibits tax collectors from collecting taxes imposed on certain properties. Specifically, **this bill:**

- 1) Requires a county assessor to accept electronic signatures for materials necessary to claim, maintain, or otherwise receive the welfare exemption, including, but not limited to, annual income verifications. A county board of supervisors must, if necessary and in collaboration with the county assessor, adopt any ordinances to implement this requirement.
- 2) Requires a county assessor to make available on its internet website all documentation requirements for the low-income rental housing welfare exemption that are related to the certification that a unit is occupied by a "lower income household," as applicable. A county assessor must update this information within seven days of any changes.
- 3) Defines a "lower income household" as that term is defined under existing law.
- 4) Requires every county to release all forms related to the annual recertification of tenant income necessary to receive the welfare exemption by November 15 of each calendar year prior to the due date for the forms.
- 5) Prohibits a tax collector from collecting taxes on property, and imposing interest and penalties on those unpaid taxes, if that property provides evidence that the property received a welfare tax exemption, but lost the exemption due to a "change in control," "change in ownership," or removal, resignation, or replacement of a nonprofit managing general partner of the property, and that the benefit provided by this bill is necessary to continue maintaining the welfare exemption on the property. To be eligible, the property's owner must annually supply evidence to the tax collector that the property owner has submitted an application for the low-income housing rental welfare exemption, and that the property owner has received a reservation of low-income housing tax credits. This prohibition regarding delinquent property taxes does not apply to ineligible uses of the property.
- 6) Defines a "change in control" as described under existing law, and as that term is otherwise used under existing law.
- 7) Defines a "change in ownership" as a transfer of cumulatively more than 50% of the total ownership interests in a legal entity by the "original co-owners," and as the term is otherwise used under existing law.

- 8) Requires reimbursement of local agencies and school districts if the Commission on State Mandates determines that this bill contains reimbursable costs.

EXISTING LAW:

- 1) Provides that all property is taxable, shall be assessed at the same percentage of fair market value, and taxed in proportion to that full value, unless otherwise provided by the California Constitution or the laws of the United States. (California Constitution, Article XIII, Section 1.)
- 2) Authorizes the Legislature to wholly or partially exempt property used exclusively for religious, hospital, or charitable purposes and owned or held in trust by corporations or other entities that are organized and operating for those purposes, that are nonprofit, and where no part of the entity's net earnings inures to the benefit of any private shareholder or individual. (California Constitution, Article XIII, Section 4.) Exemptions granted pursuant to this authorization apply to buildings under construction, land required for their convenient use, and equipment in them if the intended use would qualify the property for the exemption. (California Constitution, Article XIII, Section 5.)
- 3) Limits the maximum amount of any *ad valorem* tax on real property to 1% of the "full cash value" of such property. (California Constitution, Article XIII A, Section 1.) The "full cash value" is defined as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. (California Constitution, Article XIII A, Section 2.)
- 4) Implements the constitutional authorization by providing that property used exclusively for religious, hospital, scientific, or charitable purposes owned and operated by community chests, foundations, limited liability companies, or corporations organized and operated for religious, hospital, scientific, or charitable purposes is exempt from taxation if:
 - a) The owner is not organized or operated for profit, as specified;
 - b) No part of the net earnings of the owner inures to the benefit of any private shareholder or individual; and,
 - c) The property is used for the actual operation of the exempt activity, and does not exceed an amount of property reasonably necessary to the accomplishment of the exempt purpose.

This exemption is known as the welfare exemption. (Revenue and Taxation Code (R&TC) Section 214(a).)

- 5) Exempts, partially, property used exclusively for rental housing provided at certain affordable rates to low-income tenants, and related facilities, that are owned and operated by religious, hospital, scientific or charitable funds, foundations, limited liability companies, or corporations, including limited partnerships in which the managing general partner is an eligible nonprofit corporation or an eligible limited liability company that meets all the requirements of the welfare exemption. This exemption is known as the low-income rental housing welfare exemption, and reduces a property's assessable value by an amount equal to the ratio of units serving lower-income households relative to the total number of units on the

property. To be eligible for the low-income rental housing welfare exemption, the owner of the property must certify and ensure that there is an enforceable and verifiable agreement with a public agency, a recorded deed restriction, or other legal document restricting the property to the provision of low-income housing, as specified. This requirement must be contained in an enforceable and verifiable agreement with a public agency, or in a recorded deed restriction to which the limited partnership certifies, in the case of a limited partnership in which the managing general partner is an eligible nonprofit corporation. (R&TC Section 214(g).)

- 6) Provides that property eligible for the welfare exemption includes facilities in the course of construction together with the land on which the facilities are located, as specified. Demolition or razing of a building with the intent to replace it with welfare exempt facilities is considered eligible construction, in addition to other activity on the property. (R&TC Section 214.1 and 214.2.)
- 7) Defines a "change in ownership" as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest. (R&TC Section 60.)
- 8) Excludes from the definition of a "change in ownership" any transfer between an individual or individuals and a legal entity or between legal entities, such as a co-tenancy to a partnership, a partnership to a corporation, or a trust to a co-tenancy, that results solely in a change in the method of holding title to the real property and in which the proportional ownership interests of transferors and transferees, whether represented by stock, partnership interest, or otherwise, in each and every piece of real property transferred remain the same after the transfer. (R&TC Section 62(a)(2).)
- 9) Provides that a change of ownership in real property has occurred when a "change in control" of the owner of the property has occurred. A "change in control" is when a corporation, partnership, limited liability company, other legal entity, or any other person obtains control through direct or indirect ownership or control of more than 50% of the voting stock of any corporation, or obtains a majority ownership interest in any partnership, limited liability company, or other legal entity through the purchase or transfer of corporate stock, partnership, or LLC interest, or ownership interests in other legal entities, as specified. (R&TC Section 64(c).)
- 10) Provides that a change in ownership has occurred when a transfer of an ownership interest in a legal entity by an "original co-owner" results in a cumulative transfer of more than 50% of all the interest held by the original co-owners. An "original co-owner" is an owner of property transferred pursuant to R&TC Section 62(a)(2) described above. (R&TC Section 64(d).)
- 11) Requires that a claimant for the welfare exemption, among others, must annually submit to the assessor an affidavit giving any information required by the State Board of Equalization (BOE). (R&TC Section 254.)
- 12) Requires that a claim for the welfare exemption must be annually filed on or before February 15 with the assessor, and prohibits a property tax exemption claim until the claimant has been issued a valid organization clearance certificate (OCC). An assessor must review all claims for the welfare exemption and determine whether the claimed property meets the

requirements of the welfare exemption. An assessor is authorized to deny a claim for the welfare exemption, even if the claimant has been granted an OCC by the BOE. (R&TC Section 254.5.)

- 13) Requires an organization to file a claim for an OCC with the BOE, if the organization intends to claim the welfare exemption. The BOE must review each claim for an OCC to determine whether the organization meets the requirements of the welfare exemption, and must issue an OCC to an organization meeting those requirements. The BOE may consider, among other factors, whether the services and expenses of the owner or operator (including salaries) are excessive, based upon like services and salaries in comparable public or private institutions, and whether the operations of the owner or operator materially enhance the private gain of any individual or individuals, either directly or indirectly. (R&TC Section 254.6.)
- 14) Requires that 90% of any tax, penalty, or interest be canceled or refunded if an otherwise valid welfare exemption claim is filed after the February 15 deadline but on or before January 1 of the next calendar year. An otherwise valid welfare exemption claim filed after January 1 of the calendar year following the February 15 deadline must have 85% of any tax penalty or interest be canceled or refunded. (R&TC Section 270.)
- 15) Prohibits a tax collector from taking or continuing any collection action with respect to any *ad valorem* property taxes levied upon a property, and a property owner must not be liable for interest or penalties on those unpaid taxes, if the property owner supplies evidence to the tax collector that the property owner has submitted to the county assessor a low-income rental welfare exemption application, that the property owner has received a reservation of low-income housing tax credits or was awarded funds from the Department of Housing and Community Development, and property for which there are facilities in the course of construction. (R&TC Section 4985.05.)
- 16) Defines a "lower income household" as, generally, a household with 80% the area median income, or less. (Health and Safety Code Section 50079.5.)

FISCAL EFFECT: Pending a revenue estimate by the BOE, but likely in excess of this Committee's Suspense File threshold.

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

AB 2089 would preserve limited affordable housing dollars by allowing non-profit affordable housing providers to withhold relevant tax payments, without penalty, while their welfare exemption applications are under review. To be eligible, a property must be subject to a recorded affordability covenant, indicating they are eligible for the exemption.

- 2) A coalition of affordable housing advocates, writing in support of this bill, state, in part:

Each year, starting the first of January to February 15, tenants in properties receiving a welfare property tax exemption must recertify income, creating a highly compressed, duplicative, and labor-intensive process for property managers. Delayed issuance of

required forms by county assessors further shortens timelines, often forcing staff to devote full workdays, including evenings and weekends, to complete the necessary work.

[...]

Despite modernization of other county systems, the exemption filing process remains largely antiquated, relying on physical documents and manual handling of sensitive information. Explicitly authorizing verified electronic signatures for all required affidavits, including tenant income verification, would streamline compliance, improve data security, and significantly reduce unnecessary administrative strain. [...]

Affordable housing providers report that these additional requirements, such as intensive backup documentation of households' incomes, are not standardized across counties, can change from year to year without notice, and are not readily available on county websites. The lack of consistency and transparency can result in significant back-and-forth communication between assessors and affordable housing groups that can prolong processing time significantly.

- 3) The California Association of County Treasurers and Tax Collectors, writing in opposition to this bill, states, in part:

[T]he implementation of AB 2353 was intentionally delayed to align with the property tax cycle, and with the law taking effect in mid-2025, the first potential applications were anticipated in December 2025. However, based on outreach to member counties—including larger jurisdictions expected to utilize this process—CACTTC is not aware of any instances in which developers have applied for or used this deferral. This lack of utilization raises significant concerns, as there has been no meaningful opportunity to evaluate whether the framework is functioning as intended or whether the administrative challenges identified by local agencies have materialized. [...]

While proponents describe [this bill's] changes as streamlining and preserving nonprofit housing funds, they have not provided concrete examples of problems the bill is addressing. Again, without such documentation, it is unclear how these additional requirements solve a demonstrated problem, yet they clearly impose new operational burdens on local staff. AB 2089 expands the eligibility for property tax deferral to additional situations, however, what the bill fails to mention is that implementing these provisions would require ongoing verification of eligibility and documentation and introduce additional coordination requirements across multiple departments. Without dedicated funding or staff, counties would need to manage these tasks manually, creating significant additional work for both assessor and treasurer-tax collector offices.

- 4) Committee Staff Comments:

- a) *The welfare exemption*: Under constitutional provisions, and statutory implementation, qualification for the welfare exemption is a two-part test. To be eligible, a claimant for the welfare exemption must be both a nonprofit organization, as specified, where no benefit inures to a private individual or shareholder, and must use the property exclusively for a qualifying purpose. This exemption is administered jointly by the BOE and county assessors. The BOE is responsible for evaluating whether an organization is

eligible under the welfare exemption based on the qualifications established in existing law. Once the BOE determines that an organization is qualified, the BOE issues that entity an OCC. If an organization with an OCC changes owners or ownership interests, that organization must notify the BOE. In addition to qualifying as an eligible entity by the award of an OCC, an entity seeking to claim the welfare exemption must demonstrate to the county assessor that the property for which the exemption is sought is used for a qualifying purpose. Thus, an assessor has wide authority to impose additional substantiation requirements beyond those needed for the initial claim to determine whether the property is in fact used for the exempt purpose, as constitutionally required.

- b) *The low-income rental housing welfare exemption:* Charitable activities qualify as eligible purposes under the welfare exemption, and the Legislature has stipulated that the provision of low-income rental housing to tenants at affordable rates is a charitable purpose qualifying for the welfare exemption. This exemption is a partial one equal to the percentage of units on the property that are rented to low-income households at affordable rates. Eligible organizations owning welfare exempt low-income rental property must file to claim the exemption on an annual basis and certify that the income of tenants of qualifying units do not exceed certain thresholds. Any property taxes paid by an eligible organization on low-income rental property that is granted the welfare exemption for a timely filed claim are fully refunded. Delays by an eligible organization in timely filing for the welfare exemption do result in losses arising from property tax payments, even if the delay was not the fault of the eligible organization. Should the assessor grant the exemption, the eligible organization does receive 85% to 90% of the amount paid as a refund.
- c) *Change in controlling interest or ownership:* Generally, when the controlling interest in a legal entity that owns property changes to another legal entity or person, the property has undergone a change in ownership. For welfare exempt properties, a change in ownership may result in the legal entity no longer qualifying for the exemption. In the case of organizations owning and operating eligible low-income rental housing, the new controlling legal entity may not comply with provisions requiring that the organization be organized and operated for certain purposes or the provision that no benefit of the organization inure to the private benefit of any individual or shareholder. Additionally, such a change in ownership may require reapplication with the BOE for an OCC.
- d) *This bill:* As currently drafted, this bill makes four changes to existing law. First, county assessors would be required to accept electronic signatures for materials necessary to claim, maintain, or otherwise receive the welfare exemption, including, but not limited to, annual income verifications. Second, county assessors would be required to make all documentation requirements for the low-income housing rental welfare exemption that are related to the certification that a unit is occupied by a lower income household available on the assessor's website and require the assessor to update the information within seven days of any changes. Third, every county would be required to release all forms related to the annual recertification of tenant income necessary to receive the welfare exemption by November 15 of each calendar year prior to the due date for the forms. Finally, property that receives the low-income housing rental welfare exemption that has undergone a change in ownership or control would be included in the existing prohibition on collecting taxes from certain properties.

- e) *Electronic signatures*: Counties are in the process of transitioning to digital systems for the acceptance of material necessary to apply and reapply for the welfare exemption. Counties are not, however, all at the same stage in this process. Some counties, particularly small counties, may have insufficient resources to undertake what are often expensive and lengthy information technology upgrades. These upgrades are critical as they ensure that information transmitted between the assessor and claimant is secure and valid. Recognizing the efficiency of electronic methods, the Legislature passed AB 1879 (Gipson), Chapter 217, Statutes of 2024. AB 1879 made various changes to property tax administration provisions, including authorizing assessors to accept the filing and authentication of BOE property tax forms via electronic media in lieu of a printed signature. The Committee may wish to consider whether it is appropriate to impose a requirement on all counties when some portion of those counties would be unable to comply.
- f) *Publication of all documentation needed for certification*: While some information commonly required to claim the low-income rental welfare exemption is made available in advance of a claim, an assessor may require additional information after reviewing the claim to substantiate qualification. An assessor may lack clairvoyance to determine what is needed from a claim prior to its submission. Should this bill be enacted in its current form, organizations claiming the exemption may be able to point to this bill's provisions as grounds to not provide that information given the assessor did not publish it on their website. The Committee may wish to consider whether it is appropriate to hold assessors liable for failing to notify claimants of additional required information if the necessity is not revealed until after the assessor reviews the claim.
- g) *Releasing certain information by November 15*: Some forms necessary to apply for the low-income rental housing welfare exemption are published by the BOE. Should the BOE have a delay in publishing this material, an assessor may not be able to comply with the requirement to post those unpublished forms. The Committee may wish to consider including a provision that holds assessors harmless should the required forms be unavailable to the assessor.
- h) *Expanding prohibitions on collecting certain property taxes*: AB 2353 (Ward), Chapter 566, Statutes of 2024, prohibited the collection of taxes, and associated penalties and interest, on certain property that appears eligible for the low-income rental housing welfare exemption. The property must have received a subsidy to create affordable housing from existing programs and have begun construction to be eligible for this authorization.

It is unclear whether this authorization has been effective. As noted by the CACTTC in their letter of opposition, over the course of two secured roll property tax payment installments, no surveyed county has reported a property owner availing themselves of the authorization in AB 2353. One might logically conclude that a subsidized low-income housing developer who can substantiate their compliance with strict requirements in those subsidization programs may be more rapidly approved by an assessor than another claimant. The Committee may wish to consider allowing further time to elapse to establish whether this authorization warrants expansion.

Furthermore, this bill's proposed expansion of AB 2353's authorization may also be unconstitutional. As noted previously, changes in ownership and control can invalidate an organization's qualifying purpose, depending on the manner of the change. Indeed, this bill conditions the expansion on the necessity "that the benefit provided by [this bill] is necessary to continue maintaining the welfare exemption." Given the benefit of this bill is to prohibit collection of certain property taxes, one might question whether an organization would need this benefit to maintain the exemption unless the entity resulting from the change was not eligible for the welfare exemption.

Finally, as described above, timely filed welfare exemption claims ensure claimants are refunded the total amount of property taxes, penalties, or interest that may be imposed while an assessor reviews the claim. Partial amounts equal to 90% and 85% of the total amount are refunded if welfare exemptions are filed after specified dates. It is true that delays in the filing of a claim that are not the fault of the eligible organization would result in some loss of funds that would otherwise be available for the provision of affordable housing. Whether that problem warrants a potentially unconstitutional solution is unclear.

- i) *Drafting consideration:* This bill currently contains property tax payment dates for which this bill's authorization applies. It appears that these provisions were erroneously applied, however, as they do not cross-reference the additional authority proposed by this bill. This bill should be amended such that the operative dates for the addition this bill proposes are properly reflected.

REGISTERED SUPPORT / OPPOSITION:

Support

California Apartment Association
California Council for Affordable Housing
California Housing Consortium
California Housing Partnership
Enterprise Community Partners
Housing California
Leadingage California

Opposition

California Association of Treasurers and Tax Collectors

Analysis Prepared by: Harrison Bowlby / REV. & TAX. / (916) 319-2098