

Introduced by Senator EscutiaDecember 6, 2004

An act to amend Sections 62, 64, 65.1, and 482 of, to add Sections 64.1, 64.5, and 486 to, to repeal Section 480.2 of, and to repeal and add Section 480.1 of, the Revenue and Taxation Code, relating to property taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 17, as introduced, Escutia. Property Tax: 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 property tax law 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 specifies other circumstances in which certain transfers of ownership interests in legal entities result in a change in ownership of the real property owned by those legal entities.

This bill would instead specify that when ownership interests in a legal entity, as defined, are transferred, the real property directly or indirectly owned by that legal entity has changed ownership in proportion to that portion of the ownership interests in the entity that were transferred. This bill would also provide that all of the real

property owned by a legal entity in the state has undergone a change in ownership when over 50% of the ownership interests in that entity have been transferred, as specified. This bill would also specify, in the case of a publicly traded company, that all of the real property owned by the company in the state has undergone a change in ownership when over 50% of the ownership interests in that company have been transferred. This bill would establish a rebuttable presumption that, as of January 1, 2006, and on January 1 of each 3rd fiscal year thereafter, all of the real property owned by a publicly traded company in the state has undergone a change in ownership. This bill would require local assessors to notify a publicly traded company of this presumption and allow an assessee or an assessor to rebut this presumption in a specified manner. This bill would also require the State Board of Equalization to promulgate regulations to implement these provisions.

Existing law requires a person or entity that obtains a controlling or majority ownership interest in a legal entity, or an entity that makes specified transfers of ownership interests in the legal entity, to file a change in ownership statement, as specified, with the State Board of Equalization within 45 days of specified transactions, or whenever requested by that board. Existing law imposes a penalty of 10% of the taxes owed to the county on a parcel of real property if an assessee fails to file a change in ownership statement with the board within 45 days of a board request.

This bill would require a publicly traded company or legal entity that directly or indirectly owns real property that has undergone a change in ownership to file a change in ownership statement, as specified, with the board within 60 days of specified transactions and would impose specified penalties if the statement is not timely filed or contains misrepresentations. This bill would specify that these reporting provisions do not apply to property that is assessed by the State Board of Equalization, as provided. This bill would also make conforming changes to related provisions. This bill would also authorize the board and local assessors to subpoena witnesses and documents to assist in determining changes in ownership.

This bill would result in a change in state taxes for the purpose of increasing 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.

By requiring local assessors to notify publicly traded companies of the rebuttable presumption described above, this bill would impose 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 take effect immediately, as a tax levy, but its operative date would be January 1, 2006.

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

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

1 SECTION 1. Section 62 of the Revenue and Taxation Code is
2 amended to read:

3 62. Change in ownership ~~shall~~ *does* not include:

4 (a) (1) Any transfer between coowners that results in a change
5 in the method of holding title to the real property transferred
6 without changing the proportional interests of the coowners in
7 that real property, such as a partition of a tenancy in common.

8 (2) Any transfer between an individual or individuals and a
9 legal entity or between legal entities, such as a cotenancy to a
10 partnership, a partnership to a corporation, or a trust to a
11 cotenancy, that results solely in a change in the method of
12 holding title to the real property and in which proportional
13 ownership interests of the transferors and transferees, whether
14 represented by stock, partnership interest, or otherwise, in each
15 and every piece of real property transferred, remain the same
16 after the transfer. ~~The provisions of this~~ *This paragraph shall does*
17 not apply to transfers also excluded from change in ownership
18 under the provisions of subdivision ~~(b)~~ *(e)* of Section 64.

19 (b) Any transfer for the purpose of perfecting title to the
20 property.

21 (c) (1) The creation, assignment, termination, or
22 reconveyance of a security interest; or (2) the substitution of a
23 trustee under a security instrument.

1 (d) Any transfer by the trustor, or by the trustor's spouse, or by
2 both, into a trust for so long as (1) the transferor is the present
3 beneficiary of the trust, or (2) the trust is revocable; or any
4 transfer by a trustee of such a trust described in either clause (1)
5 or (2) back to the trustor; or, any creation or termination of a trust
6 in which the trustor retains the reversion and in which the interest
7 of others does not exceed 12 years duration.

8 (e) Any transfer by an instrument whose terms reserve to the
9 transferor an estate for years or an estate for life. However, the
10 termination of such an estate for years or estate for life shall
11 constitute a change in ownership, except as provided in
12 subdivision (d) and in Section 63.

13 (f) The creation or transfer of a joint tenancy interest if the
14 transferor, after the creation or transfer, is one of the joint tenants
15 as provided in subdivision (b) of Section 65.

16 (g) Any transfer of a lessor's interest in taxable real property
17 subject to a lease with a remaining term (including renewal
18 options) of 35 years or more. For the purpose of this subdivision,
19 for 1979–80 and each year thereafter, it shall be conclusively
20 presumed that all homes eligible for the homeowners' exemption,
21 other than manufactured homes located on rented or leased land
22 and subject to taxation pursuant to Part 13 (commencing with
23 Section 5800), that are on leased land have a renewal option of at
24 least 35 years on the lease of that land, whether or not in fact that
25 renewal option exists in any contract or agreement.

26 (h) Any purchase, redemption, or other transfer of the shares
27 or units of participation of a group trust, pooled fund, common
28 trust fund, or other collective investment fund established by a
29 financial institution.

30 (i) Any transfer of stock or membership certificate in a
31 housing cooperative that was financed under one mortgage,
32 provided that mortgage was insured under Section 213,
33 221(d)(3), 221(d)(4), or 236 of the National Housing Act, as
34 amended, or that housing cooperative was financed or assisted
35 pursuant to Section 514, 515, or 516 of the Housing Act of 1949
36 or Section 202 of the Housing Act of 1959, or the housing
37 cooperative was financed by a direct loan from the California
38 Housing Finance Agency, and provided that the regulatory and
39 occupancy agreements were approved by the governmental
40 lender or insurer, and provided that the transfer is to the housing

1 cooperative or to a person or family qualifying for purchase by
2 reason of limited income. Any subsequent transfer from the
3 housing cooperative to a person or family not eligible for state or
4 federal assistance in reduction of monthly carrying charges or
5 interest reduction assistance by reason of the income level of that
6 person or family shall constitute a change of ownership.

7 (j) Any transfer during the period March 1, 1975, to March 1,
8 1981, between coowners in any property that was held by them
9 as coowners for all or part of that period, and which was eligible
10 for a homeowner's exemption during the period of the
11 coownership, notwithstanding any other provision of this chapter.
12 Any transferee whose interest was revalued in contravention of
13 the provisions of this subdivision shall obtain a reversal of that
14 revaluation with respect to the 1980–81 assessment year and
15 thereafter, upon application to the county assessor of the county
16 in which the property is located filed on or before March 26,
17 1982. No refunds shall be made under this subdivision for any
18 assessment year prior to the 1980–81 fiscal year.

19 (k) Any transfer of property or an interest therein between a
20 corporation sole, a religious corporation, a public benefit
21 corporation, and a holding corporation as defined in Section
22 23701h holding title for the benefit of any of these corporations,
23 or any combination thereof (including any transfer from one
24 entity to the same type of entity), provided that both the
25 transferee and transferor are regulated by laws, rules, regulations,
26 or canons of the same religious denomination.

27 (l) Any transfer, that would otherwise be a transfer subject to
28 reappraisal under this chapter, between or among the same
29 parties for the purpose of correcting or reforming a deed to
30 express the true intentions of the parties, provided that the
31 original relationship between the grantor and grantee is not
32 changed.

33 (m) Any intrafamily transfer of an eligible dwelling unit from
34 a parent or parents or legal guardian or guardians to a minor child
35 or children or between or among minor siblings as a result of a
36 court order or judicial decree due to the death of the parent or
37 parents. As used in this subdivision, "eligible dwelling unit"
38 means the dwelling unit that was the principal place of residence
39 of the minor child or children prior to the transfer and remains

1 the principal place of residence of the minor child or children
2 after the transfer.

3 (n) Any transfer of an eligible dwelling unit, whether by will,
4 devise, or inheritance, from a parent or parents to a child or
5 children, or from a guardian or guardians to a ward or wards, if
6 the child, children, ward, or wards have been disabled, as
7 provided in subdivision (e) of Section 12304 of the Welfare and
8 Institutions Code, for at least five years preceding the transfer
9 and if the child, children, ward, or wards have adjusted gross
10 income that, when combined with the adjusted gross income of a
11 spouse or spouses, parent or parents, and child or children, does
12 not exceed twenty thousand dollars (\$20,000) in the year in
13 which the transfer occurs. As used in this subdivision, “child” or
14 “ward” includes a minor or an adult. As used in this subdivision,
15 “eligible dwelling unit” means the dwelling unit that was the
16 principal place of residence of the child or children, or ward or
17 wards for at least five years preceding the transfer and remains
18 the principal place of residence of the child or children, or ward
19 or wards after the transfer. Any transferee whose property was
20 reassessed in contravention of the provisions of this subdivision
21 for the 1984–85 assessment year shall obtain a reversal of that
22 reassessment upon application to the county assessor of the
23 county in which the property is located. Application by the
24 transferee shall be made to the assessor no later than 30 days
25 after the later of either the transferee’s receipt of notice of
26 reassessment pursuant to Section 75.31 or the end of the 1984–85
27 fiscal year.

28 (o) Any transfer of a possessory interest in tax-exempt real
29 property subject to a sublease with a remaining term, including
30 renewal options, that exceeds half the length of the remaining
31 term of the leasehold, including renewal options.

32 SEC. 2. Section 64 of the Revenue and Taxation Code is
33 amended to read:

34 64. (a) *For purposes of this section, the following definitions*
35 *apply:*

36 (1) *“Legal entity” means a closely held corporation, a*
37 *partnership, a limited liability company, or other legal entity, but*
38 *does not include a publicly traded company.*

39 (2) *“Publicly traded company” means a corporation or other*
40 *entity that meets both of the following conditions:*

1 (A) The corporation or entity is subject to the filing
2 requirements of the United States Securities and Exchange
3 Commission.

4 (B) The corporation or entity directly or indirectly owns an
5 interest in real property in California.

6 (3) "Ownership interest" means corporate voting stock,
7 partnership capital and profits interests, limited liability
8 company membership interests, and other ownership interests in
9 legal entities and publicly traded companies.

10 (4) "Directly owned" means that the legal entity or publicly
11 traded company has an interest in real property that constitutes
12 ownership for change in ownership purposes.

13 (5) "Indirectly owned" means that the legal entity or publicly
14 traded company owns an ownership interest in another legal
15 entity or publicly traded company that has an interest in real
16 property that constitutes ownership for change in ownership
17 purposes.

18 (b) Except as provided in subdivision (i) of Section 61 and
19 subdivisions (c) and (d) ~~of this section~~, the purchase or transfer
20 of ownership interests in legal entities, such as corporate stock or
21 partnership or limited liability company interests, shall not be
22 deemed to constitute a transfer of the real property of the legal
23 entity a legal entity or a publicly traded company does not
24 constitute a transfer of the real property directly or indirectly
25 owned by a legal entity or publicly traded company. This
26 subdivision ~~is applicable~~ applies to the purchase or transfer of
27 ownership interests in a partnership without regard to whether it
28 is a continuing or a dissolved partnership.

29 ~~(b)~~

30 (c) (1) (A) Except as provided in paragraph (2), the transfer
31 of ownership interests in a legal entity constitutes a change in
32 ownership of the real property directly or indirectly owned by the
33 legal entity in the same proportion as that represented by the
34 ratio of the transferred ownership interests to the total ownership
35 interests in the legal entity.

36 (B) Transfers of different ownership interests in a legal entity
37 shall be accumulated each assessment year and a new base year
38 value shall be established as of the following lien date for the
39 real property interests that have undergone a change in
40 ownership for that assessment year.

1 (2) For purposes of this subdivision, both of the following
2 apply:

3 (A) When the transfer of different ownership interests in a
4 legal entity represents, cumulatively in any assessment year or in
5 multiple assessment years, more than 50 percent of the total
6 ownership interests in that legal entity, all of the real property
7 directly or indirectly owned by the legal entity in the state has
8 undergone a change in ownership and a new base year value
9 shall be established for the real property as of the following lien
10 date.

11 (B) The transfer of ownership interests in a legal entity during
12 an assessment year, or as accumulated over multiple assessment
13 years, that represents, when transferred, less than 10 percent of
14 the ownership interests in the legal entity and that have a fair
15 market value of less than one hundred thousand dollars
16 (\$100,000), does not constitute a change in ownership of the real
17 property interests directly or indirectly owned by the legal entity.

18 (d) (1) (A) Except as provided in subdivision (e), the transfer
19 of cumulatively more than 50 percent of the ownership interests
20 in a publicly traded company results in a change in ownership of
21 all of the real property directly or indirectly owned by the
22 publicly traded company in the state and a new base year value
23 shall be established for the real property as of the date of the
24 transfer of cumulatively more than 50 percent of the ownership
25 interests in the company.

26 (B) For purposes of determining whether a change in
27 ownership, as described in this subdivision, of a publicly traded
28 company's real property has occurred, it is conclusively
29 presumed that a single, individual share of voting stock or any
30 other ownership interest in a publicly traded company is
31 transferred only once subsequent to the most recent change in
32 ownership of the real property directly or indirectly owned by
33 that publicly traded company.

34 (2) For the 2006–07 fiscal year, it is rebuttably presumed that,
35 as of January 1, 2006, the real property directly or indirectly
36 owned by each publicly traded company has undergone a change
37 in ownership, as described in this subdivision, since January 1,
38 2003. There is a further rebuttable presumption that a change in
39 ownership, as described in this subdivision, occurs as of January
40 1, 2009, and every three years thereafter. The assessor or

1 *assessee may rebut these presumptions in the manner described*
2 *in Section 64.1.*

3 (e) Any corporate reorganization, where all of the corporations
4 involved are members of an affiliated group, and that qualifies as
5 a reorganization under Section 368 of the United States Internal
6 Revenue Code and that is accepted as a nontaxable event by
7 similar California statutes, or any transfer of real property among
8 members of an affiliated group, or any reorganization of farm
9 credit institutions pursuant to the federal Farm Credit Act of
10 1971 (Public Law 92-181), as amended, shall not be a change of
11 ownership. The taxpayer shall furnish proof, under penalty of
12 perjury, to the assessor that the transfer meets the requirements of
13 this subdivision.

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

18 (1) One hundred percent of the voting stock, exclusive of any
19 share owned by directors, of each of the corporations, except the
20 parent corporation, is owned by one or more of the other
21 corporations.

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

25 ~~(e) (1) When a corporation, partnership, limited liability~~
26 ~~company, other legal entity, or any other person obtains control~~
27 ~~through direct or indirect ownership or control of more than 50~~
28 ~~percent of the voting stock of any corporation, or obtains a~~
29 ~~majority ownership interest in any partnership, limited liability~~
30 ~~company, or other legal entity through the purchase or transfer of~~
31 ~~corporate stock, partnership, or limited liability company interest,~~
32 ~~or ownership interests in other legal entities, including any~~
33 ~~purchase or transfer of 50 percent or less of the ownership~~
34 ~~interest through which control or a majority ownership interest is~~
35 ~~obtained, the purchase or transfer of that stock or other interest~~
36 ~~shall be a change of ownership of the real property owned by the~~
37 ~~corporation, partnership, limited liability company, or other legal~~
38 ~~entity in which the controlling interest is obtained.~~

39 ~~(2) On or after January 1, 1996, when an owner of a majority~~
40 ~~ownership interest in any partnership obtains all of the remaining~~

1 ownership interests in that partnership or otherwise becomes the
2 sole partner, the purchase or transfer of the minority interests,
3 subject to the appropriate application of the step-transaction
4 doctrine, shall not be a change in ownership of the real property
5 owned by the partnership.

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

19 ~~The date of reappraisal shall be the date of the transfer of the~~
20 ~~ownership interest representing individually or cumulatively~~
21 ~~more than 50 percent of the interests in the entity.~~

22 ~~A transfer of shares or other ownership interests that results in~~
23 ~~a change in control of a corporation, partnership, limited liability~~
24 ~~company, or any other legal entity is subject to reappraisal as~~
25 ~~provided in subdivision (e) rather than this subdivision.~~

26 ~~(e)~~

27 ~~(f) To assist in the determination of whether a change of~~
28 ~~ownership has occurred under subdivisions (c) and (d), the~~
29 ~~Franchise Tax Board shall include a question in substantially the~~
30 ~~following form on returns for partnerships, banks, and~~
31 ~~corporations (except tax-exempt organizations):~~

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

1
 2 If the entity answers “yes” to (1) or (2) in the above question,
 3 then the Franchise Tax Board shall furnish the names and
 4 addresses of that entity and of the stock or partnership or limited
 5 liability company ownership interest transferees to the State
 6 Board of Equalization legal entities and publicly traded
 7 companies (except tax exempt organizations):

8
 9 *“If the legal entity or publicly traded company owns or leases
 10 real property in California, have any ownership interests in the
 11 legal entity or publicly traded company been transferred since
 12 the last change in ownership of the real property directly or
 13 indirectly controlled by the legal entity or corporation?”*

14
 15 *If the legal entity or publicly traded company answers “yes” to
 16 the above question or does not respond, the Franchise Tax Board
 17 shall furnish to the State Board of Equalization the name and
 18 address of the legal entity or publicly traded company and, if
 19 known, the names and addresses of the ownership interest
 20 transferees.*

21 *(g) The State Board of Equalization shall promulgate
 22 regulations to implement this section.*

23 SEC. 3. Section 64.1 is added to the Revenue and Taxation
 24 Code, to read:

25 64.1. (a) (1) A publicly traded company may rebut the
 26 presumption set forth in paragraph (2) of subdivision (d) of
 27 Section 64 that the real property directly or indirectly owned by
 28 the company has undergone a change in ownership, as described
 29 in subdivision (d) of Section 64, by submitting to the assessor, on
 30 or before 60 days after the mailing date of a “Notice of Deemed
 31 Change in Ownership and Proposed Reappraisal” as described in
 32 Section 64.5, either of the following:

33 (A) A statement certifying under penalty of perjury that the
 34 real property directly or indirectly owned by the company in the
 35 county has not undergone a change in ownership, as described in
 36 subdivision (d) of Section 64.

37 (B) Evidence that demonstrates, by a preponderance, that the
 38 real property directly or indirectly owned by the company in the
 39 county has not undergone a change in ownership, as described in
 40 subdivision (d) of Section 64. On or before 60 days after the

1 publicly traded company submits evidence pursuant to this
2 subparagraph, the assessor shall determine and notify the
3 publicly traded company regarding whether the presumption has
4 been rebutted.

5 (2) If a publicly traded company willfully misrepresents, either
6 in the statement described in subparagraph (A) of paragraph (1)
7 or in the evidence provided to the assessor pursuant to
8 subparagraph (B) of that paragraph, that a change in ownership
9 as described in subdivision (d) of Section 64 has not occurred,
10 that company shall pay a penalty equal to the greater of (A) two
11 thousand five hundred dollars (\$2,500) on each property directly
12 or indirectly owned by the company in the county, or (B) 25
13 percent of the current year's taxes on the real property directly or
14 indirectly owned by the company in the county. This penalty
15 shall be added to the assessment roll, be collected in the same
16 manner as any other delinquent property taxes, and is subject to
17 the same penalties for nonpayment.

18 (b) The assessor may rebut the presumption that the real
19 property directly or indirectly owned by a publicly traded
20 company has undergone a change in ownership by submitting to
21 the assessee, on or before 60 days after the mailing date of a
22 "Notice of Deemed Change in Ownership and Proposed
23 Reappraisal" as described in Section 64.5, evidence that, in the
24 view of the assessor, demonstrates by a preponderance that the
25 real property directly or indirectly owned by the company in the
26 county has not undergone a change in ownership, as described in
27 subdivision (d) of Section 64.

28 (c) (1) The real property directly or indirectly owned by a
29 publicly traded company has undergone a change in ownership
30 and the assessor shall reappraise the real property directly or
31 indirectly owned by the publicly traded company and establish a
32 new base year value for that real property if one of the following
33 applies:

34 (A) The publicly traded company does not provide the
35 statement or evidence described in subdivision (a) within the
36 time period specified in that subdivision.

37 (B) The assessor determines that the evidence submitted by
38 the publicly traded company under subparagraph (B) of
39 paragraph (1) of subdivision (a) has not rebutted the presumption
40 by a preponderance of the evidence.

1 (2) For purposes of this subdivision:

2 (A) The date of the change in ownership and the valuation
3 date is the lien date of the fiscal year for which the rebuttable
4 presumption applies. The assessor shall complete the reappraisal
5 of the publicly traded company's real property within three years
6 of the valuation date for which the change in ownership occurred.

7 (B) The new base year value shall be enrolled as of the
8 valuation date and there will be one supplemental assessment
9 placed on the supplemental roll and the assessee will receive one
10 notice of supplemental assessment as otherwise provided by law.

11 (C) If the new base year value resulting from the reappraisal of
12 the real property directly or indirectly owned by the publicly
13 traded company, as a result of a change in ownership as
14 described in subdivision (d) of Section 64, is less than the former
15 base year value, appropriate cancellations or refunds of tax shall
16 be granted in accordance with this division. If the new base year
17 value is greater than the former base year value, appropriate
18 escape assessments shall be imposed in accordance with this
19 division.

20 (d) The State Board of Equalization shall promulgate
21 regulations to implement this section and shall develop and make
22 available to assessors and assesseees a form to be used to rebut the
23 presumption described in paragraph (2) of subdivision (d) of
24 Section 64.

25 SEC. 4. Section 64.5 is added to the Revenue and Taxation
26 Code, to read:

27 64.5. On or before January 31, 2006, and on or before 30 days
28 prior to the lien date of each fiscal year thereafter for which the
29 rebuttable presumption specified in paragraph (2) of subdivision
30 (d) of Section 64 applies, the assessor shall provide a written
31 "Notice of Deemed Change in Ownership and Proposed
32 Reappraisal," as developed by the State Board of Equalization, to
33 each publicly traded company that directly or indirectly owns
34 taxable real property in the county. The title of this notice shall
35 be printed in at least 12-point boldface type and the body of this
36 notice shall be printed in at least 8-point boldface type, in
37 substantially the following form:

1 “Notice of Deemed Change in Ownership and Proposed
2 Reappraisal”
3

4 “(a) There exists a rebuttable presumption that cumulatively
5 more than 50 percent of the total ownership interests in a publicly
6 traded company have been transferred since the last change in
7 ownership of the company’s real property which results in a
8 change in ownership of all of the real property directly or
9 indirectly owned by that company.

10 “(b) The assessor is required to reappraise all real property
11 owned either directly or indirectly by the publicly traded
12 company unless the company or the assessor rebuts the
13 presumption no later than 60 days after the mailing date of this
14 notice.

15 “(c) (1) A publicly traded company may rebut the
16 presumption that the real property directly or indirectly owned by
17 the publicly traded company has undergone a change in
18 ownership by submitting to the assessor within 60 days after the
19 mailing date of this notice either of the following:

20 “(A) A statement certifying under penalty of perjury that the
21 real property directly or indirectly owned by the company in the
22 county has not undergone a change in ownership, as described in
23 subdivision (d) of Section 64 of the Revenue and Taxation Code.

24 “(B) Evidence that demonstrates, by a preponderance, that the
25 real property directly or indirectly owned by the company in the
26 county has not undergone a change in ownership, as described in
27 subdivision (d) of Section 64 of the Revenue and Taxation Code.
28 On or before 60 days after the publicly traded company submits
29 this evidence, the assessor shall determine and notify the publicly
30 traded company regarding whether the presumption has been
31 rebutted.

32 “(2) If a publicly traded company willfully misrepresents,
33 either in the statement described in paragraph (1) or in the
34 information provided to the assessor pursuant to that paragraph,
35 that a change in ownership as described in subdivision (d) of
36 Section 64 of the Revenue and Taxation Code has not occurred,
37 the company shall pay a penalty equal to the greater of (A) two
38 thousand five hundred dollars (\$2,500) on each property directly
39 or indirectly owned by the company in the county, or (B) 25
40 percent of the current year’s taxes on the real property directly or

1 indirectly owned by the company in the county. This penalty
2 shall be added to the assessment roll and be collected like any
3 other delinquent property taxes, and is subject to the same
4 penalties for nonpayment.

5 “(d) The assessor may rebut the presumption that the real
6 property directly or indirectly owned by the publicly traded
7 company has undergone a change in ownership by submitting to
8 the assessee, within 60 days after the mailing date of this notice,
9 evidence that in the view of the assessor demonstrates, by a
10 preponderance, that the real property directly or indirectly owned
11 by the company in the county has not undergone a change in
12 ownership, as described in subdivision (d) of Section 64 of the
13 Revenue and Taxation Code.

14 “(e) If the assessee or the assessor does not rebut the
15 presumption, the assessor shall reappraise the real property
16 directly or indirectly owned by the publicly traded company and
17 establish a new base year value as of the lien date for the
18 applicable fiscal year.”

19 SEC. 5. Section 65.1 of the Revenue and Taxation Code is
20 amended to read:

21 65.1. (a) Except for a joint tenancy interest described in
22 subdivision (f) of Section 62 *and except as otherwise provided in*
23 *Section 64*, when an interest in a portion of real property is
24 purchased or changes ownership, only the interest or portion
25 transferred shall be reappraised. ~~A~~ *Except as provided in Section*
26 *64*, a purchase or change in ownership of an interest with a
27 market value of less than 5 percent of the value of the total
28 property shall not be reappraised if the market value of the
29 interest transferred is less than ten thousand dollars (\$10,000)
30 provided, however, that transfers during any one assessment year
31 shall be cumulated for the purpose of determining the percentage
32 interests and value transferred.

33 (b) (1) If a unit or lot within a cooperative housing
34 corporation, community apartment project, condominium,
35 planned unit development, shopping center, industrial park, or
36 other residential, commercial, or industrial land subdivision
37 complex with common areas or facilities is purchased or changes
38 ownership, then only the unit or lot transferred and the share in
39 the common area reserved as an appurtenance of ~~such~~ *the* unit or
40 lot shall be reappraised.

1 Notwithstanding

2 (2) *Notwithstanding* any other provision of law, the increase in
3 property taxes resulting from ~~such~~ *this* reappraisal shall be
4 applied by the owner of ~~such~~ *the* property to the
5 tenant-shareholder, lessee, or occupant of ~~such~~ *the* individual unit
6 or lot only, and shall not be prorated among all other units or lots
7 of such property.

8 SEC. 6. Section 480.1 of the Revenue and Taxation Code is
9 repealed. ~~480.1. (a) Whenever there is a change in control of
10 any corporation, partnership, limited liability company, or other
11 legal entity, as defined in subdivision (c) of Section 64, a signed
12 change in ownership statement as provided for in subdivision (b),
13 shall be filed by the person or legal entity acquiring ownership
14 control of such corporation, partnership, limited liability
15 company, or other legal entity with the board at its office in
16 Sacramento. The statement shall list all counties in which the
17 corporation, partnership, limited liability company, or legal entity
18 owns real property.~~

19 ~~(b) The change in ownership statement as required pursuant to
20 subdivision (a), shall be declared to be true under penalty of
21 perjury and shall give such information relative to the ownership
22 control acquisition transaction as the board shall prescribe after
23 consultation with the California Assessors' Association. The
24 information shall include, but not be limited to, a description of
25 the property owned by the corporation, partnership, limited
26 liability company, or other legal entity, the parties to the
27 transaction, and the date of the ownership control acquisition.
28 The change in ownership statement shall not include any
29 question which is not germane to the assessment function. The
30 statement shall contain a notice that is printed, with the title at
31 least 12-point boldface type and the body in at least 8-point
32 boldface type, in the following form:~~

33
34 "Important Notice"

35
36 "The law requires any person or legal entity acquiring
37 ownership control in any corporation, partnership, limited
38 liability company, or other legal entity owning real property in
39 California subject to local property taxation to complete and file
40 a change in ownership statement with the State Board of

1 ~~Equalization at its office in Sacramento. The change in~~
2 ~~ownership statement must be filed within 45 days from the date~~
3 ~~of the change in control of a corporation, partnership, limited~~
4 ~~liability company, or other legal entity. The law further requires~~
5 ~~that a change in ownership statement be completed and filed~~
6 ~~whenever a written request is made therefor by the State Board of~~
7 ~~Equalization, regardless of whether a change in control of the~~
8 ~~legal entity has occurred. The failure to file a change in~~
9 ~~ownership statement within 45 days from the date of a written~~
10 ~~request by the State Board of Equalization results in a penalty of~~
11 ~~10 percent of the taxes applicable to the new base year value~~
12 ~~reflecting the change in control of the real property owned by the~~
13 ~~corporation, partnership, limited liability company, or legal entity~~
14 ~~(or 10 percent of the current year's taxes on that property if no~~
15 ~~change in control occurred). This penalty will be added to the~~
16 ~~assessment roll and shall be collected like any other delinquent~~
17 ~~property taxes, and be subject to the same penalties for~~
18 ~~nonpayment.”~~

19
20 ~~(e) In the case of a corporation, the change in ownership~~
21 ~~statement shall be signed either by an officer of the corporation~~
22 ~~or an employee or agent who has been designated in writing by~~
23 ~~the board of directors to sign such statements on behalf of the~~
24 ~~corporation. In the case of a partnership, limited liability~~
25 ~~company, or other legal entity, the statement shall be signed by~~
26 ~~an officer, partner, manager, or an employee or agent who has~~
27 ~~been designated in writing by the partnership, limited liability~~
28 ~~company, or legal entity.~~

29 ~~(d) No person or entity acting for or on behalf of the parties to~~
30 ~~a transfer of real property shall incur liability for the~~
31 ~~consequences of assistance rendered to the transferee in~~
32 ~~preparation of any change in ownership statement, and no action~~
33 ~~may be brought or maintained against any such person or entity~~
34 ~~as a result of such assistance.~~

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

39 ~~(e) The board or assessors may inspect any and all records and~~
40 ~~documents of a corporation, partnership, limited liability~~

1 ~~company, or legal entity to ascertain whether a change in control~~
 2 ~~as defined in subdivision (e) of Section 64 has occurred. The~~
 3 ~~corporation, partnership, limited liability company, or legal entity~~
 4 ~~shall upon request, make such documents available to the board~~
 5 ~~during normal business hours.~~

6 SEC. 7. Section 480.1 is added to the Revenue and Taxation
 7 Code, to read:

8 480.1. (a) Whenever the transfer of ownership interests in a
 9 legal entity or a publicly traded company constitutes a change in
 10 ownership of the real property directly or indirectly owned by the
 11 legal entity or publicly traded company, as described in
 12 subdivision (c) of Section 64 or paragraph (1) of subdivision (d)
 13 of Section 64, the entity or company that owns that real property
 14 shall file with the board at its office in Sacramento a signed
 15 change in ownership statement, as specified in subdivision (b),
 16 within 60 days of the transfer of these ownership interests. The
 17 entity or company shall attach to the statement a list, by county,
 18 of the real property that the entity or company owns either
 19 directly or indirectly, describing the real property by assessor
 20 parcel number.

21 (b) The change in ownership statement required under
 22 subdivision (a) shall be declared to be true under penalty of
 23 perjury and shall give any information relative to the change in
 24 ownership as the board shall prescribe after consultation with the
 25 California Assessors’ Association. The information shall include,
 26 but not be limited to, a description of the real property owned by
 27 the entity or company by assessor parcel number, the parties to
 28 the transaction or transactions in which ownership interests in the
 29 entity or company were transferred, and the date of the
 30 ownership interest transfers. The change in ownership statement
 31 shall not include any question that is not germane to the
 32 assessment function. The statement shall contain a notice that is
 33 printed, with the title in at least 12-point boldface type and the
 34 body in at least 8-point boldface type, in the following form:

35
 36 “Important Notice”

37
 38 “Whenever the transfer of ownership interests in a legal entity
 39 or a publicly traded company constitutes a change in ownership
 40 of the real property directly or indirectly owned by the legal

1 entity or publicly traded company, the law requires the entity or
2 company that owns that real property to complete and file a
3 change in ownership statement with the State Board of
4 Equalization at its office in Sacramento. The change in
5 ownership statement must be filed within 60 days from the date
6 of the change in ownership. The law further requires that a
7 change in ownership statement be completed and filed, within 45
8 days, whenever a written request is made therefor by the State
9 Board of Equalization, regardless of whether a change in
10 ownership of the real property directly or indirectly owned by a
11 legal entity or a publicly traded company has occurred. Failure to
12 file timely statements or making willful misrepresentations in
13 these statements will result in penalties as provided by law.”

14
15 (c) In the case of a publicly traded company, the change in
16 ownership statement shall be signed either by an officer of the
17 company or an employee or agent who has been designated in
18 writing by the board of directors to sign these statements on
19 behalf of the company. In the case of a legal entity, the statement
20 shall be signed by an officer, partner, manager, member, or an
21 employee or agent who has been designated in writing by the
22 legal entity to sign these statements on behalf of the entity.

23 (d) No person or entity acting for or on behalf of the parties to
24 a transfer of ownership interests in a legal entity or a publicly
25 traded company is liable for the consequences of assistance
26 rendered to a transferor or transferee in preparation of any change
27 in ownership statement, and no action may be brought or
28 maintained against any person or entity as a result of this
29 assistance. This section does not create a duty, either directly or
30 by implication, that assistance be rendered by any person or
31 entity acting for or on behalf of parties to a transfer of ownership
32 interests in a legal entity or a publicly traded company.

33 (e) The board or the assessor may inspect any and all records
34 and documents of a legal entity or a publicly traded company and
35 may request additional information from the entity or company to
36 identify its real property and to ascertain whether a change in
37 ownership of the real property directly or indirectly owned the
38 entity or company, as described in subdivisions (c) and (d) of
39 Section 64, has occurred. Upon a written request by the board or
40 the assessor, a legal entity or publicly traded company shall

1 furnish the requested records, documents, and information to the
2 board or the assessor during normal business hours.

3 (f) This section does not apply to changes in ownership of
4 property that is assessed by the State Board of Equalization
5 pursuant to Section 19 of Article XIII of the California
6 Constitution.

7 SEC. 8. Section 480.2 of the Revenue and Taxation Code is
8 repealed.

9 ~~480.2 (a) Whenever there is a change in ownership of any~~
10 ~~corporation, partnership, limited liability company, or other legal~~
11 ~~entity, as defined in subdivision (d) of Section 64, a signed~~
12 ~~change in ownership statement as provided in subdivision (b)~~
13 ~~shall be filed by such corporation, partnership, limited liability~~
14 ~~company, or other legal entity with the board at its office in~~
15 ~~Sacramento. The statement shall list all counties in which the~~
16 ~~corporation, partnership, limited liability company, or legal entity~~
17 ~~owns real property.~~

18 ~~(b) The change in ownership statement required pursuant to~~
19 ~~subdivision (a) shall be declared to be true and under penalty of~~
20 ~~perjury and shall give such information relative to the ownership~~
21 ~~interest acquisition transaction as the board shall prescribe after~~
22 ~~consultation with the California Assessors' Association. The~~
23 ~~information shall include, but not be limited to, a description of~~
24 ~~the property owned by the corporation, partnership, limited~~
25 ~~liability company, or other legal entity, the parties to the~~
26 ~~transaction, the date of the ownership interest acquisition, and a~~
27 ~~listing of the "original coowners" of the corporation, partnership,~~
28 ~~limited liability company, or other legal entity prior to the~~
29 ~~transaction. The change in ownership statement shall not include~~
30 ~~any question which is not germane to the assessment function.~~
31 ~~The statement shall contain a notice that is printed, with the title~~
32 ~~in at least 12-point boldface type and the body in at least 8-point~~
33 ~~boldface type, in the following form:~~

34 "Important Notice"

35 "The law requires any corporation, partnership, limited liability
36 company, or other legal entity owning real property in California
37 subject to local property taxation and transferring shares or other
38 ownership interest in such legal entity which constitute a change
39 in ownership pursuant to subdivision (d) of Section 64 of the
40 Revenue and Taxation Code to complete and file a change in

1 ownership statement with the State Board of Equalization at its
2 office in Sacramento. The change in ownership statement must
3 be filed within 45 days from the date that shares or other
4 ownership interests representing cumulatively more than 50
5 percent of the total control or ownership interests in the entity are
6 transferred by any of the original coowners in one or more
7 transactions. The law further requires that a change in ownership
8 statement be completed and filed whenever a written request is
9 made therefor by the State Board of Equalization, regardless of
10 whether a change in ownership of the legal entity has occurred.
11 The failure to file a change in ownership statement within 45
12 days from the date of a written request by the Board of
13 Equalization results in a penalty of 10 percent of the taxes
14 applicable to the new base year value reflecting the change in
15 ownership of the real property owned by the corporation,
16 partnership, limited liability company, or legal entity (or 10
17 percent of the current year's taxes on that real property if no
18 change in ownership occurred). This penalty will be added to the
19 assessment roll and shall be collected like any other delinquent
20 property taxes, and be subject to the same penalties for
21 nonpayment.²²

22 (e) In the case of a corporation, the change in ownership
23 statement shall be signed either by an officer of the corporation
24 or an employee or agent who has been designated in writing by
25 the board of directors to sign such statements on behalf of the
26 corporation. In the case of a partnership, limited liability
27 company, or other legal entity, the statement shall be signed by
28 an officer, partner, manager, or an employee or agent who has
29 been designated in writing by the partnership, limited liability
30 company, or legal entity.

31 (d) No person or entity acting for or on behalf of the parties to
32 a transfer of real property shall incur liability for the
33 consequences of assistance rendered to the transferee in
34 preparation of any change in ownership statement, and no action
35 may be brought or maintained against any such person or entity
36 as a result of such assistance.

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

1 ~~(e) The board or assessors may inspect any and all records and~~
2 ~~documents of a corporation, partnership, limited liability~~
3 ~~company, or legal entity to ascertain whether a change in~~
4 ~~ownership as defined in subdivision (d) of Section 64 has~~
5 ~~occurred. The corporation, partnership, limited liability company,~~
6 ~~or legal entity shall upon request, make such documents available~~
7 ~~to the board during normal business hours.~~

8 ~~[PU Amended by Stats. 1994, Ch. 1200, Sec. 45. Effective~~
9 ~~September 30, 1994.]~~

10 SEC. 9. Section 482 of the Revenue and Taxation Code is
11 amended to read:

12 482. (a) If a person or legal entity required to file a statement
13 described in Section 480 fails to do so within 45 days from the
14 date of a written request by the assessor, a penalty of either: (1)
15 one hundred dollars (\$100), or (2) 10 percent of the taxes
16 applicable to the new base year value reflecting the change in
17 ownership of the real property or manufactured home, whichever
18 is greater, but not to exceed two thousand five hundred dollars
19 (\$2,500) if the failure to file was not willful, shall, except as
20 otherwise provided in this section, be added to the assessment
21 made on the roll. The penalty shall apply for failure to file a
22 complete change in ownership statement notwithstanding the fact
23 that the assessor determines that no change in ownership has
24 occurred as defined in Chapter 2 (commencing with Section 60)
25 of Part 0.5. The penalty may also be applied if after a request the
26 transferee files an incomplete statement and does not supply the
27 missing information upon a second request.

28 ~~(b) If a person or legal entity required to file a statement~~
29 ~~described in Section 480.1 or 480.2 fails to do so within 45 days~~
30 ~~from the date of a written request by the State Board of~~
31 ~~Equalization, a penalty of 10 percent of the taxes applicable to~~
32 ~~the new base year value reflecting the change in control or~~
33 ~~change in ownership of the real property owned by the~~
34 ~~corporation, partnership, or legal entity, or 10 percent of the~~
35 ~~current year's taxes on that property if no change in control or~~
36 ~~change in ownership occurred, shall be added to the assessment~~
37 ~~made on the roll. The penalty shall apply for failure to file a~~
38 ~~complete statement notwithstanding the fact that the board~~
39 ~~determines that no change in control or change in ownership has~~
40 ~~occurred as defined in subdivision (e) or (d) of Section 64. The~~

1 ~~penalty may also be applied if after a request the person or legal~~
2 ~~entity files an incomplete statement and does not supply the~~
3 ~~missing information upon a second request. That penalty shall be~~
4 ~~in lieu of the penalty provisions of subdivision (a). However, the~~
5 ~~penalty added by this subdivision shall be automatically~~
6 ~~extinguished if the person or legal entity files a complete~~
7 ~~statement described in Section 480.1 or 480.2 no later than 60~~
8 ~~days after the date on which the person or legal entity is notified~~
9 ~~of the penalty.~~ (1) (A) *If a publicly traded company or legal*
10 *entity is required to file a change in ownership statement*
11 *described in Section 480.1 and fails to do so within 60 days of*
12 *the date that sufficient ownership interests in the company or*
13 *entity were transferred to constitute a change in ownership of all*
14 *or a portion of the real property directly or indirectly owned by*
15 *the company or entity, the company or entity shall pay a penalty*
16 *on each property subject to reassessment due to the change in*
17 *ownership equal to the greater of:*
18 *(i) One thousand dollars (\$1,000).*
19 *(ii) Ten percent of the taxes applicable to each new base year*
20 *value reflecting the change in ownership of the real property*
21 *directly or indirectly owned by the publicly traded company or*
22 *legal entity.*
23 *(B) The State Board of Equalization may make a written*
24 *request that any publicly traded company or legal entity*
25 *complete and file the change in ownership statement described in*
26 *Section 480.1. If a publicly traded company or legal entity that*
27 *was requested to file a statement fails to do so within 45 days*
28 *from the date of a written request by the State Board of*
29 *Equalization, a penalty of 10 percent of the taxes applicable to*
30 *each new base year value reflecting the change in ownership of*
31 *the real property directly or indirectly owned by the publicly*
32 *traded company or legal entity, or 10 percent of the current*
33 *year's taxes on that property if no change in ownership occurred,*
34 *shall be added to the assessment made on the roll. This penalty*
35 *applies for failure to file a complete requested statement*
36 *notwithstanding the fact that the board determines that no*
37 *change in control or change in ownership has occurred as*
38 *defined in subdivision (c) of Section 64 or paragraph (1) of*
39 *subdivision (d) of Section 64. This penalty may also be applied if*
40 *after a request the publicly traded company or legal entity files*

1 *an incomplete statement and does not supply the missing*
2 *information upon a second request. The penalty described in this*
3 *subparagraph is in addition to the penalties described in*
4 *subparagraph (A). However, the penalty added by this*
5 *subparagraph shall be automatically extinguished in either of the*
6 *following circumstances:*

7 *(i) The publicly traded company or legal entity files a*
8 *complete requested statement no later than 45 days after the date*
9 *on which the person or legal entity is notified of the penalty*
10 *described in this paragraph.*

11 *(ii) The publicly traded company or legal entity had filed a*
12 *change in ownership statement as required by Section 480.1*
13 *within 60 days of the change in ownership for which the written*
14 *board request pertains.*

15 *(2) If a publicly traded company or legal entity willfully*
16 *misrepresents information on a change in ownership statement*
17 *described in Section 480.1, in addition to the penalties described*
18 *in paragraph (1), the company or entity shall pay a penalty on*
19 *each parcel of the real property directly or indirectly owned by*
20 *the company or legal entity in the state equal to the greater of:*

21 *(A) Two thousand five hundred dollars (\$2,500).*

22 *(B) Twenty-five percent of the current year's ad valorem*
23 *property taxes.*

24 *(3) If real property escapes taxation or is underassessed*
25 *following a change in ownership, the provisions of paragraph (3)*
26 *of subdivision (b) of Section 532 may apply.*

27 *(c) The penalty for failure to file a timely statement pursuant*
28 *to ~~Sections 480, 480.1, and 480.2~~ Section 480 for any one*
29 *transfer may be imposed only one time, even though the assessor*
30 *may initiate a request as often as he or she deems necessary.*

31 *(d) The penalty shall be added to the roll in the same manner*
32 *as a special assessment and treated, collected, and subject to the*
33 *same penalties for the delinquency as all other taxes on the roll in*
34 *which it is entered.*

35 *(1) When the transfer to be reported under this section is of a*
36 *portion of a property or parcel appearing on the roll during the*
37 *fiscal year in which, as applicable, the 45-day or 60-day period*
38 *expires, the current year's taxes shall be prorated so the penalty*
39 *will be computed on the proportion of property which has*
40 *transferred.*

1 (2) Any penalty added to the roll pursuant to this section
2 between January 1 and June 30 may be entered either on the
3 unsecured roll or the roll being prepared. After January 1, the
4 penalty may be added to the current roll only with the approval
5 of the tax collector.

6 (3) If the property is transferred or conveyed to a bona fide
7 purchaser for value or becomes subject to a lien of a bona fide
8 encumbrancer for value after the transfer of ownership resulting
9 in the imposition of the penalty and before the enrollment of the
10 penalty, the penalty shall be entered on the unsecured roll in the
11 name of the transferee whose failure to file the change in
12 ownership statement resulted in the imposition of the penalty.

13 (e) When a penalty imposed pursuant to this section is entered
14 on the unsecured roll, the tax collector may immediately file a
15 certificate authorized by Section 2191.3.

16 (f) Notice of any penalty added to either the secured or
17 unsecured roll pursuant to this section shall be mailed by the
18 assessor to the transferee at his or her address contained in any
19 recorded instrument or document evidencing a transfer of an
20 interest in real property or manufactured home or at any address
21 reasonably known to the assessor.

22 SEC. 10. Section 486 is added to the Revenue and Taxation
23 Code, to read:

24 486. In addition to any other remedies described in this
25 article, if any person, publicly traded company, or legal entity
26 fails to furnish any information or records that are required by
27 this article to be furnished upon a request of the State Board of
28 Equalization or the assessor for the purpose of securing change in
29 ownership information required for assessment purposes, the
30 State Board of Equalization may issue subpoenas for the
31 attendance of witnesses or the production of information or
32 records in accordance with Section 15613 of the Government
33 Code and the assessor may apply for a subpoena pursuant to
34 Section 468.

35 SEC. 11. No reimbursement is required by this act pursuant to
36 Section 6 of Article XIII B of the California Constitution because
37 this act provides for offsetting savings to local agencies or school
38 districts that result in no net costs to the local agencies or school
39 districts, within the meaning of Section 17556 of the Government
40 Code.

1 SEC. 12. This act provides for a tax levy within the meaning
2 of Article IV of the Constitution and shall go into immediate
3 effect. However, the provisions of this act shall become operative
4 on January 1, 2006.

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