

Date of Hearing: June 15, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

SB 1437 (Committee on Revenue and Taxation) – As Introduced March 11, 2026

Majority vote.

SENATE VOTE: 36-0

SUBJECT: Property taxation: intercounty pipeline: right-of-way assessment: full cash value

SUMMARY: Extends the sunset dates for the valuation methodology for intercounty pipeline rights-of-way by five years.

EXISTING LAW:

- 1) Provides that all property is taxable and must be taxed in proportion to its full value, unless otherwise stipulated by the California Constitution or federal law. (California Constitution, Article XIII, Section 1.)
- 2) Requires the State Board of Equalization (BOE) to annually assess (1) pipelines, flumes, canals, ditches, and aqueducts lying within two or more counties, and (2) property, except franchises, owned or used by regulated railway, telegraph, or telephone companies, car companies operating on railways in the State, and companies transmitting or selling gas or electricity. Property subject to assessment by the BOE must be taxed to the same extent and in the same manner as other property. (California Constitution, Article XIII, Section 19.)
- 3) Presumes, rebuttably, that for each tax year from the 1984-85 through the 2025-26 tax year, intercounty pipeline rights-of-way, as specified, are at full cash value if their 1975-76 base year value was \$20,000 per mile for a high-density property, \$12,000 per mile for a transitional-density property, and \$9,000 per mile for a low-density property, and these values are annually adjusted for inflation, pursuant to existing law. A valuation methodology that is chosen by an assessor differing from the above valuation methodology does not benefit from any presumption of correctness, and a taxpayer may challenge the right to assess that property or the values for that property for that tax year. This valuation methodology is repealed as of January 1, 2027. (Revenue and Taxation Code (R&TC) Section 401.10.)

FISCAL EFFECT: This bill is keyed as non-fiscal, and there is no projected revenue impact resulting from this bill.

COMMENTS:

- 1) The BOE, writing in support of this bill, states, in part:

[R&TC] Section 401.10 prescribes a valuation methodology for the local assessment of intercounty pipeline rights-of-way. The methodology, which involves a series of tiered dollars-per-mile schedules based on a property's density classification, applies to

assessments made for the 1984-85 through 2025-26 tax years. The law is currently scheduled to sunset on January 1, 2027.

The pipeline rights-of-way value methodology was codified in 1996 after a settlement agreement between County Assessors and rights-of-way owners. The sunset date for the valuation methodology has been extended four times – for 10 years in 2000 and for 5 additional years in 2010, 2015, and 2021. If an extension is enacted, BOE staff will work with the County Assessors and interested parties to revisit whether the tiered system needs to be updated.

2) Committee Staff Comments:

- a) *Creation of the California property tax and the BOE:* After the establishment of California's first state constitution, California's newly established Legislature enacted the Property Tax Law of 1850, which imposed a 0.5% tax on the value of real and personal property, as assessed by local county assessors. The property tax would serve as the state's primary source of revenue until 1910 and has always been a critical source of revenue for local jurisdictions. Given this importance, ensuring that taxation across counties remained consistent was of paramount concern. Thus, the Legislature created the BOE in 1870. This statutory creation was subsequently found unconstitutional by the State Supreme Court as the constitution then proscribed that property values be set by local assessors¹. In 1879, when the state revisited its constitution, the BOE was formally established in the constitution, which made the BOE responsible for ensuring equalized assessment across counties and granted the BOE the power to raise or lower local assessments to facilitate that responsibility. Importantly, the BOE assumed responsibility for the centralized assessment of the roadway, roadbed, rails, rolling stock, and franchises of intercounty railroads.
- b) *Reforming California property taxation:* In 1910, voters approved a constitutional amendment that restructured how the state derived revenue. Under this reform, certain entities paid a new set of taxes levied exclusively for state purposes in lieu of property taxation. Among these new taxes was a tax levied on the gross receipts from the operations of railroad companies, gas and electric companies, telephone and telegraph companies, car companies, and express companies.

Over 20 years later, California reverted to levying an *ad valorem* property tax on certain intercounty property. In the wake of the Great Depression, California approved the requirement that the BOE levy a property tax on these intercounty entities as part of the 1933 Riley-Stewart Tax Plan, most notable for introducing the sales tax to California. The reauthorization for state property taxation was added as Section 14 of Article XIII. This requirement was subsequently moved to Section 19 of Article XIII, but retained substantially similar provisions.

- c) *Disputing the computing:* After the state reauthorized levying a property tax on those intercounty enterprises, the BOE began the process of assessing these properties. In 1934, as part of this assessment, the BOE required the owners of private, intercounty pipelines to list and report all their physical property, including land and rights-of-way,

¹ *Houghton v. Austin*, 47 Cal. 646 (1874).

which was subsequently challenged on the basis that the constitutional provision did not apply to private enterprises. Ultimately, the State Supreme Court ruled that then Section 14 did apply to private entities in the context of inter-county pipelines, and affirmed the trial court's definition of "pipeline" which limited the definition to the pipeline itself and various classes of tanks, fittings, and mechanical devices essential to the use and operation of the pipeline². As a result, the BOE did not treat private, intercounty pipelines as including land or rights-of-way.

Subsequently, in 1982, the BOE posited that it was constitutionally permitted to assess and tax the lands and rights-of-way of private, intercounty pipelines. This position was challenged. In *Southern Pacific Pipelines, Inc. v. BOE* (1993), the appellate court reaffirmed the definition of "pipeline" established in *General Pipe Line Co. v. BOE* (1936). The court was unconvinced by the BOE's assertion that the absence of lands and rights-of-way from the definition left the assessment of those factors as an open question³. Thus, the assessment of those rights-of-way and the land underlying a pipeline were the responsibility of the relevant county assessor.

- d) *Keep the value flowing*: Following the ruling in *General Pipe Line Co., v. BOE* (1993), the Legislature enacted AB 1286 (Takasugi), Chapter 76, Statutes of 1996, which established a tiered, per-mile valuation methodology for the rights-of-way of intercounty pipelines. The tiers of value were predicated on a schedule of density classification. According to the bill's uncodified findings and declarations, the Legislature intended "to provide statutory clarification to ensure that proper and consistent assessment practices are followed in determining values for intercounty pipeline rights-of-way" during "a difficult period of legal and administrative transition" by prescribing a valuation methodology. AB 1286 repealed this methodology as of January 1, 2001. The Legislature has extended this methodology four times since its enactment and the current extension is scheduled to sunset on January 1, 2027.
- e) *This bill*: This bill would extend the relevant sunset dates under the valuation methodology for intercounty pipeline rights-of-way by five years. Thus, the methodology would remain effective through the 2030-31 tax year and would be repealed as of January 1, 2032.
- f) *Prior legislation*:
 - i) SB 825 (Committee on Governance and Finance), Chapter 433, Statutes of 2021, extended the valuation methodology for intercounty pipeline rights-of-way by five years to the methodology's current sunset date of January 1, 2027, among other provisions.
 - ii) SB 803 (Committee on Governance and Finance), Chapter 454, Statutes of 2015, extended the valuation methodology for intercounty pipeline rights-of-way by five years and repealed the methodology as of January 1, 2022, among other provisions.

² *Gen. Pipe Line Co. v. State Bd. of Equalization*, 5 Cal. 2d 253, 54 P.2d 18 (1936).

³ *S. Pac. Pipe Lines, Inc. v. State Bd. of Equalization*, 14 Cal. App. 4th 42 (1993).

- iii) SB 1494 (Committee on Revenue and Taxation), Chapter 654, Statutes of 2010, extended the valuation methodology for intercounty pipeline rights-of-way by five years and repealed the methodology as of January 1, 2016, among other provisions.
- iv) AB 2612 (Brewer), Chapter 607, Statutes of 2000, extended the valuation methodology for intercounty pipeline rights-of-way by 10 years and repealed the methodology as of January 1, 2011, among other provisions.

REGISTERED SUPPORT / OPPOSITION:**Support**

California Board of Equalization

Opposition

None on file

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