

Date of Hearing: July 7, 2025

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

SB 663 (Allen) – As Amended June 30, 2025

2/3 vote. Urgency. Fiscal committee.

SENATE VOTE: 39-0

SUBJECT: Winter Fires of 2025: real property tax: exemptions and reassessment

SUMMARY: Modifies certain provisions related to disaster property tax relief. Specifically, **this bill:**

- 1) Extends by three years the five-year period to rebuild a "qualified property on the same site, if that property was substantially damaged or destroyed on or after January 1, 2025, but before February 1, 2025.
- 2) Defines a "qualified property" as a property substantially damaged or destroyed by the 2025 Palisades Fire, Eaton Fire, Hurst Fire, Lidia Fire, Sunset Fire, or Woodley Fire, or the 2024 Mountain Fire or Franklin Fire, for which the Governor proclaimed a state of emergency.
- 3) Permits a county board of supervisors to allow a property owner up to 24 months to claim misfortune and calamity relief.
- 4) Permits a county board of supervisors to authorize an assessor to determine the appropriate date of damage for the purposes of reassessment pursuant to misfortune or calamity relief.
- 5) Expands the type of misfortune or calamity qualifying for relief to include an emergency proclamation by the Governor.
- 6) Requires that property impacted by the 2025 Palisades Fire, Eaton Fire, Hurst Fire, Lidia Fire, Sunset Fire, or Woodley Fire, or the 2024 Mountain Fire or Franklin Fire, for which the Governor proclaimed a state of emergency, be deemed to be used exclusively for the exempt purpose until the property has been replaced, new construction has been completed on the property, or the property has returned to its prior use. A property benefitting from this consideration must have received an exemption for the 2025 calendar year, and cannot currently be used for the exempt purpose due to damage from the stipulated fires. This requirement remains operative for lien dates occurring on or before January 1, 2033, and is repealed as of December 31, 2033.
- 7) Deems property to be a disabled veteran's principal place of residence if the dwelling on the property was completely destroyed in a disaster for which the Governor proclaimed a state of emergency, and satisfies all of the following:
 - a) The property qualified as the veteran's principal place of residence prior to the commencement date of the disaster;

- b) The property has not changed ownership since the commencement date of the disaster; and,
- c) The veteran intends to reconstruct a dwelling on the property and occupy the dwelling as their principal place of residence when it is possible to do so.

A property that receives an increased exemption amount because of a disabled veteran's household income must still file an annual income verification with the assessor.

- 8) Finds and declares that this bill is necessary as a special statute because of the devastating wildfires and displacement of residents in the Counties of Los Angeles and Ventura.
- 9) Provides that no reimbursement is required by this bill for certain costs that may be incurred by a local agency or school district because this bill creates a new crime or infraction, eliminates a crime or infraction, changes the penalty for a crime or infraction, or changes the definition of a crime or infraction.
- 10) Requires reimbursement of local agencies and school districts for mandated costs, if the Commission on State Mandates determines that this bill contains costs mandated by the state.
- 11) Provides that no appropriation is made by this bill, and prohibits the state from reimbursing any local agency for any lost property tax revenues resulting from this bill.
- 12) Takes immediate effect as an urgency measure, provides and that this urgency is necessary to provide immediate economic relief to victims of the recent wildfires in the Counties of Los Angeles and Ventura.

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) Exempts from taxation property used:
 - a) For libraries and museums that are free and open to the public and property used exclusively for public schools, community colleges, state colleges, and state universities;
 - b) Exclusively for educational purposes by a nonprofit institution of higher education;
 - c) Exclusively for religious worship;
 - d) Exclusively for the permanent deposit of human dead or for the care and maintenance of the property or the dead, if the property is not used or held for profit; and,
 - e) For growing crops. (California Constitution, Article XIII, Section 3.)

- 4) Authorizes the Legislature to partially or entirely exempt property used exclusively for religious, hospital, or charitable purposes and owned or held in trust by corporations or other entities that are organized and operating for those purposes, that are nonprofit, and where no part of net earnings inures to the benefit of any private shareholder or individual. (California Constitution, Article XIII, Section 4.) The Legislature implements this authority by exempting property used exclusively for the above purposes, and including scientific purposes as eligible welfare exempt purposes. The Legislature further provides that additional uses are within the welfare exemption, including the provision of rental housing to low-income households at affordable rates. (Revenue and Taxation Code (R&TC) Section 214.)
- 5) 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 A, 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.)
- 6) Authorizes the Legislature to partially or entirely exempt the home of a person or a person's spouse, including an unmarried surviving spouse, if the person has specified injuries as a result of certain military service. This exemption is called the "disabled veterans' exemption" (California Constitution, Article XIII, Section 4.) The Legislature implements this authority by exempting \$100,000 of a disabled veterans' principal place of residence, or \$150,000 if the disabled veteran is low-income, as defined. A low-income property owner receiving the exemption must annually verify their status as low-income with the county assessor. (R&TC Section 205.5.)
- 7) Exempts \$7,000 of the full value of a dwelling, as defined by the Legislature, when occupied by an owner as their principal residence. This is called the "homeowner's exemption," and may not be applied to a dwelling that is benefitting from a separate real property tax exemption. (California Constitution, Article XIII, Section 3.) The Legislature implements the homeowner's exemption by allowing a property to maintain the exemption if it is damaged or destroyed, as specified, and the owner intends to occupy or rebuild that dwelling and maintain that dwelling as their principal residence. (R&TC Section 218.)
- 8) 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, including a major misfortune or calamity in an area or region subsequently proclaimed by the Governor to be in state of disaster. A property must have suffered at least \$10,000 in damages to qualify, and the reduction in assessed value cannot exceed the loss. (R&TC Section 170.)
- 9) Implements various provisions governing the definition of taxable and exempt property. (R&TC Section 201 *et seq.*)

FISCAL EFFECT: The State Board of Equalization estimates that this bill would reduce annual property tax revenues by an estimated \$184 million. Committee staff notes that due to

the potential impact to the General Fund resulting from the intersection of this bill's provisions, and the provisions of Proposition 98, this bill qualifies for this Committee's suspense file.

COMMENTS:

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

The January 2025 fires in Southern California were together the most destructive in California history, damaging or destroying over 18,000 structures and leaving thousands of families displaced. Lessons learned from prior disasters show that property tax relief and flexibility for victims will be needed. As homeowners navigate the trauma of losing their homes and securing temporary housing, filing misfortune and calamity claims within the existing twelve-month deadline may be difficult for many. The current five-year timeline to rebuild and transfer the base tax year of the original home is also likely to be too short for many of the victims to utilize. Rebuilding after a disaster is a complex task, and residents must grapple with insurers, competition for contractors, and permitting. Current law also lacks flexibility for property tax relief for entities like churches and other nonprofits after a disaster. Institutions damaged or destroyed by the fires are at risk of losing property tax exemptions since the property can no longer be used for the qualified purpose. This could create significant unanticipated financial liability for these organizations who are themselves struggling to recover after the disaster.

SB 663 will address these problems to provide immediate tax relief and ease the recovery and rebuild for Los Angeles wildfire victims.

- 2) The California Apartment Association (CAA), writing in support of a previous, but substantially similar, version of this bill, states, in part:

On behalf of the members of the [CAA], I am writing to extend CAA's continued support for SB 663, your bill that would, among other things, extend from 5 years to 8 years the amount of time property owners have to rebuild and retain their original property tax base year value if their property was substantially damaged or destroyed by wildfires that occurred in Los Angeles and Ventura Counties in calendar years 2024 and 2025.

This includes damage caused by the 2025 Palisades, Eaton, Hurst, Woodley and Sunset Fires. The bill would apply to the determination of base year property values starting in the 2025–26 fiscal year and beyond.

- 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) *Executive Order (E.O.) N-13-25*: On January 20, 2025, the Governor signed E.O. N-13-25, which reiterated that the proclamation of a state of emergency related to certain fires in Los Angeles and Ventura Counties remained effective, except as modified or withdrawn in subsequent E.O.s. That E.O. further describes suspension of various provisions of law, including those necessary to expedite debris removal and some related to stabilizing upland slopes or hillsides to address the risks of landslides and mudslides.
- c) *Operation of property tax relief after disaster in existing law*: California law provides property owners with 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.

- d) *Property tax exemptions*: State constitutional and statutory provisions authorize various exemptions from property taxation for the use of certain property by certain organizations. Depending on the type of exemption, a property may qualify based only on its owner, only on its use, or on a combination of its use and the owner. For instance, property owned by a local government is entirely exempt, regardless of its use. Meanwhile, certain property is only eligible for an exemption based on its use, like public school property. Finally, some property must be owned by certain entities, and used for the exempt purpose, such as property owned by certain nonprofit entities that is rented at affordable rates to low-income households. The statutory provisions governing these exemptions are contained in Chapter 1, Part 2, Division 1 of the R&TC.
- e) *Homeowner's exemption and disabled veterans' exemption*: Existing law authorizes an exemption for all homeowners and an exemption for disabled veterans. The California Constitution prohibits any other exemption from applying to a property that has either the disabled veterans' exemption or homeowner's exemption. Thus, a property owner may not have both exemptions apply to the same property at the same time.

Despite their mutually exclusive application, the treatment of these exemptions operates differently post-disaster. If a property benefitting from the homeowner's exemption is damaged by misfortune or calamity or destroyed by disaster for which the Governor has proclaimed an emergency, then the person is deemed to occupy the dwelling as their principal place of residence, subject to certain restrictions. The disabled veterans' exemption provides no such consideration.

- f) *This bill:* As currently drafted, this bill modifies four areas of property tax law related to disaster relief. The first area of property tax law relates to the transfer of a property's base year value after being damaged or destroyed in a disaster. This bill would provide a three-year extension to the five-year deadline to rebuild the damaged or destroyed property.

The second area modified by this bill relates to misfortune or calamity relief. This bill would permit a county board of supervisors to authorize an assessor to determine the appropriate date of damage for that relief, add the proclamation of a state of emergency by the Governor to the types of misfortune or calamity from which a property eligible for relief may suffer, and extend from 12 months to 24 months the maximum time a county board of supervisors may authorize for a property owner to claim relief.

The third area relates to the disabled veteran's exemption. This bill would deem property benefitting from the disabled veterans' exemption as still occupied by a disabled veteran if the dwelling on the property was damaged or destroyed by a disaster in an area of the state for which the Governor has proclaimed a state of emergency. This modification is similar to the existing relief available to property benefitting from the homeowner's exemption.

The fourth area governs the implementation of various property tax exemptions. This bill would provide that any property receiving an exemption in the 2025 calendar year and damaged by certain fires in Los Angeles and Ventura Counties is deemed to be used exclusively for the exempt purpose. This authorization remains operative for lien dates occurring on or before January 1, 2033.

- g) *Assessor's determination of date of damage:* Generally, in property tax law, an assessor relies on the Governor's proclamation of a state of emergency and the dates bounding that emergency to determine an appropriate date of damage for impacted properties. Unlike E.O.s that typically define a set of dates for the qualifying disaster, E.O. N-13-25 provided that existing emergency proclamations remain effective for Los Angeles and Ventura Counties until a subsequent E.O. withdraws or amends the proclamation. As such, the author contends that the respective county assessors do not have a date, or bracket of dates, certain on which the property is considered damaged or destroyed. Thus, the author wishes to provide county board of supervisors the discretion to authorize an assessor to determine the appropriate date of damage occurring on a property for the purposes of misfortune and calamity relief.
- h) *Property used for exclusive purposes:* This bill would provide that any property receiving a property tax exemption for the 2025 calendar year is deemed to be used exclusively for the exempt purpose if the property was damaged by certain fires and is no

longer being utilized exclusively for the exempt purpose because of that damage. The California Constitution generally provides for property that may be exempt from taxation. Many of these exemptions require that the property be used exclusively for certain purposes. While the courts have provided that use restrictions are not to be construed strictly, there is no doubt that the property must be subject to an exempt use, as applicable. Thus, this bill may be subject to legal challenge.

Additionally, this provision would authorize this treatment for a period of eight years, in violation of this Committee's policy governing tax expenditures. While property benefitting from these exemptions would otherwise qualify for exemption were it not for the damage preventing their use for the exempt purpose, the dispensation proposed by this bill is not existing law, and would authorize a new tax expenditure. The author's office notes that the eight-year timeline is for the purposes of aligning with the extension to rebuild on the same site elsewhere proposed in this bill. The Committee may wish to consider whether suspending this Committee's policy to align deadlines proposed in this bill is warranted.

- i) *Immobile object, unstoppable force*: As currently drafted, this bill and AB 245 (Gipson) propose to extend by three years the five-year deadline to rebuild on the same site a property damaged or destroyed by disaster. Should this bill continue through the legislative process, it should be amended to avoid a conflict with AB 245.
- j) *Definition of qualified property*: As currently drafted, this bill would limit the period that damage must occur to qualify for this bill's three-year extension of the base year value transfer provisions, but provide that a qualified property includes property damaged or destroyed by fires not occurring on those dates. This bill should be amended to appropriately align eligibility requirements.
- k) *Drafting error*: On Page 13, Line 36, when modifying the disabled veterans' exemption, the term "as" should be substituted for the term "was."
- l) *Related legislation*: AB 245 (Gipson) would extend by three years the five-year deadline to rebuild on the same site a property damaged or destroyed by disaster. AB 245 is scheduled to be heard by the Senate Committee on Revenue and Taxation on July 9, 2025.

REGISTERED SUPPORT / OPPOSITION:

Support

California Apartment Association

Opposition

None on file

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