

Introduced by Committee on Governance and Finance (Senators Hertzberg (Chair), Bates, Beall, Hernandez, Lara, Nguyen, and Pavley)

March 24, 2015

An act to amend Section 7510 of the Government Code, and to amend Sections 63.1, 68, 401.10, 423.3, 2609, and 3726 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 803, as introduced, Committee on Governance and Finance. Property taxation.

(1) Existing law requires the state or any local government entity, when entering into a written contract with a private party whereby a possessory interest subject to property taxation may be created, to include, or cause to be included, in that contract a statement that the property interest may be subject to property taxation if created, and that the party in whom the possessory interest is vested may be subject to the payment of property taxes levied on the interest.

Existing law requires a lease of real property that is owned by a state retirement system to provide, for purposes of property taxation, that the full cash value of the possessory interest created by the lease shall be the greater of either the full cash value of the possessory interest or, if the lease covers less than the entire real property, the lessee's allocable share of the full cash value that would be determined for that real property if it were subject to tax.

This bill would delete those provisions relating to the full cash value of the possessory interest created by the aforementioned lease and would instead specify that the lease be valued in accordance with regulations

adopted by the State Board of Equalization for the valuation of taxable possessory interests.

(2) 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, among other things, the appraised value of that real property when a change in ownership has occurred. Existing property tax law provides that specified transfers are not deemed a change in ownership for which a claim is filed, as provided.

The California Constitution and existing property tax law exclude from a “change in ownership” real property transfers of a principal residence and the first \$1,000,000 of the value of other real property between parents and their children, as defined by the Legislature. For the purposes of these provisions, existing property tax law defines “real property” to include, among other things, an interest in a unit or lot within a cooperative housing cooperation, as defined. Existing property tax law requires the parties to a parent-child transfer of real property under these provisions to make specified written certifications under penalty of perjury.

This bill would specify that, for the purposes of the parent-child principal residence exclusion, “real property” also includes a pro rata ownership interest in a mobilehome park and a pro rata interest in a floating home marina, as those terms are defined.

By changing the manner in which local assessors assess property for purposes of the parent-child principal residence exclusion, and by expanding the crime of perjury by requiring that certain information required be verified under oath, this bill would impose a state-mandated local program.

(3) The California Constitution and existing property tax law exclude from a “change in ownership” the acquisition of real property as a replacement for property from which the person has been displaced by eminent domain proceedings, acquisition by a public entity, or judgment of inverse condemnation. Existing property tax law requires the person acquiring replacement property on and after January 1, 1983, to request assessment within 4 years of the date that the property was acquired by these means.

This bill would specify that an above-described request for assessment made following this 4 year period applies commencing with the lien date of an assessment year in which the request is made. The bill would prohibit the refund or cancellation of taxes prior to the date the request

is made. The bill would also require the assessor, in granting an assessment under these provisions, to adjust the base year value of the replacement property and make adjustments, as specified.

By adding to the duties of county assessors with respect to assessing these replacement properties, this bill would impose a state-mandated local program.

(4) Existing law requires the county assessor to assess all property that is subject to taxation at its full value. Existing law establishes, for any of the 1984–85 to 2015–16 tax years, a rebuttable presumption in favor of a full cash value assessment for an intercounty pipeline right-of-way, inclusive, provided that certain specified valuation standards are met in determining that assessed value. Existing law prohibits the county from imposing any late payment penalty or interest if payment of any taxes due upon the valuation of intercounty pipeline rights-of-way is made within 45 days of demand by the tax collector for payment. Existing law requires taxes not paid within 45 days of demand by the tax collector to become delinquent at that time, and requires delinquent penalty, redemption penalty, or other collection procedures to apply.

This bill would instead require, if the tax remains unpaid at the time set for the declaration of default for delinquent taxes, the tax together with any penalty and costs as may have accrued on the secured roll to be transferred to the unsecured roll. This bill would also extend the application of this rebuttable presumption through the 2020–21 fiscal year.

By imposing new duties upon local tax officials with respect to the collection of unpaid taxes for intercounty pipeline rights-of-way, this bill would impose a state-mandated local program.

(5) Existing law establishes the California Land Conservation Act of 1965, otherwise known as the Williamson Act, and authorizes a city or county to enter into a contract with an owner of land devoted to agricultural use, whereby the owner agrees to continue using the property for that purpose, and the city or county agrees to value the land accordingly for purposes of property taxation, as specified. Existing law authorizes a city or county to allow land subject to a Williamson Act contract to be assessed pursuant to specified formulas consistent with the restrictions on the land.

This bill would modify these provisions to clarify or correct cross-references relating to the valuation of prime agricultural land and land that is devoted to open-space uses of statewide significance.

(6) Existing property tax law requires the tax collector to publish a notice on or before the day when taxes are payable including specified information related to the payment of the property tax on the secured roll.

This bill would clarify that the notice should be published on or before November 1 of each year, the day upon which half the taxes on real property, and all taxes on personal property, on the secured roll, are due and payable.

(7) Existing property tax law generally authorizes a county tax collector to sell tax-defaulted property 5 years or more, or 3 years or more, as applicable, after that property has become tax defaulted. Existing property tax law provides that a defense based on the alleged invalidity or irregularity of any sale of tax-defaulted property can be maintained only in a proceeding commenced within one year after the date of execution of the tax collector's deed.

This bill would instead provide that a defense, as described above, can be maintained only in a proceeding commenced within one year after the date of execution of the tax collector's deed or within one year of the date the board of supervisors determines that a tax deed that was sold should not be rescinded, whichever is later.

(8) 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.

(9) 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.

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 7510 of the Government Code is amended
2 to read:

3 7510. (a) (1) Except as provided in subdivision (b), a public
4 retirement system, which has invested assets in real property and
5 improvements thereon for business or residential purposes for the
6 production of income, shall pay annually to the city or county, in
7 whose jurisdiction the real property is located and has been
8 removed from the secured roll, a fee for general governmental
9 services equal to the difference between the amount that would
10 have accrued as real property secured taxes and the amount of
11 possessory interest unsecured taxes paid for that property. The
12 governing bodies of local entities may adopt ordinances and
13 regulations authorizing retirement systems to invest assets in real
14 property subject to the foregoing requirements.

15 (2) This subdivision shall not apply to any retirement system
16 which is established by a local governmental entity if that entity
17 is presently authorized by statute or ordinance to invest retirement
18 assets in real property.

19 (3) This subdivision shall not apply to property owned by any
20 state public retirement system.

21 (b) (1) Whenever a state public retirement system, which has
22 invested assets in real property and improvements thereon for
23 business or residential purposes for the production of income,
24 leases the property, the lease shall provide, pursuant to Section
25 107.6 of the Revenue and Taxation Code, that the lessee's
26 possessory interest may be subject to property taxation and that
27 the party in whom the possessory interest is vested may be subject
28 to the payment of property taxes levied on that interest. ~~The lease
29 shall also provide that the full cash value, as defined in Sections
30 110 and 110.1 of the Revenue and Taxation Code, of the possessory
31 interest upon which property taxes will be based shall equal the
32 greater of (A) the full cash value of the possessory interest, or (B),
33 if the lessee has leased less than all of the property, the lessee's
34 allocable share of the full cash value of the property that would
35 have been enrolled if the property had been subject to property tax
36 upon acquisition by the state public retirement system. The full
37 cash value as provided for pursuant to either (A) or (B) of the
38 preceding sentence shall reflect the anticipated term of possession~~

1 ~~if, on the lien date described in Section 2192 of the Revenue and~~
2 ~~Taxation Code, that term is expected to terminate prior to the end~~
3 ~~of the next succeeding fiscal year. The lessee's allocable share~~
4 ~~shall, subject to the preceding sentence, be the lessee's leasable~~
5 ~~square feet divided by the total leasable square feet of the property.~~
6 *The lease shall be valued in accordance with regulations adopted*
7 *by the State Board of Equalization for the valuation of taxable*
8 *possessory interests.*

9 (2) Except as provided in this subdivision, the property shall be
10 assessed and its taxes computed and collected in the same manner
11 as privately owned property. The lessee's possessory interest shall
12 be placed on the unsecured roll and the tax on the possessory
13 interest shall be subject to the collection procedures for unsecured
14 property taxes.

15 (3) An investment by a state public retirement system in a legal
16 entity that invests assets in real property and improvements thereon
17 shall not constitute an investment by the state public retirement
18 system of assets in real property and improvements thereon. For
19 purposes of this paragraph, "legal entity" includes, but is not
20 limited to, partnership, joint venture, corporation, trust, or
21 association. When a state public retirement system invests in a
22 legal entity, the state public retirement system shall be deemed to
23 be a person for the purpose of determining a change in ownership
24 under Section 64 of the Revenue and Taxation Code.

25 (4) Notwithstanding any other provision of law, fees charged
26 pursuant to this section and collected prior to July 1, 1992, shall
27 be deemed valid and not refundable under any circumstance.
28 Notwithstanding any other provision of law, fees, interest and
29 penalties, if any, asserted to be due pursuant to this section that
30 were not charged or collected prior to July 1, 1992, shall be deemed
31 invalid and not collectable under any circumstance.

32 (5) This subdivision shall apply to the assessment, computation,
33 and collection of taxes for the fiscal year beginning on July 1,
34 1992, and each fiscal year thereafter. For the 1992-93 and 1993-94
35 fiscal years, in the case where a lessee's possessory interest existed
36 for less than the full fiscal year for which the tax was levied, the
37 amount of tax shall be prorated in accordance with the number of
38 months for which the lessee's interest existed.

39 SEC. 2. Section 63.1 of the Revenue and Taxation Code is
40 amended to read:

1 63.1. (a) Notwithstanding any other provision of this chapter,
2 a change in ownership shall not include the following purchases
3 or transfers for which a claim is filed pursuant to this section:

4 (1) (A) The purchase or transfer of real property which is the
5 principal residence of an eligible transferor in the case of a purchase
6 or transfer between parents and their children.

7 (B) A purchase or transfer of a principal residence from a foster
8 child to the child's biological parent shall not be excluded under
9 subparagraph (A) if the transferor child received that principal
10 residence, or interest therein, from a foster parent through a
11 purchase or transfer that was excluded under subparagraph (A).

12 (2) The purchase or transfer of the first one million dollars
13 (\$1,000,000) of full cash value of all other real property of an
14 eligible transferor in the case of a purchase or transfer between
15 parents and their children.

16 (3) (A) Subject to subparagraph (B), the purchase or transfer
17 of real property described in paragraphs (1) and (2) of subdivision
18 (a) occurring on or after March 27, 1996, between grandparents
19 and their grandchild or grandchildren, if all of the parents of that
20 grandchild or those grandchildren, who qualify as the children of
21 the grandparents, are deceased as of the date of purchase or transfer.
22 Notwithstanding any other provision of law, for the lien date for
23 the 2006–07 fiscal year and each fiscal year thereafter, in
24 determining whether “all of the parents of that grandchild or those
25 grandchildren, who qualify as the children of the grandparents,
26 are deceased as of the date of purchase or transfer,” a son-in-law
27 or daughter-in-law of the grandparent that is a stepparent to the
28 grandchild need not be deceased on the date of the transfer.

29 (B) A purchase or transfer of a principal residence shall not be
30 excluded pursuant to subparagraph (A) if the transferee grandchild
31 or grandchildren also received a principal residence, or interest
32 therein, through another purchase or transfer that was excludable
33 pursuant to paragraph (1) of subdivision (a). The full cash value
34 of any real property, other than a principal residence, that was
35 transferred to the grandchild or grandchildren pursuant to a
36 purchase or transfer that was excludable pursuant to paragraph (2)
37 of subdivision (a) and the full cash value of a principal residence
38 that fails to qualify for exclusion as a result of the preceding
39 sentence shall be included in applying, for purposes of paragraph

1 (2) of subdivision (a), the one million dollar (\$1,000,000) full cash
2 value limit specified in paragraph (2) of subdivision (a).

3 (b) (1) For purposes of paragraph (1) of subdivision (a),
4 “principal residence” means a dwelling that is eligible for a
5 homeowners’ exemption or a disabled veterans’ exemption as a
6 result of the transferor’s ownership and occupation of the dwelling.
7 “Principal residence” includes only that portion of the land
8 underlying the residence that consists of an area of reasonable size
9 that is used as a site for the residence.

10 (2) For purposes of paragraph (2) of subdivision (a), the
11 one-million-dollar (\$1,000,000) exclusion shall apply separately
12 to each eligible transferor with respect to all purchases by and
13 transfers to eligible transferees on and after November 6, 1986, of
14 real property, other than the principal residence, of that eligible
15 transferor. The exclusion shall not apply to any property in which
16 the eligible transferor’s interest was received through a transfer,
17 or transfers, excluded from change in ownership by the provisions
18 of either subdivision (f) of Section 62 or subdivision (b) of Section
19 65, unless the transferor qualifies as an original transferor under
20 subdivision (b) of Section 65. In the case of any purchase or
21 transfer subject to this paragraph involving two or more eligible
22 transferors, the transferors may elect to combine their separate
23 one-million-dollar (\$1,000,000) exclusions and, upon making that
24 election, the combined amount of their separate exclusions shall
25 apply to any property jointly sold or transferred by the electing
26 transferors, provided that in no case shall the amount of full cash
27 value of real property of any one eligible transferor excluded under
28 this election exceed the amount of the transferor’s separate unused
29 exclusion on the date of the joint sale or transfer.

30 (c) As used in this section:

31 (1) “Purchase or transfer between parents and their children”
32 means either a transfer from a parent or parents to a child or
33 children of the parent or parents or a transfer from a child or
34 children to a parent or parents of the child or children. For purposes
35 of this section, the date of any transfer between parents and their
36 children under a will or intestate succession shall be the date of
37 the decedent’s death, if the decedent died on or after November
38 6, 1986.

39 (2) “Purchase or transfer of real property between grandparents
40 and their grandchild or grandchildren” means a purchase or transfer

1 on or after March 27, 1996, from a grandparent or grandparents
2 to a grandchild or grandchildren if all of the parents of that
3 grandchild or those grandchildren who qualify as the children of
4 the grandparents are deceased as of the date of the transfer. For
5 purposes of this section, the date of any transfer between
6 grandparents and their grandchildren under a will or by intestate
7 succession shall be the date of the decedent's death.
8 Notwithstanding any other provision of law, for the lien date for
9 the 2006-07 fiscal year and each fiscal year thereafter, in
10 determining whether "all of the parents of that grandchild or those
11 grandchildren, who qualify as the children of the grandparents,
12 are deceased as of the date of purchase or transfer," a son-in-law
13 or daughter-in-law of the grandparent that is a stepparent to the
14 grandchild need not be deceased on the date of the transfer.

15 (3) "Children" means any of the following:

16 (A) Any child born of the parent or parents, except a child, as
17 defined in subparagraph (D), who has been adopted by another
18 person or persons.

19 (B) Any stepchild of the parent or parents and the spouse of that
20 stepchild while the relationship of stepparent and stepchild exists.
21 For purposes of this paragraph, the relationship of stepparent and
22 stepchild shall be deemed to exist until the marriage on which the
23 relationship is based is terminated by divorce, or, if the relationship
24 is terminated by death, until the remarriage of the surviving
25 stepparent.

26 (C) Any son-in-law or daughter-in-law of the parent or parents.
27 For the purposes of this paragraph, the relationship of parent and
28 son-in-law or daughter-in-law shall be deemed to exist until the
29 marriage on which the relationship is based is terminated by
30 divorce, or, if the relationship is terminated by death, until the
31 remarriage of the surviving son-in-law or daughter-in-law.

32 (D) Any child adopted by the parent or parents pursuant to
33 statute, other than an individual adopted after reaching the age of
34 18 years.

35 (E) Any foster child of a state-licensed foster parent, if that child
36 was not, because of a legal barrier, adopted by the foster parent or
37 foster parents before the child aged out of the foster care system.
38 For purposes of this paragraph, the relationship between a foster
39 child and foster parent shall be deemed to exist until terminated
40 by death. However, for purposes of a transfer that occurs on the

1 date of death, the relationship shall be deemed to exist on the date
2 of death.

3 (4) “Grandchild” or “grandchildren” means any child or children
4 of the child or children of the grandparent or grandparents.

5 (5) “Full cash value” means full cash value, as defined in Section
6 2 of Article XIII A of the California Constitution and Section 110.1,
7 with any adjustments authorized by those sections, and the full
8 value of any new construction in progress, determined as of the
9 date immediately prior to the date of a purchase by or transfer to
10 an eligible transferee of real property subject to this section.

11 (6) “Eligible transferor” means a grandparent, parent, or child
12 of an eligible transferee.

13 (7) “Eligible transferee” means a parent, child, or grandchild
14 of an eligible transferor.

15 (8) “Real property” means real property as defined in Section
16 104. Real property does not include any interest in a legal entity.
17 For purposes of this section, real property includes ~~an~~ *any of the*
18 *following*:

19 (A) *An interest in a unit or lot within a cooperative housing*
20 *corporation, as defined in subdivision (i) of Section 61.*

21 (B) *A pro rata ownership interest in a mobilehome park, as*
22 *provided in subdivision (b) of Section 62.1.*

23 (C) *A pro rata ownership in a floating home marina, as provided*
24 *in subdivision (b) of Section 62.5.*

25 (9) “Transfer” includes, and is not limited to, any transfer of
26 the present beneficial ownership of property from an eligible
27 transferor to an eligible transferee through the medium of an inter
28 vivos or testamentary trust.

29 (10) “Social security number” also includes a taxpayer
30 identification number issued by the Internal Revenue Service in
31 the case in which the taxpayer is a foreign national who cannot
32 obtain a social security number.

33 (d) (1) The exclusions provided for in subdivision (a) shall not
34 be allowed unless the eligible transferee, the transferee’s legal
35 representative, the trustee of the transferee’s trust, or the executor
36 or administrator of the transferee’s estate files a claim with the
37 assessor for the exclusion sought and furnishes to the assessor each
38 of the following:

39 (A) A written certification by the transferee, the transferee’s
40 legal representative, the trustee of the transferee’s trust, or the

1 executor or administrator of the transferee’s estate, signed and
2 made under penalty of perjury that the transferee is a parent, child,
3 or grandchild of the transferor and that the transferor is his or her
4 parent, child, or grandparent. In the case of a
5 grandparent-grandchild transfer, the written certification shall also
6 include a certification that all the parents of the grandchild or
7 grandchildren who qualify as children of the grandparents were
8 deceased as of the date of the purchase or transfer and that the
9 grandchild or grandchildren did or did not receive a principal
10 residence excludable under paragraph (1) of subdivision (a) from
11 the deceased parents, and that the grandchild or grandchildren did
12 or did not receive real property other than a principal residence
13 excludable under paragraph (2) of subdivision (a) from the
14 deceased parents. The claimant shall provide legal substantiation
15 of any matter certified pursuant to this subparagraph at the request
16 of the county assessor.

17 (B) A written certification by the transferor, the transferor’s
18 legal representative, the trustee of the transferor’s trust, or the
19 executor or administrator of the transferor’s estate, signed and
20 made under penalty of perjury that the transferor is a grandparent,
21 parent, or child of the transferee and that the transferor is seeking
22 the exclusion under this section and will not file a claim to transfer
23 the base year value of the property under Section 69.5.

24 (C) A written certification shall also include either or both of
25 the following:

26 (i) If the purchase or transfer of real property includes the
27 purchase or transfer of residential real property, a certification that
28 the residential real property is or is not the transferor’s principal
29 residence.

30 (ii) If the purchase or transfer of real property includes the
31 purchase or transfer of real property other than the transferor’s
32 principal residence, a certification that other real property of the
33 transferor that is subject to this section has or has not been
34 previously sold or transferred to an eligible transferee, the total
35 amount of full cash value, as defined in subdivision (c), of any
36 real property subject to this section that has been previously sold
37 or transferred by that transferor to eligible transferees, the location
38 of that real property, the social security number of each eligible
39 transferor, and the names of the eligible transferees of that property.

1 (D) If there are multiple transferees, the certification and
2 signature may be made by any one of the transferees, if both of
3 the following conditions are met:

4 (i) The transferee has actual knowledge that, and the certification
5 signed by the transferee states that, all of the transferees are eligible
6 transferees within the meaning of this section.

7 (ii) The certification is signed by the transferee as a true
8 statement made under penalty of perjury.

9 (E) In the case of a transfer between a foster parent and foster
10 child, the claim filed with the assessor shall include a certified
11 copy of the court decision regarding the foster child status of the
12 individual and a certified statement from the appropriate county
13 agency stating that the foster child was not, because of a legal
14 barrier, adopted by the foster parent or foster parents. Upon a
15 request by the county assessor, the claimant also shall provide to
16 the assessor legal substantiation of any matter certified under this
17 subparagraph.

18 (2) If the full cash value of the real property purchased by or
19 transferred to the transferee exceeds the permissible exclusion of
20 the transferor or the combined permissible exclusion of the
21 transferors, in the case of a purchase or transfer from two or more
22 joint transferors, taking into account any previous purchases by
23 or transfers to an eligible transferee from the same transferor or
24 transferors, the transferee shall specify in his or her claim the
25 amount and the allocation of the exclusion he or she is seeking.
26 Within any appraisal unit, as determined in accordance with
27 subdivision (d) of Section 51 by the assessor of the county in which
28 the real property is located, the exclusion shall be applied only on
29 a pro rata basis, however, and shall not be applied to a selected
30 portion or portions of the appraisal unit.

31 (e) (1) The State Board of Equalization shall design the form
32 for claiming eligibility. Except as provided in paragraph (2), any
33 claim under this section shall be filed:

34 (A) For transfers of real property between parents and their
35 children occurring prior to September 30, 1990, within three years
36 after the date of the purchase or transfer of real property for which
37 the claim is filed.

38 (B) For transfers of real property between parents and their
39 children occurring on or after September 30, 1990, and for the
40 purchase or transfer of real property between grandparents and

1 their grandchildren occurring on or after March 27, 1996, within
2 three years after the date of the purchase or transfer of real property
3 for which the claim is filed, or prior to transfer of the real property
4 to a third party, whichever is earlier.

5 (C) Notwithstanding subparagraphs (A) and (B), a claim shall
6 be deemed to be timely filed if it is filed within six months after
7 the date of mailing of a notice of supplemental or escape
8 assessment, issued as a result of the purchase or transfer of real
9 property for which the claim is filed.

10 (2) In the case in which the real property subject to purchase or
11 transfer has not been transferred to a third party, a claim for
12 exclusion under this section that is filed subsequent to the
13 expiration of the filing periods set forth in paragraph (1) shall be
14 considered by the assessor, subject to all of the following
15 conditions:

16 (A) Any exclusion granted pursuant to that claim shall apply
17 commencing with the lien date of the assessment year in which
18 the claim is filed.

19 (B) Under any exclusion granted pursuant to that claim, the
20 adjusted full cash value of the subject real property in the
21 assessment year described in subparagraph (A) shall be the adjusted
22 base year value of the subject real property in the assessment year
23 in which the excluded purchase or transfer took place, factored to
24 the assessment year described in subparagraph (A) for both of the
25 following:

26 (i) Inflation as annually determined in accordance with
27 paragraph (1) of subdivision (a) of Section 51.

28 (ii) Any subsequent new construction occurring with respect to
29 the subject real property.

30 (3) (A) Unless otherwise expressly provided, the provisions of
31 this subdivision shall apply to any purchase or transfer of real
32 property that occurred on or after November 6, 1986.

33 (B) Paragraph (2) shall apply to purchases or transfers between
34 parents and their children that occurred on or after November 6,
35 1986, and to purchases or transfers between grandparents and their
36 grandchildren that occurred on or after March 27, 1996.

37 (4) For purposes of this subdivision, a transfer of real property
38 to a parent or child of the transferor shall not be considered a
39 transfer to a third party.

1 (f) The assessor may report quarterly to the State Board of
2 Equalization all purchases or transfers, other than purchases or
3 transfers involving a principal residence, for which a claim for
4 exclusion is made pursuant to subdivision (d). Each report shall
5 contain the assessor's parcel number for each parcel for which the
6 exclusion is claimed, the amount of each exclusion claimed, the
7 social security number of each eligible transferor, and any other
8 information the board may require in order to monitor the
9 one-million-dollar (\$1,000,000) limitation in paragraph (2) of
10 subdivision (a). In recognition of the state and local interests served
11 by the action made optional in this subdivision, the Legislature
12 encourages the assessor to continue taking the action formerly
13 mandated by this subdivision.

14 (g) This section shall apply to both voluntary transfers and
15 transfers resulting from a court order or judicial decree. Nothing
16 in this subdivision shall be construed as conflicting with paragraph
17 (1) of subdivision (c) or the general principle that transfers by
18 reason of death occur at the time of death.

19 (h) (1) Except as provided in paragraph (2), this section shall
20 apply to purchases and transfers of real property completed on or
21 after November 6, 1986, and shall not be effective for any change
22 in ownership, including a change in ownership arising on the date
23 of a decedent's death, that occurred prior to that date.

24 (2) This section shall apply to purchases or transfers of real
25 property between grandparents and their grandchildren occurring
26 on or after March 27, 1996, and, with respect to purchases or
27 transfers of real property between grandparents and their
28 grandchildren, shall not be effective for any change in ownership,
29 including a change in ownership arising on the date of a decedent's
30 death, that occurred prior to that date.

31 (i) A claim filed under this section is not a public document and
32 is not subject to public inspection, except that a claim shall be
33 available for inspection by the transferee and the transferor or their
34 respective spouse, the transferee's legal representative, the
35 transferor's legal representative, the trustee of the transferee's
36 trust, the trustee of the transferor's trust, and the executor or
37 administrator of the transferee's or transferor's estate.

38 (j) (1) If the assessor notifies the transferee in writing of
39 potential eligibility for exclusion from change in ownership under
40 this section, a certified claim for exclusion shall be filed with the

1 assessor within 45 days of the date of the notice of potential
2 eligibility. If a certified claim for exclusion is not filed within 45
3 days, the assessor may send a second notice of potential eligibility
4 for exclusion, notifying the transferee that a certified claim for
5 exclusion has not been received and that reassessment of the
6 property will commence unless a certified claim for exclusion is
7 filed within 60 days of the date of the second notice of potential
8 eligibility. The second notice of potential eligibility shall indicate
9 whether a certified claim for exclusion that is not filed within 60
10 days will be subject to a processing fee as provided in paragraph
11 (2).

12 (2) If a certified claim for exclusion is not filed within 60 days
13 of the date of the second notice of potential eligibility and an
14 eligible transferee subsequently files a claim and qualifies for the
15 exclusion, the assessor may, upon authorization by a county board
16 of supervisors, require an eligible transferee to pay a one-time
17 processing fee, collected at the time the claim is submitted, and
18 reimbursed by the assessor if the claim is ineligible. The fee shall
19 be subject to the provisions of Chapter 12.5 (commencing with
20 Section 54985) of Part 1 of Division 2 of Title 5 of the Government
21 Code and shall not exceed the amount of the actual and reasonable
22 costs incurred by the assessor for reassessment work done due to
23 failure to file the claim for exclusion or one hundred seventy-five
24 dollars (\$175), whichever is less.

25 (3) The failure to file a certified claim for exclusion within the
26 filing periods specified by this subdivision shall not be construed
27 to limit any exclusion from being granted pursuant to a claim filed
28 within the filing periods specified by subdivision (e).

29 SEC. 3. Section 68 of the Revenue and Taxation Code is
30 amended to read:

31 68. (a) For purposes of Section 2 of Article XIII A of the
32 Constitution, the term “change in ownership” shall not include the
33 acquisition of real property as a replacement for comparable
34 property if the person acquiring the real property has been displaced
35 from property in this state by eminent domain proceedings, by
36 acquisition by a public entity, or by governmental action which
37 has resulted in a judgment of inverse condemnation.

38 The adjusted base year value of the property acquired shall be
39 the lower of the fair market value of the property acquired or the
40 value which is the sum of the following:

1 (a)
 2 (1) The adjusted base year value of the property from which the
 3 person was displaced.

4 (b)
 5 (2) The amount, if any, by which the full cash value of the
 6 property acquired exceeds 120 percent of the amount received by
 7 the person for the property from which the person was displaced.
 8 The provisions of this section shall apply to eminent domain
 9 proceedings, acquisitions, or judgments of inverse condemnation
 10 after March 1, 1975, and shall affect only those assessments of
 11 that property which occur after June 8, 1982.

12 ~~Persons acquiring replacement property between March 1, 1975,~~
 13 ~~and January 1, 1983, shall request assessment under this section~~
 14 ~~with the assessor on or before January 1, 1987. Persons~~

15 (b) (1) ~~A person acquiring replacement property on and after~~
 16 ~~January 1, 1983, shall request assessment within four years of the~~
 17 ~~date the property was acquired by eminent domain or purchase or~~
 18 ~~the date the judgment of inverse condemnation becomes final.~~
 19 *under this section. A request made after four years following the*
 20 *date the property was acquired by eminent domain or purchase,*
 21 *or the date the judgment of inverse condemnation becomes final,*
 22 *shall be subject to subdivision (c).*

23 ~~Any~~
 24 (2) A change in the adjusted base year value of the replacement
 25 property acquired, resulting from the application of the provisions
 26 of this section, shall be deemed to be effective on the first day of
 27 the month following the month in which the property is acquired.
 28 The change in value shall be treated as a change in ownership for
 29 the purpose of placing supplemental assessments on the
 30 supplemental roll pursuant to Chapter 3.5 (commencing with
 31 Section 75). The assessor shall, however, appraise the replacement
 32 property acquired in accordance with the provisions of this section
 33 rather than the provisions of Section 75.10. The provisions of
 34 Chapter 3.5 shall be liberally construed in order to provide the
 35 benefits of this section and Section 2 of Article XIII A of the
 36 California Constitution to affected property owners at the earliest
 37 possible date.

38 (c) *A request for assessment under this section that is made*
 39 *after four years following the date the property was acquired by*
 40 *eminent domain or purchase, or the date the judgment of inverse*

1 *condemnation becomes final, shall apply commencing with the*
2 *lien date of assessment year in which the request is made. There*
3 *shall be no refund or cancellation of taxes prior to the date that*
4 *the request is made. Under an assessment granted pursuant to that*
5 *request, the assessor shall adjust the base year value of the*
6 *replacement property acquired in accordance with this section*
7 *and make adjustments for both of the following:*

8 (1) *Inflation, as annually determined in accordance with*
9 *paragraph (1) of subdivision (a) of Section 51.*

10 (2) *Any subsequent new construction occurring with respect to*
11 *the subject real property.*

12 SEC. 4. Section 401.10 of the Revenue and Taxation Code is
13 amended to read:

14 401.10. (a) Notwithstanding any other ~~provision~~ of law relating
15 to the determination of the values upon which property taxes are
16 based, values for each tax year from the 1984–85 tax year to the
17 ~~2015–16~~ 2020–21 tax year, inclusive, for intercounty pipeline
18 rights-of-way on publicly or privately owned property, including
19 those rights-of-way that are the subject of a change in ownership,
20 new construction, or any other reappraisable event during the
21 period from March 1, 1975, to June 30, ~~2016,~~ 2021, inclusive,
22 shall be rebuttably presumed to be at full cash value for that year,
23 if all of the following conditions are met:

24 (1) (A) The full cash value is determined to equal a 1975–76
25 base year value, annually adjusted for inflation in accordance with
26 subdivision (b) of Section 2 of Article XIII A of the California
27 Constitution, and the 1975–76 base year value was determined in
28 accordance with the following schedule:

29 (i) Twenty thousand dollars (\$20,000) per mile for a high density
30 property.

31 (ii) Twelve thousand dollars (\$12,000) per mile for a transitional
32 density property.

33 (iii) Nine thousand dollars (\$9,000) per mile for a low density
34 property.

35 (B) For purposes of this section, the density classifications
36 described in subparagraph (A) are defined as follows:

37 (i) “High density” means Category 1 (densely urban) as
38 established by the State Board of Equalization.

39 (ii) “Transitional density” means Category 2 (urban) as
40 established by the State Board of Equalization.

1 (iii) “Low density” means Category 3 (valley-agricultural),
2 Category 4 (grazing), and Category 5 (mountain and desert) as
3 established by the State Board of Equalization.

4 (2) The full cash value is determined utilizing the same property
5 density classifications that were assigned to the property by the
6 State Board of Equalization for the 1984–85 tax year or, if density
7 classifications were not so assigned to the property for the 1984–85
8 tax year, the density classifications that were first assigned to the
9 property by the board for a subsequent tax year.

10 (3) (A) If a taxpayer owns multiple pipelines in the same
11 right-of-way, an additional 50 percent of the value attributed to
12 the right-of-way for the presence of the first pipeline, as determined
13 under paragraphs (1) and (2), shall be added for the presence of
14 each additional pipeline up to a maximum of two additional
15 pipelines. For any particular taxpayer, the total valuation for a
16 multiple pipeline right-of-way shall not exceed 200 percent of the
17 value determined for the right-of-way of the first pipeline in the
18 right-of-way in accordance with paragraphs (1) and (2).

19 (B) If the State Board of Equalization has determined that an
20 intercounty pipeline, located within a multiple pipeline right-of-way
21 previously valued in accordance with subparagraph (A), has been
22 abandoned as a result of physical removal or blockage, the assessed
23 value of the right-of-way attributable to the last pipeline enrolled
24 in accordance with subparagraph (A) shall be reduced by not less
25 than 75 percent of that increase in assessed value that resulted from
26 the application of subparagraph (A).

27 (4) If all pipelines of a taxpayer located within the same pipeline
28 right-of-way, previously valued in accordance with this section,
29 are determined by the State Board of Equalization to have been
30 abandoned as the result of physical removal or blockage, the
31 assessed value of that right-of-way to that taxpayer shall be
32 determined to be no more than 25 percent of the assessed value
33 otherwise determined for the right-of-way for a single pipeline of
34 that taxpayer pursuant to paragraphs (1) and (2).

35 (b) If the assessor assigns values for any tax year from the
36 1984–85 tax year to the ~~2015–16~~ 2020–21 tax year, inclusive, in
37 accordance with the methodology specified in subdivision (a), the
38 taxpayer’s right to assert any challenge to the right to assess that
39 property, whether in an administrative or judicial proceeding, shall
40 be deemed to have been raised and resolved for that tax year and

1 the values determined in accordance with that methodology shall
2 be rebuttably presumed to be correct. If the assessor assigns values
3 for any tax year from the 1984–85 tax year to the ~~2015–16~~ 2020–21
4 tax year, inclusive, in accordance with the methodology specified
5 in subdivision (a), any pending taxpayer lawsuit that challenges
6 the right to assess the property shall be dismissed by the taxpayer
7 with prejudice as it applies to intercounty pipeline rights-of-way.

8 (c) Notwithstanding any change in ownership, new construction,
9 or decline in value occurring after March 1, 1975, if the assessor
10 assigns values for rights-of-way for any tax year from the 1984–85
11 tax year to the ~~2015–16~~ 2020–21 tax year, inclusive, in accordance
12 with the methodology specified in subdivision (a), the taxpayer
13 may not challenge the right to assess that property and the values
14 determined in accordance with that methodology shall be rebuttably
15 presumed to be correct for that property for that tax year.

16 (d) Notwithstanding any change in ownership, new construction,
17 or decline in value occurring after March 1, 1975, if the assessor
18 does not assign values for rights-of-way for any tax year from the
19 1984–85 tax year to the ~~2015–16~~ 2020–21 tax year, inclusive, at
20 the 1975–76 base year values specified in subdivision (a), any
21 assessed value that is determined on the basis of valuation standards
22 that differ, in whole or in part, from those valuation standards set
23 forth in subdivision (a) shall not benefit from any presumption of
24 correctness, and the taxpayer may challenge the right to assess that
25 property or the values for that property for that tax year. As used
26 herein, a challenge to the right to assess shall include any
27 assessment appeal, claim for refund, or lawsuit asserting any right,
28 remedy, or cause of action relating to or arising from, but not
29 limited to, the following or similar contentions:

30 (1) That the value of the right-of-way is included in the value
31 of the underlying fee or railroad right-of-way.

32 (2) That assessment of the value of the right-of-way to the owner
33 of the pipeline would result in double assessment.

34 (3) That the value of the right-of-way may not be assessed to
35 the owner of the pipeline separately from the assessment of the
36 value of the underlying fee.

37 (e) Notwithstanding any other provision of law, during a
38 four-year period commencing on January 1, 1996, the assessor
39 may issue an escape assessment in accordance with the specific

1 valuation standards set forth in subdivision (a) for the following
2 taxpayers and tax years:

3 (1) Any intercounty pipeline right-of-way taxpayer who was a
4 plaintiff in *Southern Pacific Pipe Lines, Inc. v. State Board of*
5 *Equalization* (1993) 14 Cal. App. 4th 42, for the tax years 1984–85
6 to 1996–97, inclusive.

7 (2) Any intercounty pipeline right-of-way taxpayer who was
8 not a plaintiff in *Southern Pacific Pipe Lines, Inc. v. State Board*
9 *of Equalization* (1993) 14 Cal. App. 4th 42, for the tax years
10 1989–90 to 1996–97, inclusive.

11 (f) Any escape assessment levied under subdivision (e) shall
12 not be subject to penalties or interest under the provisions of
13 Section 532. If payment of any taxes due under this section is made
14 within 45 days of demand by the tax collector for payment, the
15 county shall not impose any late payment penalty or interest. Taxes
16 not paid within 45 days of demand by the tax collector shall
17 become delinquent at that time, and the delinquent penalty,
18 redemption penalty, or other collection provisions of this code
19 shall thereafter apply. *time. If the tax thereon remains unpaid at*
20 *the time set for declaration of default for delinquent taxes, the tax*
21 *together with any penalty and costs as may have accrued thereon*
22 *while on the secured roll shall be transferred to the unsecured*
23 *roll.*

24 (g) For purposes of this section, “intercounty pipeline
25 right-of-way” means, except as otherwise provided in this
26 subdivision, any interest in publicly or privately owned real
27 property through which or over which an intercounty pipeline is
28 placed. However, “intercounty pipeline right-of-way” does not
29 include any parcel or facility that the State Board of Equalization
30 originally separately assessed using a valuation method other than
31 the multiplication of pipeline length within a subject property by
32 a unit value determined in accordance with the density category
33 of that subject property.

34 (h) This section shall remain in effect only until January 1, 2016,
35 2022, and, as of that date is repealed, unless a later enacted statute,
36 that is enacted before January 1, 2016, 2022, deletes or extends
37 that date.

38 SEC. 5. Section 423.3 of the Revenue and Taxation Code is
39 amended to read:

1 423.3. Any city or county may allow land subject to an
2 enforceable restriction under the Williamson Act or a migratory
3 waterfowl habitat contract to be assessed in accordance with one
4 or more of the following:

5 (a) Land specified in *paragraph (1) of* subdivision (a) of Section
6 16142 of the Government Code shall be assessed at the value
7 determined as provided in Section 423, but not to exceed a
8 uniformly applied percentage of its base year value pursuant to
9 Section 110.1, adjusted to reflect the percentage change in the cost
10 of living not to exceed 2 percent per year. In no event shall that
11 percentage be less than 70 percent.

12 (b) Prime commercial rangeland shall be assessed at the value
13 determined as provided in Section 423, but not to exceed a
14 uniformly applied percentage of its base year value pursuant to
15 Section 110.1, adjusted to reflect the percentage change in the cost
16 of living not to exceed 2 percent per year. In no event shall that
17 percentage be less than 80 percent.

18 For purposes of this subdivision, “prime commercial rangeland”
19 means rangeland which meets all of the following
20 physical-chemical parameters:

- 21 (1) Soil depth of 12 inches or more.
- 22 (2) Soil texture of fine sandy loam to clay.
- 23 (3) Soil permeability of rapid to slow.
- 24 (4) Soil with at least 2.5 inches of available water holding
25 capacity in profile.
- 26 (5) A slope of less than 30 percent.
- 27 (6) A climate with 80 or more frost-free days per year.
- 28 (7) Ten inches or more average annual precipitation.
- 29 (8) When managed at potential, the land generally requires less
30 than 17 acres to support one animal unit per year.

31 Property owners of land specified in this subdivision, shall
32 demonstrate that their land falls within the above definition when
33 requested by the city or county.

34 (c) Land specified in *paragraph (2) of* subdivision-~~(b)~~ (a) of
35 Section 16142 of the Government Code shall be assessed at the
36 value determined as provided in Section 423, but not to exceed a
37 uniformly applied percentage of its base year value pursuant to
38 Section 110.1, adjusted to reflect the percentage change in the cost
39 of living not to exceed 2 percent per year. In no event shall that
40 percentage be less than 90 percent.

1 (d) Waterfowl habitat shall be assessed at the value determined
2 as provided in Section 423.7 but not to exceed a uniformly applied
3 percentage of its base year value pursuant to Section 110.1,
4 adjusted to reflect the percentage change in the cost of living not
5 to exceed 2 percent per year. In no event shall that percentage be
6 less than 90 percent.

7 SEC. 6. Section 2609 of the Revenue and Taxation Code is
8 amended to read:

9 2609. On or before ~~the day when taxes are payable~~ *November*
10 *1 of each year*, the tax collector shall publish a notice specifying:

- 11 (a) The dates when taxes on the secured roll will be due.
- 12 (b) The times when these taxes will be delinquent.
- 13 (c) The penalties and costs for delinquency.
- 14 (d) That all taxes may be paid when the first installment is due.
- 15 (e) The times and places at which payment of taxes may be
16 made.

17 SEC. 7. Section 3726 of the Revenue and Taxation Code is
18 amended to read:

19 3726. A defense based on the alleged invalidity or irregularity
20 of any proceeding instituted under this chapter can be maintained
21 only in a proceeding commenced within one year after the date of
22 execution of the tax collector's deed *or within one year of the date*
23 *the board of supervisors determines that a tax deed sold under*
24 *this part should not be rescinded pursuant to Section 3731,*
25 *whichever is later.*

26 SEC. 8. No reimbursement is required by this act pursuant to
27 Section 6 of Article XIII B of the California Constitution for certain
28 costs that may be incurred by a local agency or school district
29 because, in that regard, this act creates a new crime or infraction,
30 eliminates a crime or infraction, or changes the penalty for a crime
31 or infraction, within the meaning of Section 17556 of the
32 Government Code, or changes the definition of a crime within the
33 meaning of Section 6 of Article XIII B of the California
34 Constitution.

35 However, if the Commission on State Mandates determines that
36 this act contains other costs mandated by the state, reimbursement
37 to local agencies and school districts for those costs shall be made
38 pursuant to Part 7 (commencing with Section 17500) of Division
39 4 of Title 2 of the Government Code.

1 SEC. 9. Notwithstanding Section 2229 of the Revenue and
2 Taxation Code, no appropriation is made by this act and the state
3 shall not reimburse any local agency for any property tax revenues
4 lost by it pursuant to this act.

O