

AMENDED IN ASSEMBLY APRIL 24, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 1013

Introduced by Assembly Member Leonard

February 23, 2001

An act to amend ~~Sections 64 and 480.1~~ of *Section 64* of, and to add *Section 480.8* to, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1013, as amended, Leonard. Property taxation: change in ownership.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, “full cash value” is defined as the assessor’s valuation of real property as shown on the 1975–76 tax bill under “full cash value” or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred. Existing law also specifies those circumstances in which the transfer of ownership interests in a corporation, partnership, limited liability company, or other legal entity results in a change in ownership of the real property owned by that entity, and generally provides that a change in ownership as so described occurs when a legal entity or other person obtains a controlling or majority ownership interest in the legal entity. Existing law also requires the legal entity or other person that obtains a controlling or majority interest in a legal entity to file a change in ownership statement under penalty of perjury.

This bill would instead specify that any transfer of voting stock or other ownership interests of a corporation, ~~partnership, or other legal entity that is subject to the filing requirements of the United States Securities and Exchange Commission~~ is a change in ownership of the real property controlled either directly or indirectly by that ~~legal entity corporation~~, if that transfer results in the transfer, whether individually or cumulatively since the last change in ownership of the real property controlled either directly or indirectly by that ~~legal entity corporation~~, of more than 50% of the ownership interests in that ~~entity corporation~~. This bill would also authorize the State Board of Equalization and local property tax assessors to examine ~~public records of data from the federal Securities and Exchange Commission relating to~~ transfers of ownership interests in ~~legal entities corporations that are registered with that commission~~ to determine whether a change in ownership of the real property of a ~~legal entity corporation~~ has occurred. ~~This bill would also require agents, as provided, of legal entities to file changes in ownership statements under penalty of perjury whenever a legal entity undergoes a change in ownership under the bill. By expanding the classes of persons that must file change in ownership statements under penalty of perjury, this bill would create a new crime and thus create a state-mandated local program.~~

~~The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that no reimbursement is required by this act for a specified reason.~~

This bill would result in a change in state taxes for the purpose of increasing state revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of $\frac{2}{3}$ of the membership of each house of the Legislature.

This bill would take effect immediately as a tax levy.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes. State-mandated local program: ~~yes~~ no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature hereby finds and declares all of
- 2 the following:



1 (a) Because of assessment anomalies, it has long been predicted
2 that an increasing share of the property tax burden would shift to
3 homeowners. For many years, this had not occurred; however,
4 during the latter half of the last decade, a significant shift occurred.
5 According to the State Board of Equalization, the share of the
6 property tax burden that is borne by homeowners has risen steadily
7 from 32.8 percent in the early 1990's to 38.2 percent for
8 1999–2000; a remarkable shift in a few short years. Preliminary
9 numbers indicate that residential rental property maintained its
10 relative share of the tax burden at about 25 percent of the roll, while
11 commercial values declined as a percentage of the property tax
12 burden (37 percent). The Public Policy Institute of California is in
13 the process of determining the breakdown of 'commercial' land
14 use.

15 (b) It is the intent of the Legislature in enacting this act to
16 eliminate the anomalies in the assessment of property of California
17 businesses for property tax purposes.

18 (c) It is the further intent of the Legislature in enacting this act
19 to reform the method in which commercial and industrial property
20 is assessed for property tax purposes to ensure that homeowners
21 no longer pay a disproportionately high share of the state's
22 property taxes.

23 ~~SEC. 2. Section 64 of the Revenue and Taxation Code is~~
24 ~~amended to read:~~

25 ~~64. (a) Except as provided in subdivision (i) of Section 61~~
26 ~~and subdivisions (c) and (d) of this section, the purchase or transfer~~
27 ~~of ownership interests in legal entities, such as corporate stock or~~
28 ~~partnership or limited liability company interests, do not constitute~~
29 ~~a transfer of the real property of the legal entity. This subdivision~~
30 ~~applies to the purchase or transfer of ownership interests in a~~
31 ~~partnership without regard to whether it is a continuing or a~~
32 ~~dissolved partnership.~~

33 ~~(b) Any corporate reorganization, where all of the corporations~~
34 ~~involved are members of an affiliated group, and that qualifies as~~
35 ~~a reorganization under Section 368 of the United States Internal~~
36 ~~Revenue Code and that is accepted as a nontaxable event by similar~~
37 ~~California statutes, or any transfer of real property among~~
38 ~~members of an affiliated group, or any reorganization of farm~~
39 ~~credit institutions pursuant to the federal Farm Credit Act of 1971~~
40 ~~(Public Law 92-181), as amended, is not a change of ownership.~~



1 The taxpayer shall furnish proof, under penalty of perjury, to the
2 assessor that the transfer meets the requirements of this
3 subdivision.

4 For purposes of this subdivision, “affiliated group” means one
5 or more chains of corporations connected through stock ownership
6 with a common parent corporation if both of the following
7 conditions are met:

8 (1) One hundred percent of the voting stock, exclusive of any
9 share owned by directors, of each of the corporations, except the
10 parent corporation, is owned by one or more of the other
11 corporations.

12 (2) The common parent corporation owns, directly, 100
13 percent of the voting stock, exclusive of any shares owned by
14 directors, of at least one of the other corporations.

15 (c) (1) Any transfer of voting stock or other ownership
16 interests of a corporation, partnership, or other legal entity is a
17 change in ownership of the real property controlled either directly
18 or indirectly by that legal entity if that transfer results in the
19 transfer, whether individually or cumulatively since the last
20 change in ownership of the real property controlled either directly
21 or indirectly by that legal entity, of more than 50 percent of the
22 ownership interests in that entity.

23 (2) On or after January 1, 1996, when an owner of a majority
24 ownership interest in any partnership obtains all of the remaining
25 ownership interests in that partnership or otherwise becomes the
26 sole partner, the purchase or transfer of the minority interests,
27 subject to the appropriate application of the step-transaction
28 doctrine, is not a change in ownership of the real property owned
29 by the partnership.

30 (d) If property is transferred on or after March 1, 1975, to a
31 legal entity in a transaction excluded from change in ownership by
32 paragraph (2) of subdivision (a) of Section 62, then the persons
33 holding ownership interests in that legal entity immediately after
34 the transfer shall be considered the “original coowners.”
35 Whenever shares or other ownership interests representing
36 cumulatively more than 50 percent of the total interests in the
37 entity are transferred by any of the original coowners in one or
38 more transactions, a change in ownership of that real property
39 owned by the legal entity shall have occurred, and the property
40 that was previously excluded from change in ownership under the



1 provisions of paragraph (2) of subdivision (a) of Section 62 shall
2 be reappraised.

3 The date of reappraisal shall be the date of the transfer of the
4 ownership interest representing individually or cumulatively more
5 than 50 percent of the interests in the entity.

6 A transfer of shares or other ownership interests that results in
7 a change in control of a corporation, partnership, limited liability
8 company, or any other legal entity is subject to reappraisal as
9 provided in subdivision (c) rather than this subdivision.

10 (e) To assist in the determination of whether a change of
11 ownership has occurred under subdivisions (e) and (d), the
12 Franchise Tax Board shall include a question in substantially the
13 following form on returns for partnerships, banks, and
14 corporations (except tax exempt organizations):-

15
16 If the corporation (or partnership or limited liability company)
17 owns real property in California, has cumulatively more than 50
18 percent of the voting stock (or more than 50 percent of total interest
19 in both partnership or limited liability company capital and
20 partnership or limited liability company profits) (1) been
21 transferred by the corporation (or partnership or limited liability
22 company) since March 1, 1975, or (2) been acquired by another
23 legal entity or person during the year? (See instructions.)
24

25 If the entity answers “yes” to (1) or (2) in the above question,
26 then the Franchise Tax Board shall furnish the names and
27 addresses of that entity and of the stock or partnership or limited
28 liability company ownership interest transferees to the State Board
29 of Equalization.
30

31 SEC. 3.—Section 480.1 of the Revenue and Taxation Code is
32 amended to read:

33 480.1.—(a) Whenever there is a change in ownership of the
34 real property of any corporation, partnership, limited liability
35 company, or other legal entity, as a result of one or more transfers
36 as described in subdivision (e) of Section 64, a signed change in
37 ownership statement as provided for in subdivision (b), shall be
38 filed with the board at its office in Sacramento by, in the case of
39 a corporation, an officer of the corporation, or an employee or
40 agent who has been designated in writing by the board of directors



1 to file change in ownership statements on behalf of the
2 corporation, or, in the case of a partnership, limited liability
3 company, or other legal entity, by an officer, partner, manager, or
4 an employee or agent who has been designated in writing by the
5 partnership, limited liability company, or other legal entity to file
6 change in ownership statements. The statement shall list all
7 counties in which the corporation, partnership, limited liability
8 company, or legal entity owns real property.

9 (b) The change in ownership statement required by subdivision
10 (a) shall be declared to be true under penalty of perjury and shall
11 give any information relative to the change in ownership as the
12 board shall prescribe after consultation with the California
13 Assessors' Association. The information shall include, but not be
14 limited to, a description of the property owned by the corporation,
15 partnership, limited liability company, or other legal entity, the
16 parties to the transaction, and the date of the change in ownership.
17 The change in ownership statement shall not include any question
18 which is not germane to the assessment function. The statement
19 shall contain a notice that is printed, with the title at least 12-point
20 boldface type and the body in at least 8-point boldface type, in the
21 following form:

22
23 “Important Notice”
24

25 “The law requires any corporation, partnership, limited liability
26 company, or other legal entity owning real property in California
27 subject to local property taxation to complete and file a change in
28 ownership statement with the State Board of Equalization at its
29 office in Sacramento whenever more than 50 percent of the voting
30 stock or other ownership interest of a corporation, partnership,
31 limited liability company, or other legal entity is transferred. The
32 change in ownership statement must be filed within 45 days from
33 the date of the change in ownership of the real property of a
34 corporation, partnership, limited liability company, or other legal
35 entity. The law further requires that a change in ownership
36 statement be completed and filed whenever a written request is
37 made therefor by the State Board of Equalization, regardless of
38 whether a change in control of the legal entity has occurred. The
39 failure to file a change in ownership statement within 45 days from
40 the date of a written request by the State Board of Equalization



1 results in a penalty of 10 percent of the taxes applicable to the new
2 base year value reflecting the change in ownership of the real
3 property owned by the corporation, partnership, limited liability
4 company, or legal entity (or 10 percent of the current year's taxes
5 on that property if no change in control occurred). This penalty
6 will be added to the assessment roll and shall be collected like any
7 other delinquent property taxes, and be subject to the same
8 penalties for nonpayment.”
9

10 (e) In the case of a corporation, the change in ownership
11 statement shall be signed either by an officer of the corporation or
12 an employee or agent who has been designated in writing by the
13 board of directors to sign these statements on behalf of the
14 corporation. In the case of a partnership, limited liability company,
15 or other legal entity, the statement shall be signed by an officer,
16 partner, manager, or an employee or agent who has been
17 designated in writing by the partnership, limited liability
18 company, or legal entity.

19 (d) No person or entity acting for or on behalf of the parties to
20 a transfer of real property shall incur liability for the consequences
21 of assistance rendered to the transferee in preparation of any
22 change in ownership statement, and no action may be brought or
23 maintained against any such person or entity as a result of such
24 assistance.

25 Nothing in this section shall create a duty, either directly or by
26 implication, that such assistance be rendered by any person or
27 entity acting for or on behalf of parties to a transfer of real property.

28 (e) The board or assessors may inspect any and all records and
29 documents of a corporation, partnership, limited liability
30 company, or legal entity to ascertain whether a change in
31 ownership as described in subdivision (c) of Section 64 has
32 occurred. The corporation, partnership, limited liability company,
33 or legal entity shall upon request, make such documents available
34 to the board during normal business hours.

35 (f) The board or assessor may inspect any public records or
36 public documents pertaining to transfers of ownership interests of
37 a corporation, partnership, limited liability company, or other
38 legal entity to ascertain whether a change in ownership as
39 described in subdivision (c) of Section 64 has occurred.



1 ~~SEC. 4.— No reimbursement is required by this act pursuant to~~
 2 ~~Section 6 of Article XIII B of the California Constitution because~~
 3 ~~the only costs that may be incurred by a local agency or school~~
 4 ~~district will be incurred because this act creates a new crime or~~
 5 ~~infraction, eliminates a crime or infraction, or changes the penalty~~
 6 ~~for a crime or infraction, within the meaning of Section 17556 of~~
 7 ~~the Government Code, or changes the definition of a crime within~~
 8 ~~the meaning of Section 6 of Article XIII B of the California~~
 9 ~~Constitution.~~

10 ~~SEC. 5.— This act provides for a tax levy within the meaning of~~
 11 ~~Article IV of the Constitution and shall go into immediate effect.~~

12
 13 *SEC. 2. Section 64 of the Revenue and Taxation Code is*
 14 *amended to read:*

15 64. (a) Except as provided in subdivision (i) of Section 61
 16 and subdivisions (c) and (d) of this section, the purchase or transfer
 17 of ownership interests in legal entities, such as corporate stock or
 18 partnership or limited liability company interests, ~~shall not be~~
 19 ~~deemed to~~ *do not* constitute a transfer of the real property of the
 20 legal entity. This subdivision ~~is applicable~~ *applies* to the purchase
 21 or transfer of ownership interests in a partnership without regard
 22 to whether it is a continuing or a dissolved partnership.

23 (b) Any corporate reorganization, where all of the corporations
 24 involved are members of an affiliated group, and that qualifies as
 25 a reorganization under Section 368 of the United States Internal
 26 Revenue Code and that is accepted as a nontaxable event by similar
 27 California statutes, or any transfer of real property among
 28 members of an affiliated group, or any reorganization of farm
 29 credit institutions pursuant to the federal Farm Credit Act of 1971
 30 (Public Law 92-181), as amended, ~~shall not be~~ *is not* a change of
 31 ownership. The taxpayer shall furnish proof, under penalty of
 32 perjury, to the assessor that the transfer meets the requirements of
 33 this subdivision.

34 For purposes of this subdivision, “affiliated group” means one
 35 or more chains of corporations connected through stock ownership
 36 with a common parent corporation if both of the following
 37 conditions are met:

38 (1) One hundred percent of the voting stock, exclusive of any
 39 share owned by directors, of each of the corporations, except the



1 parent corporation, is owned by one or more of the other
2 corporations.

3 (2) The common parent corporation owns, directly, 100
4 percent of the voting stock, exclusive of any shares owned by
5 directors, of at least one of the other corporations.

6 (c) (1) When a corporation, partnership, limited liability
7 company, other legal entity, or any other person obtains control
8 through direct or indirect ownership or control of more than 50
9 percent of the voting stock of any corporation, *other than a*
10 *corporation described in paragraph (2)*, or obtains a majority
11 ownership interest in any partnership, limited liability company,
12 or other legal entity through the purchase or transfer of corporate
13 stock, partnership, or limited liability company interest, or
14 ownership interests in other legal entities, including any purchase
15 or transfer of 50 percent or less of the ownership interest through
16 which control or a majority ownership interest is obtained, the
17 purchase or transfer of that stock or other interest shall be a change
18 of ownership of the real property owned by the corporation,
19 partnership, limited liability company, or other legal entity in
20 which the controlling interest is obtained. *This paragraph does not*
21 *apply to obtaining a controlling interest in a corporation that is*
22 *subject to the filing requirements of the United States Securities*
23 *and Exchange Commission.*

24 (2) *Any transfer of voting stock or other ownership interests of*
25 *a corporation that is subject to the filing requirements of the*
26 *United States Securities and Exchange Commission is a change in*
27 *ownership of the real property controlled either directly or*
28 *indirectly by that corporation, if that transfer results in the transfer,*
29 *whether individually or cumulatively since the last change in*
30 *ownership of the real property controlled either directly or*
31 *indirectly by that corporation, of more than 50 percent of the*
32 *ownership interests in that corporation.*

33 (3) On or after January 1, 1996, when an owner of a majority
34 ownership interest in any partnership obtains all of the remaining
35 ownership interests in that partnership or otherwise becomes the
36 sole partner, the purchase or transfer of the minority interests,
37 subject to the appropriate application of the step-transaction
38 doctrine, ~~shall not be~~ *is not* a change in ownership of the real
39 property owned by the partnership.



1 (d) If property is transferred on or after March 1, 1975, to a
2 legal entity in a transaction excluded from change in ownership by
3 paragraph (2) of subdivision (a) of Section 62, then the persons
4 holding ownership interests in that legal entity immediately after
5 the transfer shall be considered the “original coowners.”
6 Whenever shares or other ownership interests representing
7 cumulatively more than 50 percent of the total interests in the
8 entity are transferred by any of the original coowners in one or
9 more transactions, a change in ownership of that real property
10 owned by the legal entity shall have occurred, and the property that
11 was previously excluded from change in ownership under the
12 provisions of paragraph (2) of subdivision (a) of Section 62 shall
13 be reappraised.

14 The date of reappraisal shall be the date of the transfer of the
15 ownership interest representing individually or cumulatively more
16 than 50 percent of the interests in the entity.

17 A transfer of shares or other ownership interests that results in
18 a change in control of a corporation, partnership, limited liability
19 company, or any other legal entity is subject to reappraisal as
20 provided in subdivision (c) rather than this subdivision.

21 (e) To assist in the determination of whether a change of
22 ownership has occurred under subdivisions (c) and (d), the
23 Franchise Tax Board shall include a question in substantially the
24 following form on returns for partnerships, banks, and
25 corporations (except tax-exempt organizations):
26

27 If the corporation (or partnership or limited liability company)
28 owns real property in California, has cumulatively more than 50
29 percent of the voting stock (or more than 50 percent of total interest
30 in both partnership or limited liability company capital and
31 partnership or limited liability company profits) (1) been
32 transferred by the corporation (or partnership or limited liability
33 company) since March 1, 1975, or (2) been acquired by another
34 legal entity or person during the year? (See instructions.)
35

36 If the entity answers “yes” to (1) or (2) in the above question,
37 then the Franchise Tax Board shall furnish the names and
38 addresses of that entity and of the stock or partnership or limited
39 liability company ownership interest transferees to the State Board



1 of Equalization.

2

3 *SEC. 3. Section 480.8 is added to the Revenue and Taxation*
4 *Code, to read:*

5 *480.8. The board or assessors may inspect any data available*
6 *from the United States Securities and Exchange Commission for*
7 *corporations that are registered with United States Securities and*
8 *Exchange Commission to ascertain whether a change in*
9 *ownership as described in paragraph (2) of subdivision (c) of*
10 *Section 64 has occurred.*

11 *SEC. 4. This act provides for a tax levy within the meaning of*
12 *Article IV of the Constitution and shall go into immediate effect.*

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