

AMENDED IN SENATE JUNE 16, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1350

Introduced by Assembly Member Lara

February 18, 2011

An act to amend Section 96.31 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1350, as amended, Lara. Property taxation: override rates: validation by auditor.

Existing property tax law generally prohibits a local jurisdiction, in the 1985–86 fiscal year and each fiscal year thereafter, from imposing a property tax rate pursuant to a specified statutory provision in excess of the rate so imposed by that jurisdiction in specified fiscal years, unless it is imposed for specified purposes, including, among others, to make annual payments for the interest and principal on certain general obligation bonds, to make payments to the State of California under certain contracts, to make payments pursuant to specified lease-purchase programs, to make payments in support of certain pension programs; to make payments in support of specified programs, and to make payments for interest and principal on specified indebtedness.

This bill would, if a local jurisdiction ~~imposes, increases,~~ *increases* or extends a property tax rate, on or after January 1, 2012, for ~~any of the purposes~~ *the purpose* specified above, require the county auditor to, prior to the ~~collection~~ *increase or extension* of the ~~ad valorem property tax~~ *property tax rate*, verify that the rate ~~imposed~~ *increased or extended* by the jurisdiction does not exceed the maximum rate authorized by law. This bill would require the jurisdiction to provide

the county auditor with any documentation that is necessary to assist the county auditor in making the verification, as provided, and to reimburse the county auditor for the actual and reasonable costs incurred by the county auditor in administering the verification. *This bill would require the county auditor to reject the increase or extension of any property tax rate that exceeds the maximum rate authorized by law.*

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.

Vote: majority. 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 96.31 of the Revenue and Taxation Code
2 is amended to read:

3 96.31. (a) For the 1985–86 fiscal year and each fiscal year
4 thereafter, a jurisdiction shall not impose a property tax rate
5 pursuant to subdivision (a) of Section 93, unless it is imposed for
6 one or more of the following purposes:

7 (1) To make annual payments for the interest and principal on
8 general obligation bonds approved by the voters before July 1,
9 1978, and on bonded indebtedness for the acquisition and
10 improvement of real property approved by the voters by a
11 two-thirds vote after June 4, 1986.

12 (2) To make payments to the State of California under contracts
13 for the sale, delivery, or use of water entered into pursuant to
14 California Water Resources Development Bond Act in Chapter 8
15 (commencing with Section 12930) of Part 6 of Division 6 of the
16 Water Code or to make payments to the United States or another
17 public agency under voter-approved contracts for the sale, delivery,
18 or use of water or for the repayment of voter-approved obligations
19 for the construction, maintenance, or operation of water
20 conservation, treatment, or distribution facilities, provided that the
21 indebtedness was approved by the voters before July 1, 1978.

22 (3) To make payments pursuant to lease-purchase programs
23 approved by the voters before July 1, 1978, provided that the

1 jurisdiction imposed the property tax rate in the 1982–83 fiscal
2 year.

3 (4) To make payments in support of pension programs approved
4 by the voters before July 1, 1978, provided that the local agency
5 imposed the property tax rate in the 1982–83 or 1983–84 fiscal
6 year.

7 (5) To make payments in support of paramedic, library, or zoo
8 programs approved by the voters before July 1, 1978, provided
9 that the jurisdiction imposed the property tax rate in the 1982–83
10 fiscal year.

11 (6) To make payments for the interest and principal on an
12 indebtedness, pursuant to Section 5544.2 of the Public Resources
13 Code, approved by the voters before July 1, 1978, provided that
14 the local agency imposed the property tax rate in the 1982–83
15 fiscal year.

16 (b) In the 1985–86 fiscal year and any fiscal year thereafter, a
17 jurisdiction shall not impose a property tax rate, pursuant to
18 subdivision (a) of Section 93, in excess of the rate it imposed in
19 the 1982–83 or 1983–84 fiscal year. Notwithstanding the limit
20 imposed by this subdivision, a higher property tax rate may be
21 imposed whenever necessary to make payments for any of the
22 purposes specified in paragraphs (1), (2), and (3) of subdivision
23 (a). However, no property tax rate increase in excess of the rate
24 imposed in the 1984–85 fiscal year shall be imposed if the purpose
25 of the rate increase is to fund a reduction in the rates charged for
26 water at the time of the property tax rate increase.

27 (c) Notwithstanding subdivisions (a) and (b), a charter city may
28 levy an ad valorem property tax rate to make payments in support
29 of a retirement system for fire and police employees if all of the
30 following criteria are met:

31 (1) The retirement system is part of the city’s charter and was
32 approved by the voters before July 1, 1978.

33 (2) The city did not levy a separate ad valorem property tax rate
34 to support the retirement system in the 1983–84 fiscal year.

35 (3) The retirement system provides for a cost-of-living
36 adjustment that is indexed to a consumer price index and does not
37 limit the annual increases which may be paid to members after
38 their retirement.

1 (4) The retirement system is not currently available to newly
2 hired fire and police employees and will not be available in the
3 future.

4 (5) Before January 1, 1985, the city unsuccessfully litigated a
5 limit to the cost-of-living adjustment that may be paid to members
6 of the retirement system after their retirement.

7 (6) After July 1, 1985, the city conducted an election and a
8 question authorizing the levying of an ad valorem property tax for
9 the purpose of making payments in support of the retirement system
10 received the affirmative votes of at least 60 percent of those voting
11 on that question.

12 The proceeds of an ad valorem property tax rate levied pursuant
13 to this subdivision shall be used only to pay for the obligations of
14 a retirement system described by this subdivision. The proceeds
15 shall not be used to finance more than 75 percent of the annual
16 obligations of this retirement system. A city shall not levy an ad
17 valorem property tax pursuant to this subdivision after June 30,
18 2034.

19 (d) (1) Except as otherwise provided in paragraph (2), if a
20 jurisdiction imposes a rate in excess of the maximum rate
21 authorized by subdivision (a), (b), or (c), the amount of property
22 tax allocated to the jurisdiction pursuant to this chapter shall be
23 reduced by one dollar (\$1) for each one dollar (\$1) of property tax
24 revenue attributable to the excess rate. Any property tax revenue
25 that has been subtracted from a jurisdiction's allocation pursuant
26 to this subdivision shall be allocated to elementary, high school,
27 and unified school districts within the jurisdiction's jurisdiction
28 in proportion to the average daily attendance of each district.

29 (2) With respect to the ad valorem property taxes collected
30 pursuant to paragraph (4) of subdivision (a) in excess of the
31 maximum rate authorized by subdivision (b) in the 2007–08,
32 2008–09, and 2009–10 fiscal years for the City of Bell, all of the
33 following shall apply:

34 (A) (i) On or before December 31, 2010, the City of Bell shall
35 pay to the County of Los Angeles an amount equal to the amount
36 of ad valorem property tax collected pursuant to paragraph (4) of
37 subdivision (a) in excess of the maximum rate authorized by
38 subdivision (b) in the 2007–08, 2008–09, and 2009–10 fiscal years,
39 including interest thereon calculated at the average rate earned by

1 the City of Bell on its idle funds in the 2007–08, 2008–09, and
2 2009–10 fiscal years.

3 (ii) From the amounts paid to the County of Los Angeles as
4 required by clause (i), the County of Los Angeles shall make a
5 refund to any taxpayer who paid the ad valorem property tax
6 collected as specified in clause (i), in a manner generally consistent
7 with the County of Los Angeles tax refund practices.

8 (B) (i) If, by December 31, 2011, the County of Los Angeles
9 is unable to locate a taxpayer who paid the ad valorem property
10 tax collected as specified in clause (i) of subparagraph (A) in order
11 to make a refund to the taxpayer, those amounts remaining from
12 those amounts paid to the County of Los Angeles pursuant to
13 subparagraph (A) shall be allocated to elementary, high school,
14 and unified school districts as provided by paragraph (1).

15 (ii) The requirement of paragraph (1) shall apply only with
16 respect to any amounts remaining after making refunds to taxpayers
17 as provided by clause (i).

18 (C) The City of Bell shall reimburse the county auditor for the
19 actual and reasonable costs incurred by the county to administer
20 this subdivision, including applicable administrative overhead
21 costs as permitted by federal Office of Management and Budget
22 Circular A-87 standards.

23 (e) (1) Notwithstanding any other law, if a jurisdiction ~~imposes,~~
24 ~~extends, or increases,~~ *increases or extends*, on or after January 1,
25 2012, a property tax rate ~~for any of the purposes specified in this~~
26 ~~section, as authorized by paragraph (4) of subdivision (a) or by~~
27 ~~subdivision (c), the county auditor shall, prior to the collection of~~
28 ~~the ad valorem property tax,~~ *increase or extension of the property*
29 *tax rate, verify that the rate ~~imposed~~ increased or extended* by the
30 jurisdiction does not exceed the maximum rate authorized by this
31 section.

32 (2) The jurisdiction shall provide the county auditor, in the form
33 and manner and at the time prescribed by the county auditor, with
34 any documentation that is necessary to assist the county auditor
35 in making the verification required by paragraph (1).

36 (3) *The county auditor shall reject the increase or extension of*
37 *any property tax rate that exceeds the maximum rate authorized*
38 *by this section.*

39 (3)

1 (4) The jurisdiction shall reimburse the county auditor for the
2 actual and reasonable costs incurred by the county to administer
3 this subdivision.

4 (f) This section shall be deemed to be a limit on the maximum
5 property tax rate pursuant to Section 20 of Article XIII of the
6 California Constitution.

7 SEC. 2. No reimbursement is required by this act pursuant to
8 Section 6 of Article XIII B of the California Constitution because
9 this act provides for reimbursement to a local agency in the form
10 of additional revenues that are sufficient in amount to fund the
11 new duties established by this act, within the meaning of Section
12 17556 of the Government Code.

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