

Date of Hearing: June 23, 2025

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

SB 723 (Choi) – As Amended May 7, 2025

2/3 vote. Tax levy. Fiscal committee.

SENATE VOTE: 38-0

SUBJECT: Property taxation: exemption: low-value properties

SUMMARY: Increases the maximum exemption amount for low-value properties from \$10,000 to \$25,000 for lien dates occurring on or after January 1, 2026, and before January 1, 2036.

Specifically, **this bill:**

- 1) Provides that it is the intent of the Legislature to apply the requirements of Revenue and Taxation Code (R&TC) Section 41 to the maximum exemption amount and inflation adjustment factor.
- 2) Provides that the goal, purpose, and objective of this bill are to provide individuals relief from the increased tax burden due to rising costs.
- 3) Provides that the performance indicators for the Legislature to use when measuring whether this bill meets its goal shall be the amount of additional assessed value exempted and the number and type of taxpayers granted this expanded exemption.
- 4) Provides that, to assist the Legislature in determining whether the expanded exemption fulfills the goals of this bill, the State Board of Equalization (BOE) shall, to the extent data are available from county assessors, annually collect and report to the Legislature data from county assessors to quantify the additional amount of assessed value exempted and the number and type of taxpayers granted this expanded exemption.
- 5) Requires the BOE to report this information to the Legislature on or before June 1, 2027, and every June 1 thereafter. Such reports shall be submitted in compliance with Government Code Section 9795.
- 6) Provides that, notwithstanding R&TC Section 2229, no appropriation is made by this bill and the state shall not reimburse any local agency for any property tax revenues lost pursuant to this bill.
- 7) 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) Authorizes the Legislature, with the approval of two-thirds of the membership of each house, to allow a county board of supervisors to exempt from property taxation those properties having a full value too low to justify the costs of assessment and collection. This exemption is commonly referred to as the "low value" ordinance exemption. (California Constitution, Article XIII, Section 7.)
- 3) Limits, as a general matter, any exemption granted by a county board of supervisors under this authority to:
 - a) Real property with a total base year value, as adjusted annually for inflation, not exceeding \$10,000; or,
 - b) Personal property with a full value not exceeding \$10,000. (R&TC Section 155.20)
- 4) Limits any exemption for new construction to situations where the new total base year value of the property, as adjusted for inflation, including the new construction, is \$10,000 or less. (R&TC Section 155.20(e).)
- 5) Requires any bill that authorizes a tax expenditure to contain all of the following:
 - a) Specific goals, purposes, and objectives that the tax expenditure will achieve;
 - b) Detailed performance indicators for the Legislature to use when measuring whether the tax expenditure meets the goals, purposes, and objectives stated in the bill; and,
 - c) Specified data collection requirements to enable the Legislature to determine whether the tax expenditure is meeting, failing to meet, or exceeding those specific goals, purposes, and objectives. (R&TC Section 41.)

FISCAL EFFECT: The BOE notes the following in its staff analysis of this bill:

Total annual revenue loss is expected to be \$4.1 million. This revenue estimate is specific to property tax, and does not account for any potential economic changes or revenue shifts that might occur as a result of the potential exemption increase contemplated in this bill.

COMMENTS:

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

Currently, counties in California can set their own threshold for what qualifies as "low value" property, with the maximum threshold being set at \$10,000 of assessed value, per the California Revenue and Taxation Code [Section] 155.20. This applies to both real and personal property with minimal assessed values.

SB 723 would raise the maximum threshold for the Low Value Exemption from \$10,000 to \$25,000 of assessed value. Raising the threshold to \$25,000 would provide relief for small businesses by helping them reduce their tax burden and spur economic growth.

- 2) This bill is opposed by the California Teachers Association (CTA), which notes the following:

According to the Department of Finance, the state provided over \$91.5 billion in General Fund tax expenditures in 2024-25 (including income, sales and use, corporate and other taxes.) This number continues to grow each year. This revenue would have otherwise gone to the General Fund, of which approximately 39 percent would have gone toward Proposition 98 for K-14 education. Due to existing tax expenditures, approximately \$35 billion is redirected away from schools and community colleges each year.

While we understand these bills are well intended, CTA does not support this approach, as it would reduce overall funding for education. CTA believes Proposition 98 should be protected from reductions through the creation of new or expanding existing tax expenditures.

3) The BOE notes the following in its staff analysis of this bill:

- a) *County participation optional*: "The increase in the exemption amount authorized by this measure would only take effect if a county board of supervisors subsequently amended its ordinance to increase the exemption level above its current amount. According to BOE 2024-25 roll data, there are currently fifty-two counties (out of fifty-eight) with low-value ordinances. Eight counties have the \$10,000 maximum exemption. Thirty counties reported other exemption values, and the low-value property exemption amounted to \$164 million in 2024-25."
- b) *Counties determine their maximum exemption amount*: "Counties are charged with setting the appropriate level of the exemption. The manner of preparing the cost-benefit analysis in each county may vary. Where the analysis is identical, the actual break-even point will still likely vary because of unique cost factors in each respective county. In addition, the philosophies of the elected officials towards the low-value exemption, as well as its level, may affect whether an ordinance is adopted."
- c) *What types of property could qualify?* "Real property that could have a value less than \$25,000 includes mining or mineral rights, timeshare estates in timeshare projects, and leased tenant improvements. Personal property that could have a value under \$25,000 includes personal property used in a trade, profession or business, and boats, planes, and mobile homes."
- d) *State-county property tax administration loan program*: "In some contracts between the Department of Finance and counties, one element in approving the loan was a restriction against increasing the county's low-value exemption threshold."

4) Committee Staff Comments:

- a) *The Low Value Ordinance Exemption*: In November 1974, Proposition 8 modified various articles of the California Constitution relating to taxation to implement recommendations of the Constitution Revision Commission (Commission). Among other things, Proposition 8 established the low value ordinance exemption authorization by adding Section 7 to Article XIII of the California Constitution. At the time of Proposition 8's passage, many county assessors were simply not assessing certain property interests when the administrative costs of collection were outweighed by the potential revenues. As such, Proposition 8 sought to ensure that county assessors had clear authority for this administrative practice.

Under this authority, a county board of supervisors may exempt from property tax all real property with a base year value so low that, if not exempt, the total taxes, special assessments, and applicable subventions on the property would amount to less than the cost of assessing and collecting them. Similarly, a county board of supervisors may exempt personal property with a full value so low that it meets the same conditions. (R&TC Section 155.20(a).) Notwithstanding this, a county board of supervisors has no authority to exempt property with a base year or a full value of more than \$10,000, except as specified. (R&TC Section 155.20(b).) Additionally, a county board of supervisors may only use this authority to exempt new construction if the new total base year value, as adjusted, including the new construction, is \$10,000 or less. (R&TC Section 155.20(e).)

- b) *What would this bill do?* This bill would, until January 1, 2036, increase the general exemption limit from \$10,000 to \$25,000 for properties having a total base year value or a full value too low to justify the costs of assessment and collection of taxes, special assessments, and applicable subventions. The maximum limit for the low value ordinance exemption has been raised numerous times over the course of the exemption's history, being adjusted upwards approximately every 10 to 15 years. The last time this amount was increased was in 2009. Accounting for inflation, the \$10,000 limit set in 2009 would be equal to nearly \$15,000 today.
- c) *Technical considerations:*
- i) *Five-year sunset?* As noted above, this bill would increase the low value exemption cap for a period of 10 years. The Chair's policy on tax expenditures, however, provides that a bill before this Committee will not be eligible for a vote unless and until it contains an appropriate sunset provision of five years.¹ The author's office has indicated that they plan to take amendments shortening this bill's sunset date to comply with the Chair's policy.
- ii) *What happens when the increased exemption amount sunsets?* As noted above, this bill increases the cap for the low value exemption for a temporary period. As currently drafted, however, it is not clear what would happen if this increased cap were allowed to sunset. Would the exemption cap revert to its current amount of \$10,000? The author and Committee may wish to take amendments providing clarity on this point.
- iii) *BOE reporting forever?* To comply with R&TC Section 41, this bill requires the BOE to provide a report on the increased exemption on or before June 1, 2027, "and every June 1 thereafter". It is not clear to Committee staff, however, why this reporting requirement should extend beyond the sunset date for the increased exemption cap. The author and Committee may wish to consider amendments setting a final date for the BOE report commensurate with this bill's sunset date.
- d) *Previous legislation:*

¹ Tax expenditure measures providing relief to California veterans are eligible for a longer 10-year sunset provision.

- i) AB 1527 (Committee on Revenue and Taxation), Chapter 498, Statutes of 2024, extended the \$50,000 limitation increase applicable to possessory interests generally to lien dates occurring on or after January 1, 2020, and before January 1, 2030.
- ii) AB 1066 (Joe Patterson), of the 2023-24 Legislative Session, would have increased, for lien dates occurring on or after January 1, 2024, and before January 1, 2029, the low value exemption cap from \$10,000 to \$15,000. AB 1066 was held on the Assembly Committee on Appropriations' Suspense File.
- iii) AB 608 (Petrie-Norris), Chapter 92, Statutes of 2019, expanded the higher limit low value ordinance exemption of \$50,000 for certain possessory interests to include all possessory interests.
- iv) SB 822 (Committee on Revenue and Taxation), Chapter 204, Statutes of 2009, increased the general low value ordinance exemption limit from \$5,000 to \$10,000.

REGISTERED SUPPORT / OPPOSITION:**Support**

None on file

Opposition

California State PTA
California Teachers Association

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