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AMENDED IN ASSEMBLY MAY 28, 2014
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CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 2372

Introduced by Assembly Members Ammiano and Bocanegra

February 21, 2014

An act to amend Sections 64, 480.1, 480.2, and 482 of, to add Section 480.9 to, and to add and repeal Section 486 of, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2372, as amended, Ammiano. 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 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 if 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. *Existing law requires the Franchise Tax Board to include a question on corporation and income returns for partnerships, banks, and corporations to assist in the determination of whether a change in ownership as so described has occurred.*

This bill would ~~instead~~ specify that if, *on or after January 1, 2015*, 90% or more of the *direct or indirect* ownership interests in a legal entity are ~~sold or cumulatively transferred in a single transaction~~, as defined, ~~the real property owned by that legal entity has changed ownership~~, *one or more transactions, the transfer of the ownership interest is a change in ownership of the real property owned by the legal entity*, whether or not any one legal entity or person ~~that is a party to the transaction~~ acquires ~~more than 50%~~ control of the ownership interests. *This bill would require the Franchise Tax Board to include an additional question on corporation and income returns for partnerships, banks, and corporations to assist in the determination of whether a change in ownership as so described has occurred.* This bill would require the State Board of Equalization to report to the Legislature, no later than January 1, 2020, regarding the implementation of these changes in ownership, including, but not limited to, the economic impact and frequency of reassessments of real property owned by legal entities.

Existing law requires, upon a change in control or change in ownership of a legal entity that owns an interest in real property in this state, or when requested by the State Board of Equalization, that the person or legal entity acquiring ownership or control, or the legal entity that has undergone a change in ownership, file a change in ownership statement with the board, as specified. Existing law requires a penalty of 10% of the taxes applicable to the new base year value, as specified, or 10% of the current year's taxes on the property, as specified, to be added to the assessment made on the roll if a person or legal entity required to file a change in ownership statement fails to do so.

This bill would ~~require a person or legal entity acquiring ownership interests in a legal entity~~, *if also require, in the case of a change in ownership when 90% or more of the ownership interests in the legal entity are sold or cumulatively transferred, as described above, the corporation, partnership, limited liability company, or other legal entity that underwent the change in ownership to file a change in ownership*

statement signed under penalty of perjury with the State Board of Equalization, *as specified*. This bill would increase the penalties for failure to file a change in ownership statement, as described above, from 10% to 15%.

This bill would require the State Board of Equalization to notify assessors if a change in control or a change in ownership of a legal entity has occurred.

By expanding the crime of perjury and by imposing new duties upon local county officials with respect to changes in ownership, 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 with regard to certain mandates no reimbursement is required by this act for a specified reason.

With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

This bill would include a change in state statute that would result in a taxpayer paying a higher tax 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.

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

- 1 SECTION 1. (a) The Legislature finds and declares all of the
- 2 following:
- 3 (1) The system for determining a change in ownership for the
- 4 purpose of assessment of commercial property is complex and
- 5 difficult to administer.
- 6 (2) Property ownership may include complex legal maneuvers
- 7 and methods of dividing up ownership when changes of ownership
- 8 actually occur.
- 9 (3) There are circumstances in which changes of ownership
- 10 have legally taken place that may not be known to the assessor
- 11 because they are deliberately obscured, for example, if the property

1 is kept in the name of the old property owner even when a company
2 is purchased.

3 (4) Deeds are filed that describe ownership patterns of such
4 complexity that it is difficult for the legal powers of the counties,
5 and the enforcement powers of the assessor, to be exercised.

6 (5) Transactions occur that should be identified as changes of
7 ownership, for example, a 90 percent or more purchase of a
8 company, that are not reassessed because of the division of
9 ownership shares.

10 (b) Therefore, it is the intent of the Legislature to provide all of
11 the following:

12 (1) Greater clarity with regard to those circumstances in which
13 a change in ownership has occurred.

14 (2) Greater transparency in ownership patterns with respect to
15 the filing of deeds and with respect to other real property and
16 financial transactions.

17 (3) Improved reporting and stronger enforcement.

18 (c) It is further the intent of the Legislature that changes in
19 ownership in which 90 percent or more of the ownership of a
20 business, whether through mergers, private equity buyouts, transfer
21 of ownership from one financial institution to another, transfers
22 of shares of limited liability companies or trusts, transfers of
23 partnership shares, or other changes by which 90 percent or more
24 is transferred shall constitute a change of ownership subject to
25 reassessment.

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

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

36 (b) Any corporate reorganization, where all of the corporations
37 involved are members of an affiliated group, and that qualifies as
38 a reorganization under Section 368 of the United States Internal
39 Revenue Code and that is accepted as a nontaxable event by similar
40 California statutes, or any transfer of real property among members

1 of an affiliated group, or any reorganization of farm credit
2 institutions pursuant to the federal Farm Credit Act of 1971 (Public
3 Law 92-181), as amended, shall not be a change of ownership.
4 The taxpayer shall furnish proof, under penalty of perjury, to the
5 assessor that the transfer meets the requirements of this subdivision.

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

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

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

17 (c) (1) (A) When a corporation, partnership, limited liability
18 company, other legal entity, or any other person obtains control
19 through direct or indirect ownership or control of more than 50
20 percent of the voting stock of any corporation, or obtains a majority
21 ownership interest in any partnership, limited liability company,
22 or other legal entity through the purchase or transfer of corporate
23 stock, partnership, or limited liability company interest, or
24 ownership interests in other legal entities, including any purchase
25 or transfer of 50 percent or less of the ownership interest through
26 which control or a majority ownership interest is obtained, the
27 purchase or transfer of that stock or other interest shall be a change
28 of ownership of the real property owned by the corporation,
29 partnership, limited liability company, or other legal entity in which
30 the controlling interest is obtained.

31 (B) (i) ~~When~~ *(I) On or after January 1, 2015, whenever* 90
32 percent or more of the *direct or indirect* ownership interests in a
33 legal entity are ~~sold or cumulatively~~ transferred in a single
34 transaction to a legal entity or person, whether by merger,
35 acquisition, private equity buyout, transfer of partnership shares,
36 or any other means by which a legal entity or person acquires the
37 ownership interests of another legal entity, including the
38 subsidiaries or affiliates of the legal entity and the property owned
39 by those subsidiaries or affiliates, the purchase or transfer of the
40 ownership interests is a change of ownership of the real property

1 owned by the legal entity, whether or not any one legal entity or
2 person that is a party to the transaction acquires more than 50
3 percent of the ownership interests *one or more transactions, the*
4 *transfer of the ownership interest is a change in ownership of the*
5 *real property owned by the legal entity, including the real property*
6 *owned by a legal entity under its control, whether or not any one*
7 *legal entity or person acquires control of the ownership interests.*

8 (II) *The date of reappraisal shall be the date of the transfer of*
9 *the ownership interest representing individually or cumulatively*
10 *90 percent of the ownership interest.*

11 (ii) For purposes of this subparagraph:

12 (I) *“Control” means control as described in subparagraph (A).*

13 (F) ~~“Established securities market” means an established~~
14 ~~securities market as defined in Section 1.7704-1(b) of Title 26 of~~
15 ~~the Code of Federal Regulations.~~

16 (II) *“Legal entity” means a corporation, partnership, limited*
17 *liability company, or other legal entity.*

18 (HH) ~~“Original transaction” means a transaction that occurs on~~
19 ~~or after January 1, 2015.~~

20 (IV)

21 (III) *“Ownership interests” means corporate voting stock,*
22 *partnership capital and profits interests, limited liability company*
23 *membership interests, and other ownership interests in legal*
24 *entities.*

25 (V) (ia) ~~“Single transaction” means a transaction in which 90~~
26 ~~percent or more of the ownership interests are cumulatively sold~~
27 ~~or transferred in either one calendar year or within a 36-month~~
28 ~~period beginning on the date of the original transaction when any~~
29 ~~percentage of ownership interests are sold or transferred.~~

30 (ib) ~~For purposes of this subclause, whenever an ownership~~
31 ~~interest is counted as having been sold or transferred in a single~~
32 ~~transaction, that has resulted in a change of ownership, it shall not~~
33 ~~be counted again in determining whether any other transaction~~
34 ~~results in a change of ownership.~~

35 (VI) ~~“Sold or transferred”~~

36 (IV) *“Transferred” does not include a sale of stock or interests*
37 *of a publicly traded corporation or a publicly traded partnership*
38 *in the regular course of a trading activity on an established*
39 *securities market, as defined in Section 1.7704-1(b) of Title 26 of*
40 *the Code of Federal Regulations, unless shares are acquired as*

1 part of a merger, acquisition, private equity buyout, transfer of
2 partnership shares, or any other means by which a change of
3 ownership would otherwise occur pursuant to this subparagraph.

4 (V) *Multiple transfers of the same ownership interest shall be*
5 *counted only once in determining whether cumulatively 90 percent*
6 *or more of the ownership interests have transferred.*

7 (2) On or after January 1, 1996, when an owner of a majority
8 ownership interest in any partnership obtains all of the remaining
9 ownership interests in that partnership or otherwise becomes the
10 sole partner, the purchase or transfer of the minority interests,
11 subject to the appropriate application of the step-transaction
12 doctrine, shall not be a change in ownership of the real property
13 owned by the partnership.

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

26 The date of reappraisal shall be the date of the transfer of the
27 ownership interest representing individually or cumulatively more
28 than 50 percent of the interests in the entity.

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

33 (e) (I) To assist in the determination of whether a change of
34 ownership has occurred under subdivision (c) or (d), the Franchise
35 Tax Board shall include ~~a question~~ *questions* in substantially the
36 following form on returns for partnerships, banks, and corporations
37 (except tax-exempt organizations):

38 ~~If the~~

39 (A) *If the* corporation (or partnership or limited liability
40 company) owns real property in California, has cumulatively more

1 than 50 percent of the voting stock (or more than 50 percent of
 2 total interest in both partnership or limited liability company capital
 3 and partnership or limited liability company profits) (1) been
 4 transferred by the corporation (or partnership or limited liability
 5 company) since March 1, 1975, or (2) been acquired by another
 6 legal entity or person during the year? (See instructions.)

7 *(B) If the corporation (or partnership or limited liability*
 8 *company) owns real property in California, has cumulatively 90*
 9 *percent or more of the voting stock (or 90 percent or more of total*
 10 *interest in both partnership or limited liability company capital*
 11 *and partnership or limited liability company profits) of this*
 12 *corporation (or partnership or limited liability company) been*
 13 *transferred since January 1, 2015, during the year? (See*
 14 *instructions.)*

15 ~~If the~~

16 ~~(2) If the entity answers “yes” to (1) or (2) in the above question,~~
 17 ~~any of the questions, then the Franchise Tax Board shall furnish~~
 18 ~~the names and addresses of that entity and of the stock or~~
 19 ~~partnership or limited liability company ownership interest~~
 20 ~~transferees to the State Board of Equalization.~~

21 *(f) For purposes of this section, legal entity ownership interests*
 22 *owned by a legal entity shall be considered as being owned by or*
 23 *transferred to its owners proportionately.*

24 *(g) A change in ownership of real property owned by a legal*
 25 *entity under this section restarts the cumulating of transferred*
 26 *ownership interests for purposes of determining whether another*
 27 *change in ownership of that real property occurs under this section.*

28 ~~(f)~~

29 *(h) The board may prescribe regulations as may be necessary*
 30 *to carry out the purposes of the act adding this subdivision.*

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 control or a change
 34 in ownership of any corporation, partnership, limited liability
 35 company, or other legal entity, as defined in subdivision (c) of
 36 Section 64, a signed change in ownership statement as provided
 37 for in subdivision (b), shall be filed by the person or legal entity
 38 acquiring ownership of the corporation, partnership, limited
 39 liability company, or other legal entity with the board at its office
 40 in Sacramento within 90 days from the date of the change in control

1 ~~or the change in ownership of the corporation, partnership, limited~~
 2 ~~liability company, or other legal entity.~~ *Sacramento.* The statement
 3 shall list all counties in which the corporation, partnership, limited
 4 liability company, or legal entity owns real property.

5 *(1) In the case of a change in control pursuant to subparagraph*
 6 *(A) of paragraph (1) of subdivision (c) of Section 64, the statement*
 7 *shall be filed by the person or legal entity acquiring ownership*
 8 *control of the corporation, partnership, limited liability company,*
 9 *or other legal entity. The statement shall be filed within 90 days*
 10 *from the date of the change in control of the corporation,*
 11 *partnership, limited liability company, or other legal entity.*

12 *(2) In the case of a change in ownership pursuant to*
 13 *subparagraph (B) of paragraph (1) of subdivision (c), the statement*
 14 *shall be filed by the corporation, partnership, limited liability*
 15 *company, or other legal entity that underwent the change in*
 16 *ownership. The statement shall be filed within 90 days from the*
 17 *date that 90 percent or more of the ownership interests in this*
 18 *entity cumulatively transferred.*

19 (b) The change in ownership statement as required pursuant to
 20 subdivision (a), shall be declared to be true under penalty of perjury
 21 and shall give such information relative to the ownership
 22 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 liability
 26 company, or other legal entity, the parties to the transaction, and
 27 the date of the ownership acquisition. The change in ownership
 28 statement shall not include any question which is not germane to
 29 the assessment function. The statement shall contain a notice that
 30 is printed, with the title in at least 12-point boldface type and the
 31 body in at least 8-point boldface type, in *substantially* the following
 32 form:

33
 34
 35 **“Important Notice”**

36
 37 **“The law requires any person or legal entity acquiring ownership**
 38 **in any corporation, partnership, limited liability company, or other**
 39 **legal entity owning real property in California subject to local**
 40 **property taxation to complete and file a change in ownership**

1 statement with the State Board of Equalization at its office in
2 Sacramento. The change in ownership statement must be filed
3 within 90 days from the date of the change in control or the change
4 in ownership of a corporation, partnership, limited liability
5 company, or other legal entity. *In the case of a change in control*
6 *pursuant to subparagraph (A) of paragraph (1) of subdivision (c)*
7 *of Section 64 of the Revenue and Taxation Code, the statement*
8 *shall be filed by the person or legal entity acquiring ownership*
9 *control of the corporation, partnership, limited liability company,*
10 *or other legal entity. In the case of a change in ownership pursuant*
11 *to subparagraph (B) of paragraph (1) of subdivision (c) of Section*
12 *64 of the Revenue and Taxation Code, the statement shall be filed*
13 *by the corporation, partnership, limited liability company, or other*
14 *legal entity that underwent the change in ownership. The law*
15 *further requires that a change in ownership statement be completed*
16 *and filed whenever a written request is made therefor by the State*
17 *Board of Equalization, regardless of whether a change in control*
18 *or a change in ownership of the legal entity has occurred. The*
19 *failure to file a change in ownership statement within 90 days from*
20 *the earlier of (1) the date of the change in control or a change in*
21 *ownership of the corporation, partnership, limited liability*
22 *company, or other legal entity, or (2) the date of a written request*
23 *by the State Board of Equalization, results in a penalty of 15*
24 *percent of the taxes applicable to the new base year value reflecting*
25 *the change in control or the change in ownership of the real*
26 *property owned by the corporation, partnership, limited liability*
27 *company, or legal entity (or 15 percent of the current year's taxes*
28 *on that property if no change in control or change in ownership*
29 *occurred). This penalty will be added to the assessment roll and*
30 *shall be collected like any other delinquent property taxes, and be*
31 *subject to the same penalties for nonpayment.”*

32
33 (c) In the case of a corporation, the change in ownership
34 statement shall be signed either by an officer of the corporation or
35 an employee or agent who has been designated in writing by the
36 board of directors to sign such statements on behalf of the
37 corporation. In the case of a partnership, limited liability company,
38 or other legal entity, the statement shall be signed by an officer,
39 partner, manager, or an employee or agent who has been designated

1 in writing by the partnership, limited liability company, or legal
2 entity.

3 (d) No person or entity acting for or on behalf of the parties to
4 a transfer of real property shall incur liability for the consequences
5 of assistance rendered to the transferee in preparation of any change
6 in ownership statement, and no action may be brought or
7 maintained against any person or entity as a result of that
8 assistance.

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

12 (e) The board or assessors may inspect any and all records and
13 documents of a corporation, partnership, limited liability company,
14 or legal entity to ascertain whether a change in control or a change
15 in ownership as defined in subdivision (c) of Section 64 has
16 occurred. The corporation, partnership, limited liability company,
17 or legal entity shall, upon request, make those documents available
18 to the board during normal business hours.

19 SEC. 4. Section 480.2 of the Revenue and Taxation Code is
20 amended to read:

21 480.2. (a) Whenever there is a change in ownership of any
22 corporation, partnership, limited liability company, or other legal
23 entity, as defined in subdivision (d) of Section 64, a signed change
24 in ownership statement as provided in subdivision (b) shall be filed
25 by the corporation, partnership, limited liability company, or other
26 legal entity with the board at its office in Sacramento within 90
27 days from the date of the change in ownership of the corporation,
28 partnership, limited liability company, or other legal entity. The
29 statement shall list all counties in which the corporation,
30 partnership, limited liability company, or legal entity owns real
31 property.

32 (b) The change in ownership statement required pursuant to
33 subdivision (a) shall be declared to be true under penalty of perjury
34 and shall give that information relative to the ownership interest
35 acquisition transaction as the board shall prescribe after
36 consultation with the California Assessors' Association. The
37 information shall include, but not be limited to, a description of
38 the property owned by the corporation, partnership, limited liability
39 company, or other legal entity, the parties to the transaction, the
40 date of the ownership interest acquisition, and a listing of the

1 “original coowners” of the corporation, partnership, limited liability
 2 company, or other legal entity prior to the transaction. The change
 3 in ownership statement shall not include any question which is not
 4 germane to the assessment function. The statement shall contain
 5 a notice that is printed, with the title in at least 12-point boldface
 6 type and the body in at least 8-point boldface type, in the following
 7 form:

8
 9 “Important Notice”

10
 11 “The law requires any corporation, partnership, limited liability
 12 company, or other legal entity owning real property in California
 13 subject to local property taxation and transferring shares or other
 14 ownership interest in such legal entity that constitute a change in
 15 ownership pursuant to subdivision (d) of Section 64 of the Revenue
 16 and Taxation Code to complete and file a change in ownership
 17 statement with the State Board of Equalization at its office in
 18 Sacramento. The change in ownership statement must be filed
 19 within 90 days from the date that shares or other ownership
 20 interests representing cumulatively more than 50 percent of the
 21 total control or ownership interests in the entity are transferred by
 22 any of the original coowners in one or more transactions. The law
 23 further requires that a change in ownership statement be completed
 24 and filed whenever a written request is made therefor by the State
 25 Board of Equalization, regardless of whether a change in ownership
 26 of the legal entity has occurred. The failure to file a change in
 27 ownership statement within 90 days from the earlier of the date of
 28 the change in ownership of the corporation, partnership, limited
 29 liability company, or other legal entity, or the date of a written
 30 request by the State Board of Equalization, results in a penalty of
 31 15 percent of the taxes applicable to the new base year value
 32 reflecting the change in ownership of the real property owned by
 33 the corporation, partnership, limited liability company, or legal
 34 entity (or 15 percent of the current year’s taxes on that real property
 35 if no change in ownership occurred). This penalty will be added
 36 to the assessment roll and shall be collected like any other
 37 delinquent property taxes, and be subject to the same penalties for
 38 nonpayment.”

39 (c) In the case of a corporation, the change in ownership
 40 statement shall be signed either by an officer of the corporation or

1 an employee or agent who has been designated in writing by the
2 board of directors to sign such statements on behalf of the
3 corporation. In the case of a partnership, limited liability company,
4 or other legal entity, the statement shall be signed by an officer,
5 partner, manager, or an employee or agent who has been designated
6 in writing by the partnership, limited liability company, or legal
7 entity.

8 (d) No person or entity acting for or on behalf of the parties to
9 a transfer of real property shall incur liability for the consequences
10 of assistance rendered to the transferee in preparation of any change
11 in ownership statement, and no action may be brought or
12 maintained against any person or entity as a result of that
13 assistance.

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

17 (e) The board or assessors may inspect any and all records and
18 documents of a corporation, partnership, limited liability company,
19 or legal entity to ascertain whether a change in ownership as
20 defined in subdivision (d) of Section 64 has occurred. The
21 corporation, partnership, limited liability company, or legal entity
22 shall upon request, make those documents available to the board
23 during normal business hours.

24 SEC. 5. Section 480.9 is added to the Revenue and Taxation
25 Code, to read:

26 480.9. The board shall notify assessors if a change in control
27 or a change in ownership described in Section 64 has occurred.

28 SEC. 6. Section 482 of the Revenue and Taxation Code is
29 amended to read:

30 482. (a) (1) If a person or legal entity required to file a
31 statement described in Section 480 fails to do so within 90 days
32 from the date a written request is mailed by the assessor, a penalty
33 of either: (A) one hundred dollars (\$100), or (B) 10 percent of the
34 taxes applicable to the new base year value reflecting the change
35 in ownership of the real property or manufactured home, whichever
36 is greater, but not to exceed five thousand dollars (\$5,000) if the
37 property is eligible for the homeowners' exemption or twenty
38 thousand dollars (\$20,000) if the property is not eligible for the
39 homeowners' exemption if the failure to file was not willful, shall,
40 except as otherwise provided in this section, be added to the

1 assessment made on the roll. The penalty shall apply for failure to
2 file a complete change in ownership statement notwithstanding
3 the fact that the assessor determines that no change in ownership
4 has occurred as defined in Chapter 2 (commencing with Section
5 60) of Part 0.5. The penalty may also be applied if after a request
6 the transferee files an incomplete statement and does not supply
7 the missing information upon a second request.

8 (2) The assessor shall mail the written request specified in
9 paragraph (1) to the mailing address of the transferee as provided
10 by subdivision (f).

11 (b) If a person or legal entity required to file a statement
12 described in Section 480.1 or 480.2 fails to do so within 90 days
13 from the earlier of (1) the date of the change in control or the
14 change in ownership of the corporation, partnership, limited
15 liability company, or other legal entity, or (2) the date of a written
16 request by the State Board of Equalization, a penalty of 15 percent
17 of the taxes applicable to the new base year value reflecting the
18 change in control or change in ownership of the real property
19 owned by the corporation, partnership, or legal entity, or 15 percent
20 of the current year's taxes on that property if no change in control
21 or change in ownership occurred, shall be added by the county
22 assessor to the assessment made on the roll. The penalty shall apply
23 for failure to file a complete statement with the board
24 notwithstanding the fact that the board determines that no change
25 in control or change in ownership has occurred as defined in
26 subdivision (c) or (d) of Section 64. The penalty may also be
27 applied if after a request the person or legal entity files an
28 incomplete statement and does not supply the missing information
29 upon that second request to complete the statement. That penalty
30 shall be in lieu of the penalty provisions of subdivision (a).

31 (c) The penalty for failure to file a timely statement pursuant to
32 Sections 480, 480.1, and 480.2 for any one transfer may be imposed
33 only one time, even though the assessor may initiate a request as
34 often as he or she deems necessary.

35 (d) The penalty shall be added to the roll in the same manner
36 as a special assessment and treated, collected, and subject to the
37 same penalties for the delinquency as all other taxes on the roll in
38 which it is entered.

39 (1) When the transfer to be reported under this section is of a
40 portion of a property or parcel appearing on the roll during the

1 fiscal year in which the 90-day period expires, the current year's
2 taxes shall be prorated so the penalty will be computed on the
3 proportion of property which has transferred.

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

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

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

19 (f) Notice of any penalty added to either the secured or
20 unsecured roll pursuant to this section, which shall identify the
21 parcel or parcels for which the penalty is assessed, and the written
22 request to file a statement specified in subdivision (a), which shall
23 identify the real property or manufactured home for which the
24 statement is required to be filed, shall be mailed by the assessor
25 to the transferee at his or her address contained in any recorded
26 instrument or document evidencing a transfer of an interest in real
27 property or manufactured home or the address specified for mailing
28 tax information contained in the preliminary change in ownership
29 report. If the transferee has subsequently notified the assessor of
30 a change in address for mailing tax information, the assessor shall
31 mail the notice of any penalty, or the written request to file a
32 statement specified in subdivision (a), to this address. If there is
33 no address specified for mailing tax information on either the
34 recorded instrument, the document evidencing a transfer of an
35 interest in real property or manufactured home, or on the filed
36 preliminary change in ownership report, and the transferee has not
37 provided an address for purposes of mailing tax information, the
38 assessor shall mail the notice of any penalty, or the written request
39 to file a statement specified in subdivision (a), to the transferee at
40 any address reasonably known to the assessor.

1 SEC. 7. Section 486 is added to the Revenue and Taxation
2 Code, to read:

3 486. (a) The board shall report to the Legislature, no later than
4 January 1, 2020, regarding the implementation of subparagraph
5 (B) of paragraph (1) of subdivision (c) of Section 64, including,
6 but not limited to, the ~~economic~~ *revenue* impact and frequency of
7 reassessments of real property owned by legal entities.

8 (b) (1) A report submitted pursuant to subdivision (a) shall be
9 submitted in compliance with Section 9795 of the Government
10 Code.

11 (2) Pursuant to Section 10231.5 of the Government Code, this
12 section is repealed on January 1, 2024.

13 SEC. 8. No reimbursement is required by this act pursuant to
14 Section 6 of Article XIII B of the California Constitution for certain
15 costs that may be incurred by a local agency or school district
16 because, in that regard, this act creates a new crime or infraction,
17 eliminates a crime or infraction, or changes the penalty for a crime
18 or infraction, within the meaning of Section 17556 of the
19 Government Code, or changes the definition of a crime within the
20 meaning of Section 6 of Article XIII B of the California
21 Constitution.

22 However, if the Commission on State Mandates determines that
23 this act contains other costs mandated by the state, reimbursement
24 to local agencies and school districts for those costs shall be made
25 pursuant to Part 7 (commencing with Section 17500) of Division
26 4 of Title 2 of the Government Code.

27 SEC. 9. This act provides for a tax levy within the meaning of
28 Article IV of the Constitution and shall go into immediate effect.