

Date of Hearing: June 23, 2025

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

SB 603 (Niello) – As Amended May 7, 2025

Majority vote. Tax levy. Fiscal committee.

SENATE VOTE: 38-0

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

SUMMARY: Extends the eligible period to rebuild certain damaged or destroyed property on a different site in the same county. Specifically, **this bill:**

- 1) Authorizes a county board of supervisors to extend by three years the eligible period to transfer the base year value of a property damaged or destroyed by a disaster on a to a comparable replacement property rebuilt on a different site or acquired in the same county, while still retaining the original property's base year value.
- 2) Requires that, on or after January 1, 2025, an eligible property is one in a county that has been proclaimed by the Governor to be in a state of emergency, or otherwise determined or declared by the Governor to be in a state of disaster.
- 3) Prohibits reimbursement of any local agency for any lost property tax revenues resulting from this bill, and provides that no appropriation is made by this bill.
- 4) Takes immediate effect as a tax levy.

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) Requires the Legislature to provide that the base year value of a property substantially damaged or destroyed by a disaster, as declared by the Governor, may be transferred to comparable property within the same county that is acquired or newly constructed as a replacement for the substantially damaged or destroyed property. To qualify, a property must have suffered damage amounting to more than 50% of its value immediately before the disaster. (California Constitution, Article XIII, Section 2.) The Legislature implements this requirement by providing that the comparable replacement property must be built or acquired within five years of the qualifying disaster, and must have a full cash value of no

more than 120% of the full cash value of the damaged or destroyed property immediately prior to the disaster. For properties exceeding the 120% full cash value threshold, the excess value is added to the transferred base year value, and subject to taxation. (Revenue and Taxation Code Section 69.)

FISCAL EFFECT: The Senate Committee on Appropriations, in its analysis of this bill, states:

This bill would result in reduced property tax revenue compared to current law. However, the [State] Board of Equalization (BOE) indicates that the magnitude is indeterminable. Reductions in local property tax revenues, in turn, can increase General Fund Proposition 98 spending by up to roughly 50 percent (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). BOE would incur minor administrative costs to implement the provisions of the bill.

Committee staff notes that, despite the indeterminable magnitude of future disasters in this state, previous bills providing similar extensions to transfer base year values specific to certain fires qualified for this Committee's suspense file. Thus, this bill almost certainly exceeds the \$150,000 revenue loss threshold for this Committee's suspense file.

COMMENTS:

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

SB 603 authorizes the county board of supervisors of any county affected by a disaster declared by the Governor on or after January 1, 2025, to extend the [five-] year time period to transfer property tax base year values by up to 3 years for properties located in that county.

Existing property tax law already provides that the property tax base year value of real property that is substantially damaged or destroyed by a Governor declared disaster, may be transferred to a comparable property located within the same county that is acquired or newly constructed within [five] years after the disaster as a replacement property. This has been of benefit to homeowners who are navigating a very difficult time dealing with a disaster and the rebuilding process affecting their property.

Recent fire events have shown that [five] years is proving to be a difficult time line to get replacement property built. In recognition of this dilemma, the Legislature has extended the [five-] year period numerous times for disaster specific events to accommodate a longer period ([SB 303](#) – Borgeas 2021, [AB 556](#) – Gallagher 2023, [AB 157](#) – Anderson 2010 to name a few).

Given the unprecedented wildfires in the Los Angeles area this year, it is going to be a huge challenge to see any rebuilding completed in [five] years. It is time for the Legislature to consider allowing the local land and tax use authorities to make this decision on an on-going basis. Whether it is fire, floods, mudslides, earthquakes, local board[s] of supervisors are closer to the problems affecting their communities and can adjust the time-period if needed.

SB 603 creates a more logical option for local governments to use going forward. Allowing board of supervisors to use their local authority to push the amount of years for property tax base value transfers is more efficient than requiring legislation every time there is a disaster.

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

[A]s we have seen in the aftermath of recent catastrophic disasters, including the 2025 wildfires in the Palisades, Eaton, Hurst, Lidia, Sunset, and Woodley areas, the timeline for rebuilding or relocating can be far more protracted than anticipated. Supply chain disruptions, permitting delays, labor shortages, and insurance disputes have all contributed to lengthy and often unpredictable recovery periods.

SB 603 acknowledges these realities by authorizing county boards of supervisors to extend the five-year base year value transfer period by up to three additional years, when a Governor-declared disaster has occurred on or after January 1, 2025. This localized flexibility ensures that counties can respond to the unique conditions and recovery challenges faced by their communities, while still preserving the intent and integrity of Proposition 13 protections.

Importantly, SB 603 is structured to be permissive and narrowly tailored. It neither mandates nor broadly expands tax relief but rather empowers local officials—who are closest to the needs of their constituents—to make appropriate determinations within a clearly defined framework.

While the bill also specifies that the state will not reimburse local agencies for any revenue losses, we understand and accept this provision, recognizing that the bill's impact is modest and limited to disaster-affected jurisdictions.

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 clarify. 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.

Currently, when an owner's property is damaged or destroyed by a Governor-proclaimed disaster, that owner may build or purchase a comparable replacement property on another site in the same county within five years of the disaster, while still retaining the base year value of the property prior to the disaster. A property owner would be subjected to a significant property tax increase absent the base year value transfer permitted after a disaster.

- c) *This bill:* The Legislature has previously extended the existing five-year period to transfer the base year value of a substantially damaged or destroyed property to a comparable replacement property in the same county for discreet disasters. Among the disasters that the Legislature has extended the transfer period are the 2003 Cedar Fire, the 2018 Camp Fire, and the COVID-19 Pandemic.

This bill takes a slightly different approach than previous authorizations. Rather than limit this bill's extension to a specific event, this bill would authorize a county to provide a blanket three-year extension of the base year value transfer period to any property substantially damaged or destroyed by a qualifying disaster.

- d) *Related legislation:*

- i) AB 245 (Gipson) would, among other provisions, authorize a three-year extension to the new construction exclusion for property substantially damaged or destroyed by certain fires when rebuilt on the same site. AB 245 is pending a hearing by the Senate Committee on Revenue and Taxation.
- ii) SB 663 (Allen), would, among other provisions, authorize a three-year extension to the new construction exclusion for property substantially damaged or destroyed by certain fires when rebuilt on the same site. SB 663 is pending a hearing by this Committee.

- e) *Prior legislation:*

- i) AB 556 (Gallagher), Chapter 443, Statutes of 2023, extended by three years the five-year period to build a comparable replacement property on another site in the same county, while retaining the base year value of an eligible property substantially damaged or destroyed by the 2018 Camp Fire.
- ii) SB 303 (Borgeas), Chapter 540, Statutes of 2021, extended by two years the five-year period to build a comparable replacement property on another site in the same county, while retaining the base year value of an eligible property substantially damaged or destroyed during the COVID-19 pandemic.
- iii) AB 157 (Anderson), Chapter 341, Statutes of 2010, extended by two years the five-year period to build a comparable replacement property on another site in the same county, while retaining the base year value of an eligible property substantially damaged or destroyed by the 2003 Cedar Fire.

Support

California Apartment Association
California Assessors' Association
California Association of Realtors

Opposition

None on file

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