

Date of Hearing: April 7, 2025

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

AB 245 (Gipson) – As Amended March 10, 2025

Majority vote. Fiscal committee.

SUBJECT: Property taxation: application of base year value: disaster relief

SUMMARY: Provides automatic property tax relief to the victims of the 2025 Los Angeles (LA) Fires. Specifically, **this bill**:

- 1) Extends by three years the existing five-year deadline to rebuild "qualified property" damaged or destroyed on or after January 7, 2025, but on or before February 1, 2025, while still retaining the base year value of the property prior to the damage or destruction.
- 2) Defines "qualified property" as property that was substantially damaged or destroyed, as defined, by the 2025 fire disasters in Palisades, Eaton, Hurst, Lidia, Sunset, or Woodley, as proclaimed by the Governor.
- 3) Provides that, notwithstanding existing law governing the valuation of real property, the fair market value of "qualified real property" on January 1, 2025 is the full cash value as of the date the property was damaged or destroyed, taking into account factors causing a decline in value.
- 4) Defines "qualified real property" as property impacted by the 2025 fire disasters in Palisades, Eaton, Hurst, Lidia, Sunset, or Woodley, as proclaimed by the Governor, if the sum of the full cash values of the land, improvements, and personality before the damage or destruction exceeds the sum of the values after the damage by \$10,000 or more, and if the property is not eligible for relief under Revenue and Taxation Code (R&TC) Section 170.
- 5) Finds and declares that the substantive provisions of this bill do not constitute a gift of public funds within the meaning of Section 6 of Article XVI of the California Constitution, and serve the purpose of ensuring that owners of real property that has been substantially damaged or destroyed in the 2025 fire disasters in Palisades, Eaton, Hurst, Lidia, Sunset, or Woodley, as proclaimed by the Governor, are provided the full and fair opportunity to reconstruct on the site of the damaged or destroyed real property and to retain the property tax base year value of the property. Additionally, to prevent the undue hardship for owners of real property that has suffered significant reduction in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a decline in value, these factors should be taken into account in determining property valuations for the 2025 calendar year, as provided in this bill.
- 6) Requires the state to reimburse local agencies and school districts if the Commission on State Mandates determines that this bill contains costs mandated by the state.

- 7) Provides that no appropriation is made by this bill, and that the state shall not reimburse any local agency for any property tax revenues lost by it pursuant to this act.

EXISTING LAW:

- 1) Provides that all property is taxable unless otherwise provided by the California Constitution or the laws of the United States. (California Constitution, Article XIII, Section 1.)
- 2) Limits the maximum amount of *ad valorem* property taxation to 1% of the full cash value of the property. Generally, the Constitution restricts the full cash value of a property to the assessed value upon a change of ownership in, or new construction on, the property. This is referred to as the base year value, which may be adjusted upwards for inflation at no more than 2% annually. (California Constitution, Article XIII, Sections 1 and 2.)
- 3) Excludes from the definition of "newly constructed" real property that is reconstructed after a disaster declared by the Governor, where the fair market value of the reconstructed real property is comparable to its fair market value prior to the disaster. (California Constitution, Article XIII, Section 2.) Property owners have a five-year period during which they may reconstruct a damaged or destroyed property on the same site and retain the base year value of their property, subject to valuation limitations. A property is considered damaged or destroyed if the physical damage to improvements on the property is more than 50% of the full cash value of those improvements immediately prior to the disaster. The five-year limitation is extended by three years for victims of certain wildfires. (R&TC Section 70.5.)
- 4) Authorizes a county board of supervisors to, by ordinance, allow property owners to apply for a reassessment of a property if the assessor determines that the property was damaged or destroyed within the past 12 months by a misfortune or calamity, as defined. A property must have suffered at least \$10,000 in damages to qualify, and the reduction in assessed value cannot exceed the loss. An assessor may also notify a property owner that the property may be eligible for a reassessment due to damage or destruction within the last 12 months, and the owner must respond to that notice with an application for reassessment, as specified. Additionally, an assessor in a county without an implementing ordinance may make a reassessment to a property otherwise qualifying for relief after misfortune or calamity, and notify that property's owner of the reassessment. Finally, the valuation of the reassessment is prorated based on the number of months that the property was damaged in that taxable year, and, for properties damaged after the January 1 lien date, but before the beginning of the next fiscal year, the reassessed value is used to determine the tax liability for the next fiscal year. (R&TC Section 170.)

FISCAL EFFECT: Pending from the State Board of Equalization. Committee staff notes that a similar bill previously heard by this Committee, AB 1500 (Irwin), Chapter 583, Statutes of 2023, qualified for this Committee's Suspense File, despite being narrower in scope than this bill. Thus, this bill likely qualifies for this Committee's Suspense File.

COMMENTS:

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

The 2025 LA Fires are the most destructive fires in our state's history. As Los Angeles recover in the aftermath of this devastation, the extent of damage has become painfully

clear. According to a report by the UCLA Anderson Forecast, LA County between \$76 and \$131 billion in total capital and property losses. By comparison, this is nearly an order of magnitude greater than what had been the most destructive fire in our state, the Camp Fire. AB 245 provides victims of the LA Fires additional time to rebuild their home or business without experiencing a property tax increase, and ensures property owners are not forced to pay taxes on the higher, undamaged assessed value of their home for 2025. This relief is vital, as those with less means have less ability to access the limited pool of materials, labor, and services that many victims will simultaneously demand to rebuild. Additionally, AB 245 ensures the LA County Assessor has the authority to automatically reduce the assessed value of damaged properties, providing immediate relief to victims. For these reasons, I urge your support of AB 245.

2) The State Board of Equalization, writing in support of this bill, states, in part:

Since the wildfires in Los Angeles and Ventura Counties began in January 2025, the Board has been proactive in having active conversations with the Legislature, the Administration, and the Los Angeles County Assessor's Office in providing insight into ways to provide quicker property tax relief to those affected. As you know, the Board held an Informational Hearing on the 2025 Wildfire Disaster Relief and Recovery in February 2025. This bill achieves the aims of providing additional property tax disaster relief, including extending the current five-year period by an additional three years, the ability to rebuild substantially damaged or destroyed real property in a Governor-proclaimed disaster area, and allowing the County Assessor to adjust the value of properties that may not have been significantly damaged or destroyed but still impacted directly or indirectly by the wildfires. These measures will provide additional relief to those who were affected by the wildfires earlier this year.

3) Committee Staff Comments:

- a) *2025 LA Fires*: Beginning in early January 2025, a series of fires began raging in LA County. Exacerbated by hurricane force gusts and drought conditions, these fires rapidly grew, expanding into outlying residential areas of the LA metropolitan area. As the month progressed, the conditions exacerbating these fires led to serious complications for first responders, and the conflagrations grew without containment. After containment of these fires, however, the true depth of destruction began to become clear. According to the UCLA Anderson Forecast, total property and capital losses could range from \$76 billion to \$131 billion, with a potential decline in county-level gross domestic product of \$4.6 billion. This loss from fire is unprecedented in the state. By comparison, the Camp Fire that destroyed the town of Paradise and was the most destructive fire in the state is estimated to have an associated loss of around \$17 billion, an order of magnitude less than the 2025 LA Fires.
- b) *Operation of property tax relief after disaster in existing law*: California property tax law provides property owners general protections against significant increases in property tax liability by establishing the taxable value of a property as its base year value, generally the full cash value of the property upon its purchase or transfer. This base year value may be upwardly adjusted for inflation at no more than 2% annually.

A base year value must also be reassessed when new construction occurs on the property. Often times, the current value of a reconstructed property is significantly higher than the

value for which the property was acquired. Currently, when an owner's property is damaged or destroyed by a Governor-proclaimed disaster, that owner may rebuild their property on the same site within five years of the disaster, while still retaining the base year value of the property prior to the disaster. A property owner would receive a significant property tax increase absent the new construction exclusion for rebuilt property after a disaster.

Upon damage to a property by misfortune or calamity, an owner may apply for a reassessment of that damaged property within 12 months of the misfortune or calamity if the county has an implementing ordinance. Such reassessments very often lead to a downward adjustment in the assessed value of the property, thereby ensuring that owners do not pay property taxes on portions of their property that are damaged or destroyed. A disaster is a qualifying type of misfortune or calamity, and victims of the 2025 LA Fires would be eligible to apply for reassessment. Similarly, under that provision of law, an assessor may proactively notify owners of damage or destruction to their property that entitles the property to a downward adjustment, but the owner must apply after the assessor's notice to receive the reassessment. Finally, if a county has not adopted an implementing ordinance, a county assessor may reassess a property suffering damage or destruction due to misfortune or calamity without application by the owner.

A reassessment due to misfortune or calamity is prorated based on the number of months in a year that the property was in its damaged state. Generally, property taxes are imposed as of the January 1 lien date, and provide revenue for the upcoming fiscal year. Thus, property taxes levied on the January 1, 2025 lien date correspond to revenues for the 2025-26 fiscal year, despite the lien date occurring in the 2024-25 fiscal year. In turn, existing law authorizes the application of a property's damaged value to the next fiscal year if the damage occurs after the January 1 lien date of that year, but before the next fiscal year. Relevant to this bill, the 2025 LA Fires occurred after January 1, 2025, but before the start of the 2025-26 fiscal year on July 1, 2025. Thus, property owners generally qualifying for misfortune and calamity relief under a county ordinance could retroactively use the damaged value of the property for taxation purposes in that taxable year despite the qualifying event occurring after the lien date for that taxable year, but only if a property owner applies or responds to an assessor's notice.

- c) *The problem and this bill:* As noted above, there are two provisions in this bill. The first is a simple extension of the time to rebuild a property damaged or destroyed by a disaster on the same site, without an owner's property taxes increasing. This additional time relieves property owners who may struggle to rebuild within the given period as victims of the LA fires simultaneously seek access to the same pool of material, labor, and services.

The second is less straightforward. Based on the description above, one might reasonably conclude that an assessor could already apply the damaged value of a LA Fire victim's property to the January 1, 2025 lien date. This area of the law, however, is not abundantly clear. The authorization for an assessor to automatically reassess a damaged or destroyed property applies in cases where when a county has not adopted an ordinance pursuant to the general misfortune and calamity relief provisions. LA County has such an ordinance, and it is unclear whether the LA Assessor may automatically apply the

damaged value of victims' properties to the January 1, 2025 lien date. This bill would explicitly make such an authorization.

d) *Related legislation:*

i) SB 603 (Niello) would extend by three years the existing five-year period to rebuild a damaged or destroyed property in the same county, and retain the base year value of the property prior to its damage or destruction for any county affected by a disaster declared by the Governor on or after January 1, 2025. SB 603 is set for a hearing by the Senate Committee on Revenue and Taxation on May 14.

ii) SB 663 (Allen) would extend by three years the time to rebuild a property damaged or destroyed by a disaster, as defined, while retaining that property's base year value prior to the disaster, and would authorize an assessor to determine the appropriate date of damage for purposes of reassessment after property is damaged or destroyed by misfortune or calamity, among other changes. SB 663 is set for a hearing by the Senate Committee on Revenue and Taxation on April 9.

e) *Previous legislation:* AB 1500 (Irwin), Chapter 583, Statutes of 2023, extended by three years the period to rebuild a property damaged or destroyed by the Camp or Woolsey Fires while still retaining the base year value of the property prior to damage.

REGISTERED SUPPORT / OPPOSITION:

Support

California Assessors Association
California Apartment Association
California Association of Realtors
California Federation of Teachers
Independent Insurance Agents and Brokers of California, Inc.
State Board of Equalization

Opposition

None on file

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