

Date of Hearing: July 7, 2025

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

SB 863 (Committee on Revenue and Taxation) – As Amended June 27, 2025

Majority vote.

**SENATE VOTE:** 37-0

**SUBJECT:** Taxation

**SUMMARY:** Makes various technical and conforming changes to the Revenue and Taxation Code (R&TC) relating to the administration of property taxes, district tax ordinances, and cigarette and tobacco products taxes. Specifically, **this bill:**

- 1) Provides that a property tax remittance (payment) sent by mail is deemed to be received on the date it is received by the county treasurer-tax collector if there is no date shown on the post office cancellation mark stamp or packing slip attached to the outside of the envelope or package containing the remittance.
- 2) Authorizes a county tax collector, when selling a tax-defaulted property at public auction, to reduce the minimum price for the property below the price approved in the resolution by the county's Board of Supervisors when any of the following occur:
  - a) A partial redemption has been made under R&TC Section 4131;
  - b) A partial cancellation has been made under R&TC Section 4985 after that price was fixed by not more than the ratio that the delinquency on the portion so redeemed or canceled bears to the delinquency upon the whole; or,
  - c) The total amount necessary to redeem is decreased due to the removal or reduction of default taxes resulting from the removal or reduction of a special assessment or a direct charge against the property.
- 3) Changes the operative date of a new district ordinance from the first day of a calendar quarter commencing more than 110 days after the adoption of the ordinance to the first day of a calendar quarter commencing more than 110 days after the election where the ordinance proposing the tax was voted on.
- 4) Updates references under the Cigarette and Tobacco Products Tax Law from the "State Board of Equalization" or "board" to the "California Department of Tax and Fee Administration" or "department," as applicable, to reflect the transfer of the board's duties, powers, and responsibilities to the department.

**EXISTING LAW:**

- 1) Provides that a mailed property tax payment is deemed to be received on the date shown by the post office cancellation mark stamped upon the envelope containing the payment, or the

independent delivery service shipment date shown on the packing slip or air bill attached to the outside of the envelope or package containing the payment, if the payment is received by the taxing agency no later than 5 p.m. on the next business day after the effective delinquent date. (R&TC Section 2512.)

- 2) Authorizes a county tax collector, when certain conditions are met, to sell tax-defaulted property via a public auction or by sealed bid and requires the property be sold to the highest bidder at the time and place fixed for sale, unless a partial redemption or cancellation has occurred. (R&TC Sections 3691, 3692, 3694, and 3706.)
- 3) Provides that a district tax ordinance becomes operative no sooner than the first day of the first calendar quarter commencing more than 110 days after the ordinance's adoption. (R&TC Section 7265.)
- 4) Establishes the Cigarette and Tobacco Products Tax Law. (R&TC Section 30101 *et seq.*)

**FISCAL EFFECT:** None

**COMMENTS:**

- 1) The Senate Committee on Revenue and Taxation has submitted the following statement in support of this bill:

This year, the Senate Committee on Revenue and Taxation introduced SB 863 to make technical, non-controversial changes to improve tax administration suggested by the California Department of Tax and Fee Administration (CDTFA) and the California Association of County Treasurers and Tax Collectors. SB 863 combines noncontroversial statutory changes into one single bill. Moving these proposals as separate bills, even if technical and noncontroversial, through the legislative process would be much less efficient than consolidating them into one measure. Committee staff distributed these proposals to affected parties to review each proposal before including it in the bill. Should anyone object to an item in the bill, it will be removed.

- 2) In support of this bill, the California Association of County Treasurers and Tax Collectors notes, in part:

Existing property tax law specifies the date on which a remittance to a taxing agency is deemed to be received, depending on the method of delivery, as provided, including for items mailed with an official postmark. However, in instances where a property tax remittance is mailed without an official postmark, current law creates confusion about when the payment is considered "received" by the taxing agency. In other words, without a postmark, there are often disputes or delays in crediting payments to a taxpayer's account.

Additionally, existing property tax law authorizes a tax collector to sell property that has become tax defaulted and has not been redeemed. Existing law also requires the tax collector to sell the property at a public auction to the highest bidder and prohibits the tax collector from accepting an offer less than the minimum price approved, except that the tax collector may reduce the minimum price if there has been a partial redemption or partial cancellation. Yet, this limited flexibility, for tax collectors to reduce the minimum

sale price, often results in a property not being sold or remaining unsold, even though the tax collector could have accepted a lower bid.

CACTTC is proud to co-sponsor and support SB 863 because it will provide tax collectors the ability to credit the remittance against any amount due as of the date the remittance is received, thereby offering greater clarity and ensuring a fair and transparent process for taxpayers. CACTTC also supports SB 863 because it will authorize a tax collector to reduce the minimum price where the minimum necessary to redeem is decreased due to the removal or reduction of defaulted taxes resulting from the removal or reduction of a special assessment or a direct charge against the property. SB 863 provides tax collectors with a more practical approach to resolving tax-defaulted properties by offering much-needed flexibility in property tax auctions. This helps ensure that properties are sold at fair and reasonable prices, particularly in situations where a portion of the delinquency has been mitigated.

### 3) Committee Staff Comments:

- a) *Postmarks*: The United States Postal Service (USPS) utilizes strict mail processing policies – including postmarking – to improve efficiency and prevent disputes between senders and recipients. A postmark is an official USPS imprint applied to mail upon initial acceptance to indicate the date, place, and postage validity at a glance. The postmark is generally applied, either by machine or by hand, with cancellation bars that are meant to prevent postage from being re-used. Taxpayers who send their payments by mail are cautioned that the USPS only postmarks certain mail depending on the type of postage used. Additionally, the USPS may not postmark mail on the same day it is deposited by a taxpayer.<sup>1</sup>

This bill provides a clarification in situations where a mailed property tax payment does not have a postmark or packing slip, which has led to disputes between taxpayers and tax collectors. By clarifying that payments that do not have a dated postmark or packing slip are considered received when they are actually received by the tax collector, this bill seeks to reduce disputes and ensure consistent application of the law for taxpayers.

- b) *Tax-defaulted property sales*: Property becomes tax-defaulted land if the property taxes remain unpaid, typically as of 12:01 a.m. on July 1. Property that has become tax-defaulted after five years (or three years in the case of property that is also subject to a nuisance abatement lien) becomes subject to the county tax collector's power to sell in order to satisfy the defaulted property taxes. This process is commonly referred to as a "Chapter 7 Tax Sale".

The county tax collector must attempt to sell the property within four years of becoming subject to sale. The county tax collector may offer the property for sale at public auction, a sealed bid sale, or a negotiated sale to a public agency or qualified nonprofit organization. If no bids are received at a tax sale, an attempt must be made to sell the property at intervals of no more than six year, until it is sold.

---

<sup>1</sup> *Avoid Penalties by Understanding Postmarks*, San Joaquin County Treasurer-Tax Collector.  
<https://www.sjgov.org/departments/ttc/tax/general-tax/understanding-postmarks>.

Public auctions are the most common way of selling tax-defaulted property. The auction is conducted by the county tax collector, and the property is sold to the highest bidder.

Tax-defaulted properties rendered unusable by their size, location, or other condition, may be offered under a sealed bid to owners of contiguous properties or to holders of a predominant easement or right-of-way easement. After the tax collector notifies eligible bidders of a sealed bid, the bidders respond by mail with a bid price and the highest bidder purchases the property.

County tax collectors are required to notify the State Controller's Office "not less than 45 days nor more than 120 days before the proposed sale." Additionally, R&TC Section 3702 requires the tax collector to publish the intended sale three times in a newspaper of general circulation within the county, at least three weeks prior to the tax sale.

- c) *District tax ordinance operative dates:* The Transactions and Use Tax Law and Additional Local Taxes provisions authorize cities and counties (and special purpose entities) to impose district taxes under specified conditions. Counties may impose a district tax for general or specific purposes at a rate of 0.125%, or multiples of 0.125% if the required percentage of county voters approves the ordinance imposing the tax. Cities may also impose a district tax for general or specific purposes at a rate of 0.125%, or multiples of 0.125%, if the required percentage of city voters approves the ordinance imposing the tax. Cities, counties, and special purpose entities must contract with the CDTFA to administer the adopted ordinances.

Existing law provides that a district tax ordinance becomes operative no sooner than the first day of the first calendar quarter commencing more than 110 days after the ordinance's adoption. Historically, cities and counties have generally adopted district tax ordinances on the election date. This provision was intended to allow the CDTFA sufficient time to prepare to administer the new district tax. However, in recent years, more cities and counties have adopted ordinances at various times following voter approval.

These delayed adoptions have led to commensurate delays in administration of newly adopted district taxes. For example, the City of Grass Valley obtained voter approval for a district tax on March 5, 2024, and requested an operative date of July 1, 2024. However, the ordinance was not adopted until April 9, 2024, less time than was required by law for the tax to become operative on July 1. Accordingly, the CDTFA was forced to delay the operative date to October 1, 2024, delaying expected revenues.<sup>2</sup>

Basing the timeline to make a district tax operative on the date of adoption creates confusion for local governments, reduces their expected revenues if adoption is delayed, and increases disputes with the CDTFA over the operative date. Additionally, 110 days after the election date is generally sufficient lead time for CDTFA to begin administration

---

<sup>2</sup> McCall, *Measure B Tax Collection Date - What was Behind the Change?*, Sierra Thread (July 2025). <https://www.sierrathread.com/thread/measure-b-tax-collection-date-what-was-behind-the-change>.

of the new district tax.

This bill changes the operative date of a new district ordinance from the first day of a calendar quarter commencing more than 110 days *after the adoption of the ordinance* to the first day of a calendar quarter commencing more than 110 days *after the election on the ordinance* proposing the tax.

- d) *Taxpayer Transparency and Fairness Act of 2017*: AB 102 (Committee on Budget), Chapter 16, Statutes of 2017, shifted the responsibility of collecting and administering various excise taxes from the Board of Equalization to the newly created CDTFA, including the Cigarette and Tobacco Products taxes. This bill simply updates references from the "State Board of Equalization" or "board" to the "California Department of Tax and Fee Administration" or "department," as applicable, to reflect the transfer of the board's duties, powers, and responsibilities to the department.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

California Association of County Treasurers and Tax Collectors

##### **Opposition**

None on file

**Analysis Prepared by:** Wesley Whitaker / REV. & TAX. / (916) 319-2098