

**ASSEMBLY BILL**

**No. 1788**

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**Introduced by Assembly Member Morrell**

February 21, 2012

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An act to amend Sections 214.1 and 214.2 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1788, as introduced, Morrell. Property taxation: welfare exemption: course of construction.

(1) Pursuant to authorization in the California Constitution, existing property tax law establishes a welfare exemption under which property is exempt from taxation if, among other things, that property is used exclusively for religious, hospital, scientific, or charitable purposes and is owned and operated by an entity, as provided, that is itself organized and operated for those purposes. The California Constitution specifies that this exemption applies to buildings under construction, the land on which the buildings are situated, and equipment in the buildings if their intended use is exclusively for exempt purposes. Existing property tax law specifies that property used exclusively for religious, hospital, or charitable purposes includes facilities in the course of construction, as defined, and the land on which the facilities are located.

This bill would, pursuant to these constitutional provisions, additionally specify that property used exclusively for those purposes includes equipment in those facilities, as provided. This bill would also define "course of construction" to include the period subsequent to an owner filing a completed application for a building permit, as provided.

(2) Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property

tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

(3) This bill would take effect immediately as a tax levy, but its operation would commence with the lien date for the 2013–14 fiscal year.

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 214.1 of the Revenue and Taxation Code  
2 is amended to read:

3 214.1. (a) As used in Section 214, ~~“property property used~~  
4 ~~exclusively for religious, hospital or charitable purposes” shall~~  
5 ~~include purposes includes~~ facilities in the course of construction  
6 on or after the first Monday of March, 1954, together with the land  
7 on which the facilities are located *and the equipment in the*  
8 *facilities* as may be required for their convenient use and  
9 occupation, ~~to be used if the intended use of the facilities, land,~~  
10 ~~and equipment is~~ exclusively for religious, hospital or charitable  
11 purposes.

12 (b) *The amendments made to this section by the act adding this*  
13 *subdivision are enacted pursuant to subdivision (b) of Section 4*  
14 *and Section 5 of Article XIII of the California Constitution.*

15 SEC. 2. Section 214.2 of the Revenue and Taxation Code is  
16 amended to read:

17 214.2. (a) As used in Section 214.1, “facilities in the course  
18 of construction” shall include the demolition or razing of a building  
19 with the intent to replace it with facilities to be used exclusively  
20 for religious, hospital, or charitable purposes.

21 (b) As used in Section 214.1, “facilities in the course of  
22 construction” shall include definite onsite physical activity  
23 connected with construction or rehabilitation of a new or existing  
24 building or improvement, that results in changes visible to any  
25 person inspecting the site, where the building or improvement is  
26 to be used exclusively for religious, hospital, or charitable purposes.

1 Activity as described in the preceding sentence having been  
2 commenced and not yet finished, unless abandoned, shall establish  
3 that a building or improvement is “under construction” for the  
4 purposes of Section 5 of Article XIII of the California Constitution.  
5 Construction shall not be considered “abandoned” if delayed due  
6 to reasonable causes and circumstances beyond the assessee’s  
7 control, that occur notwithstanding the exercise of ordinary care  
8 and the absence of willful neglect.

9 *(c) (1) As used in Section 214.1, “facilities in the course of*  
10 *construction” shall include prospective construction or*  
11 *rehabilitation of a new or existing building or improvement, as*  
12 *evidenced by application to the local planning or building*  
13 *department for a building permit, if the building or improvement*  
14 *is to be used exclusively for religious, hospital, or charitable*  
15 *purposes. Exempt status shall be granted and any tax, penalty, or*  
16 *interest levied on the exempt portion of the assessment shall be*  
17 *canceled or refunded upon confirmation that the physical activity*  
18 *described in subdivision (b) has commenced.*

19 *(2) For property acquired or not existing until after the lien*  
20 *date, any exemption allowed pursuant to paragraph (1) shall be*  
21 *applied retroactively to the date of the permit application in*  
22 *accordance with the procedures contained in Sections 271 and*  
23 *272, and shall be subject to the four-year limitation set forth in*  
24 *subdivision (a) of Section 4831.*

25 SEC. 3. Notwithstanding Section 2229 of the Revenue and  
26 Taxation Code, no appropriation is made by this act and the state  
27 shall not reimburse any local agency for any property tax revenues  
28 lost by it pursuant to this act.

29 SEC. 4. This act provides for a tax levy within the meaning of  
30 Article IV of the Constitution and shall go into immediate effect.  
31 However, the amendments made to Sections 214.1 and 214.2 of  
32 the Revenue and Taxation Code by this act are operative  
33 commencing with the lien date for the 2013–14 fiscal year.