

CONCURRENCE IN SENATE AMENDMENTS

AB 672 (Caloza)

As Amended August 20, 2026

Majority vote

SUMMARY

Extends by five years the sunset date of the Community Land Trust (CLT) welfare exemption from property tax.

Senate Amendments

- 1) Delete the prior contents of this bill as passed by the Assembly.
- 2) Extend, from January 1, 2027 to January 1, 2032, the lien date prior to which the property must be acquired to receive the CLT welfare property tax exemption.
- 3) Find and declare the following for purposes of complying with Revenue and Taxation Code (R&TC) Section 41:
 - a) The specific goals, purposes, and objectives of the exemption are to facilitate:
 - i) The acquisition, development, rehabilitation, and financing of ownership and rental housing for persons and families of low and moderate income; and,
 - ii) Development and rehabilitation of restricted affordable dwellings and units.
 - b) The performance indicators for the Legislature to use in determining whether this exemption meets the goals, purposes, and objectives outlined above are:
 - i) The annual amount of assessed value exempted; and,
 - ii) The number of owner-occupied dwelling units or rental units, or both, created by CLTs granted this exemption.
 - c) Require the following:
 - i) CLTs claiming the exemption to provide performance indicator information described above to their county assessor in the form and manner prescribed by the assessor;
 - ii) County assessors to provide, to the extent available, the State Board of Equalization (BOE) with the performance indicator information; and,
 - iii) The BOE to annually collect data from county assessors to quantify the performance indicators and, on or before January 1, 2031, submit a report to the Legislature summarizing the information.

COMMENTS

- 1) *What is a "tax expenditure"?* Existing law provides various credits, deductions, exclusions, and exemptions for particular taxpayer groups. In the late 1960s, United States Treasury officials began arguing that these features of the tax law should be referred to as

"expenditures" since they are generally enacted to accomplish some governmental purpose and there is a determinable cost associated with each of them (in the form of forgone revenues). This bill would extend an existing property tax expenditure under the welfare exemption, thereby constituting a tax expenditure.

- 2) *Committee's tax expenditure policy*: SB 1335 (Leno), Chapter 845, Statutes of 2014, added R&TC Section 41, which recognized that the Legislature should apply the same level of review used for government spending programs to tax credits introduced on or after January 1, 2015. AB 263 (Burke), Chapter 743, Statutes of 2019, extended the requirements in R&TC Section 41 to all tax expenditure measures under the Personal Income Tax Law, the Corporation Tax Law, and the Sales and Use Tax Law introduced on or after January 1, 2020. This Committee's policy is to treat all tax expenditures similarly, and requires that all proposed property tax expenditures likewise comply with R&TC Section 41.

A tax expenditure proposal must outline specific goals, purposes, and objectives that the tax expenditure will achieve, along with detailed performance indicators for the Legislature to use when measuring whether the tax expenditure meets those stated goals, purposes, and objectives. In addition to the R&TC Section 41 requirements, this Committee's policy also requires that all tax expenditure proposals contain an appropriate sunset provision to be eligible for a vote.¹ Sunsets are required because eliminating a tax expenditure generally requires a 2/3rd vote. These requirements must be satisfied before a bill can receive a vote in this Committee. This bill contains a five-year sunset and complies with the requirements of R&TC Section 41.

- 3) *Results so far*: After enacting the CLT exemption in SB 196 (Beall), Chapter 669, Statutes of 2019, which took effect January 1, 2020 and ended January 1, 2025, the Legislature preemptively extended it for two years in 2022. As part of both measures, the Legislature required CLTs to report data to assessors for subsequent reporting to the BOE. In 2025, the BOE requested data from the 58 county assessors, but received only 33 responses of which only eight counties specified the number of parcels owned by CLTs. Five counties reported parcels owned by CLTs with an estimated assessed value of \$10.3 million. While the above data implies that the exemption is seldom claimed in California, it may be instead that it is being claimed in the 25 counties that did not respond to the BOE's survey. This bill's proponents argue that even though the exemption does not apply to many properties, it has provided a significant financial benefit for several important CLT projects. The Committee may wish to consider whether the CLT exemption is accomplishing its goals of expanding affordable housing in the state.
- 4) *Related legislation*:
 - a) AB 1668 (Pellerin), would extend the sunset date of the welfare property tax exemption for property used exclusively for the preservation of specified natural resources and open-space lands by five years. AB 1668 is currently pending signature by the Governor.
 - b) AB 1294 (Haney) would, for lien dates commencing on or after January 1, 2027, and before January 1, 2030, provide a partial welfare exemption in the case of certain

¹ An "appropriate sunset provision" shall mean five years, except in the case of a tax expenditure measure providing relief to California veterans, in which case "appropriate sunset provision" shall mean 10 years.

residential rental property used for low and moderate-income households. AB 1294 is currently pending a vote on the Senate Floor.

According to the Author

Community land trusts are a powerful tool to expand affordable housing, making our neighborhoods more equitable and accessible. Property tax policy should support—not hinder—efforts to create stable, affordable homes for low-income families. AB 672 protects existing provisions for community land trusts to ensure they can continue developing affordable housing without disruption, helping more Californians build security, mobility, and opportunity through homeownership.

Arguments in Support

According to the California Community Land Trust Network:

Today, there are 50 emerging and established CLTs in California, in all regions of the state, serving urban, rural, and suburban communities. CLTs are community-controlled nonprofit organizations that steward land to provide permanently affordable homes and community facilities, housing thousands of low-income Californians. While many other forms of affordable housing place income restrictions on their properties which expire after some period of time, CLTs keep properties permanently affordable while providing stability to residents and stewarding scarce public resources efficiently.

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Senate Committee on Appropriations:

- The BOE indicates that it would incur minor, one-time administrative costs to implement the provisions of the bill.
- The BOE indicates that this bill would result in lower property taxes relative to current law; however, the magnitude of the decline is unknown. Reductions in local property tax revenues, in turn, can increase General Fund Proposition 98 spending by up to roughly 50% (the exact amount depends on the specific amount of the annual Proposition 98 guarantee, which in turn depends upon a variety of economic, demographic and budgetary factors).
- By changing the manner in which assessors value real property, this bill creates a state-mandated local program. To the extent the Commission on State Mandates determines that the provisions of this bill create a new program or impose a higher level of service on local agencies, local agencies could claim reimbursement of those costs (General Fund). The magnitude of these costs is unknown.

VOTES:

ASM PUBLIC EMPLOYMENT AND RETIREMENT: 6-0-1

YES: McKinnor, Alanis, Boerner, Elhawary, Garcia, Nguyen

ABS, ABST OR NV: Lackey

ASM JUDICIARY: 9-0-3

YES: Kalra, Wicks, Bryan, Connolly, Harabedian, Pacheco, Papan, Stefani, Zbur

ABS, ABST OR NV: Dixon, Sanchez, Tangipa

ASM APPROPRIATIONS: 11-0-4

YES: Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Solache

ABS, ABST OR NV: Sanchez, Dixon, Ta, Tangipa

ASSEMBLY FLOOR: 62-4-13

YES: Addis, Aguiar-Curry, Ahrens, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Chen, Connolly, Davies, Dixon, Elhawary, Flora, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO: DeMaio, Ellis, Gallagher, Patterson

ABS, ABST OR NV: Alanis, Arambula, Castillo, Jeff Gonzalez, Hadwick, Lackey, Macedo, Quirk-Silva, Sanchez, Soria, Stefani, Ta, Tangipa

UPDATED

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FN: