

Date of Hearing: April 21, 2025

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

AB 1516 (Committee on Revenue and Taxation) – As Introduced March 13, 2025

Majority vote. Fiscal committee.

SUBJECT: Real property taxation

SUMMARY: Makes technical, noncontroversial property tax law changes requested by county assessors. Specifically, **this bill:**

- 1) Imposes a three-year deadline to file a claim for the active solar energy system (ASES) new construction exclusion (ASES exclusion).
- 2) Applies the solar exclusion to the next lien date of the assessment year in which the claim is filed, if it is filed after the three-year deadline.
- 3) Makes this bill's provisions related to the ASES exclusion operative January 1, 2027.
- 4) Adds public schools to the list of eligible entities exempt from supplemental assessment, and the list of eligible entities entitled a refund for taxes paid on exempt property.
- 5) 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.

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) Authorizes the Legislature to exclude from the definition of "new construction" an ASES. (California Constitution, Article XIII, Section 2.) The Legislature implements this authority by defining an ASES, restricting the eligible use of an ASES, authorizes a builder's exclusion for the ASES exclusion, and repeals the ASES exclusion on January 1, 2027. The ASES exclusion may also be applied to the initial purchaser of an ASES. (Revenue and Taxation Code (R&TC) Section 73.)
- 4) Exempts from supplemental assessment when a property is acquired after the lien date in an assessment year certain entities eligible for various property tax exemptions, including colleges, churches, and cemeteries, among others. (R&TC Section 75.21.) An assessor is

required to refund or cancel any property taxes, penalties, or interest imposed on property owned by certain exempt-eligible entities, provided the entities file an appropriate application for exemption within a certain period. (R&TC Section 271.) Requires the issuing of an escape assessment for exempt property that is sold or transferred, and provides that a new exemption is available pursuant to the procedures in existing law. (R&TC Section 271.5.)

FISCAL EFFECT: A revenue estimate is pending by the State Board of Equalization.

COMMENTS:

- 1) The California Assessors' Association, writing in support of this bill, states, in part:

Consistent with existing law, this bill provides that for "newly constructed" construction or addition of an ASES an exclusion applies to the initial purchaser of a new building upon filing a claim with the assessor. This bill states that a claim filed after the three-year deadline would be applied beginning on the lien date for the assessment year in which the claim is filed. These provisions become operative January 1, 2027.

The second item covered by AB 1516 provides for the eligibility of exemptions for public schools to be applied to a supplemental assessment, as well as a proration on the fiscal year bill. This bill would add public schools to the list of entities eligible for the cancellation of any tax or penalty or interest on property acquired in a given calendar year after the lien date, but before the first day of the fiscal year commencing with that calendar year. This change will bring public schools into alignment with all other similar exemptions.

- 2) Committee Staff Comments:

- a) *Supplemental assessment exemption for tax-exempt properties:* Existing property tax law provides that certain properties used for certain purposes are exempt from property taxation. If an exempt entity purchases a property during the year, they are exempt from a supplemental assessment that would otherwise be required. Existing property tax law also provides that property used by public schools for educational purposes is exempt from taxation, but does not provide an exemption from supplemental assessment if that public school acquires exempt property before the next lien date. Additionally, existing property tax law limits the maximum amount of penalty that may be applied to certain property tax exempt entities that file a late claim for exemption.
- b) *ASES exclusion:* The ASES exclusion was constitutionally authorized by voters in 1980 when they approved Proposition 7, which amended the California Constitution to give the Legislature the authority to exclude from the definition of new construction an ASESs. Unlike the vast majority of other new constructions exclusions, the Legislature did not provide a deadline to file with the assessor a claim for the ASES exclusion after the ASES's construction.
- c) *This bill:* This bill makes two simple changes to the law requested by the California Assessors Association. The first change adds public schools to the list of exempt eligible entities that are excluded from supplemental assessment when acquiring exempt property in between property tax lien dates. The second change subjects claimants of the ASES exclusion to a three-year deadline. Claimants could still avail themselves of the

exclusion, but may only retroactively claim the exclusion for up to three years prior, beginning on the next lien date after application.

REGISTERED SUPPORT / OPPOSITION:

Support

California Assessors' Association

Opposition

None on file

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