

Date of Hearing: March 16, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

AB 1668 (Pellerin) – As Introduced January 29, 2026

Majority vote. Tax levy. Fiscal committee.

SUBJECT: Property tax: welfare exemption

SUMMARY: Extends the sunset date of the welfare property tax exemption for property used exclusively for the preservation of specified natural resources and open-space lands by five years. Specifically, **this bill**:

- 1) Extends the January 1, 2027 inoperative date, and the January 1, 2028 repeal date, of the welfare property tax exemption for property that is used exclusively for the preservation of specified natural resources and open-space lands by five years to January 1, 2032, and January 1, 2033, respectively.
- 2) Takes immediate effect as a tax levy.

EXISTING FEDERAL LAW defines an organization that is organized and operated exclusively for certain purposes, and not for the benefit of private interests, where no part of the organization's net earnings inure to the benefit of any private shareholder or individual, as exempt from taxation. These tax-exempt organizations are commonly referred to as "non-profit organizations," and are generally taxed on business income unrelated to their exempt activities. (Internal Revenue Code Section 501.)

EXISTING STATE LAW:

- 1) Provides that all property is taxable unless otherwise provided by the California Constitution or federal law. (California Constitution, Article XIII, Section 1.)
- 2) Authorizes the Legislature to exempt from taxation certain property that is irrevocably dedicated to religious, hospital, scientific, or charitable purposes, if the property is used for the actual operation of the exempt activity and is owned by a qualified nonprofit organization. (California Constitution, Article XIII, Section 4.)
- 3) Exempts property that is used exclusively for the preservation of native plants or animals, biotic communities, geological or geographical formations of scientific or educational interest, or open-space lands used solely for recreation and for the enjoyment of scenic beauty that are open to the general public subject to reasonable restrictions concerning the needs of the land. Property used for an eligible purpose that is owned and operated by a scientific or charitable fund, foundation, limited liability company, or corporation with the primary interest of preserving those natural areas and that complies with general requirements of the welfare exemption is deemed exempt. The exemption does not apply to property reserved for future development, and to a non-profit organization that owns more

than 30,000 acres in a single county, if that nonprofit is not fully independent from the owner of adjacent taxable lands. This exemption is commonly referred to as the "natural resources and open-space lands welfare property tax exemption." (Revenue and Taxation Code (R&TC) Section 214.02.)

FISCAL EFFECT: The State Board of Equalization (BOE) estimates a property tax revenue loss of approximately \$6.5 million.

COMMENTS:

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

For more than 40 years, the welfare tax exemption has proven an important tool in protecting habitat for some of California's unique flora and fauna, and for providing recreational opportunities and natural beauty to Californians. AB 1668 extends the property tax exemption for open lands from 2027 to 2033 so that land trusts can continue doing the important work of preserving and maintaining open space.

- 2) A collection of land trusts and environmental advocacy groups, writing in support of this bill, state, in part:

Existing property tax law has acknowledged the value of this charitable service since 1971, affording these lands with an exemption from property taxes. This exemption has allowed non-profit organizations to focus their limited funds on the long-term stewardship of these important lands, and in many cases on providing the public with educational programs not offered anywhere else.

- 3) Committee Staff Comments:

- a) *Preserving legislative history:* The natural resources and open-space lands welfare property tax exemption was enacted by the Legislature in 1971. Specifically, the enactment of this exemption arose from a report issued by this Committee in 1970. According to the opinion issued by the appellate court in the case of *Santa Catalina Island Conservancy v. County of Los Angeles* (1981):

The legislative history behind the enactment of [R&TC] Section 214.02 is clear. In 1970, the Assembly Committee on Revenue and Taxation held hearings and conducted studies to investigate alternative tax policies which would have a positive environmental influence on the future of the state. The staff report to the committee concluded that, due to an over-reliance on property tax revenues, local governments were reluctant to preserve open space areas, recreational areas, and ecologically valuable areas. [...] Among the conclusions reached in the staff report was the following: "The property tax exemption provided under existing welfare exemption should be broadened to include environmentally oriented nonprofit organizations that are preserving ecologically valuable areas."¹

¹ *Santa Catalina Island Conservancy v. Cty. of L.A.*, 126 Cal. App. 3d 221, (1981), 237-238.

The exemption was limited to non-profit organizations engaged in eligible conservation activities. An analysis by this Committee of AB 703 (Gordon), Chapter 575, Statutes of 2011, states that according to staff at the BOE:

[T]he intent of the original legislation enacting R&TC Section 214.02 was to assist nonprofit organizations that purchased open-space and similar lands, held the lands temporarily, and then sold or donated the lands to public agencies for permanent use as park facilities. A sunset date was included in the original legislation as a result of a Senate Revenue and Taxation Committee hearing to ensure that the charitable organizations sold or donated the lands rather than hold them indefinitely. Since that time, it appears that many charitable organizations may be the permanent owners of lands due, in part, to the limited ability of public agencies to acquire additional parklands.

This exemption has been extended numerous times over the course of its 50 years in operation, with the latest extension occurring in 2021 to the current inoperative date of January 1, 2027.

- b) *This bill*: As currently drafted, this bill would simply extend the existing inoperative and repeal dates for the natural resources and open-space lands welfare property tax exemption by five years, to January 1, 2032 and January 1, 2033, respectively. There are no other proposed changes to existing law in this bill.
- c) *What is a "tax expenditure"?* Existing law provides various credits, deductions, exclusions, and exemptions for particular taxpayer groups. In the late 1960s, United States Treasury officials began arguing that these features of the tax law should be referred to as "expenditures" since they are generally enacted to accomplish some governmental purpose and there is a determinable cost associated with each of them (in the form of forgone revenues). This bill would extend an existing property tax expenditure under the welfare exemption, thereby constituting a tax expenditure.
- d) *Committee's tax expenditure policy*: SB 1335 (Leno), Chapter 845, Statutes of 2014, added R&TC Section 41, which recognized that the Legislature should apply the same level of review used for government spending programs to tax credits introduced on or after January 1, 2015. AB 263 (Burke), Chapter 743, Statutes of 2019, extended the requirements in R&TC Section 41 to all tax expenditure measures under the Personal Income Tax Law, the Corporation Tax Law, and the Sales and Use Tax Law introduced on or after January 1, 2020. This Committee's policy is to treat all tax expenditures similarly, and requires that all proposed property tax expenditures likewise comply with R&TC Section 41.

A tax expenditure proposal must outline specific goals, purposes, and objectives that the tax expenditure will achieve, along with detailed performance indicators for the Legislature to use when measuring whether the tax expenditure meets those stated goals, purposes, and objectives. In addition to the R&TC Section 41 requirements, this Committee's policy also requires that all tax expenditure proposals contain an appropriate

sunset provision to be eligible for a vote². Sunsets are required because eliminating a tax expenditure generally requires a 2/3rd vote. These requirements must be satisfied before a bill can receive a vote in this Committee. This bill contains a five-year sunset, but does not comply with the requirements of R&TC Section 41.

e) *Prior legislation:*

- i) SB 825 (Committee on Governance and Finance), Chapter 433, Statutes of 2021, extended the natural resources and open-space lands welfare property tax exemption by five years to the existing inoperative date of January 1, 2027, and repeal date of January 1, 2028.
- ii) AB 703 (Gordon), Chapter 575, Statutes of 2011, extended the natural resources and open-space lands welfare property tax exemption by ten years.

REGISTERED SUPPORT / OPPOSITION:

Support

California Council of Land Trusts
Center for Natural Lands Management
Feather River Land Trust
Land Trust for Santa Barbara County
Mendocino Land Trust
Placer Land Trust
Redwood Coast Land Conservancy
Siskiyou Land Trust
The Trust for Public Land
Western Alliance for Nature

Opposition

None on file

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² An "appropriate sunset provision" shall mean five years, except in the case of a tax expenditure measure providing relief to California veterans, in which case "appropriate sunset provision" shall mean 10 years.