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SB-812 Property taxation: tax-defaulted property sales: minimum price. (2017-2018)

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Date Published: 10/09/2017 09:00 PM

Senate Bill No. 812

CHAPTER 601

An act to amend Section 3698.5 of the Revenue and Taxation Code, relating to taxation.

[Approved by Governor October 08, 2017. Filed with Secretary of State October 08, 2017.]

LEGISLATIVE COUNSEL'S DIGEST

SB 812, Committee on Governance and Finance. Property taxation: tax-defaulted property sales: minimum price.

Under existing property tax law, taxes, assessments, penalties, and costs on real property, except as specified, become default by operation of law on July 1 at 12:01 a.m. Five years or more, or 3 years or more in the case of nonresidential commercial property, after the property has become tax defaulted, existing property tax law requires the tax collector to attempt to sell all or any portion of tax-defaulted property that has not been redeemed, as provided. Existing property tax law requires that the minimum price of tax-defaulted property at a tax sale generally be an amount not less than the total amount necessary to redeem, plus costs and the outstanding balance of any property tax postponement loan, determined as specified. If the property or property interests do not receive an acceptable bid at this minimum price, existing property tax law authorizes the tax collector, in his or her discretion and with the approval of the board of supervisors, to offer that same property or those interests at the same or next scheduled sale at a minimum price that the tax collector deems appropriate, as specified.

This bill would prohibit the current owner of tax-defaulted property subject to sale from purchasing that property, directly or indirectly, below the minimum price determined as described above. The bill would prohibit a transfer of a deed to the purchaser if the property is purchased, directly or indirectly, by the current owner for lower than the minimum price determined as described above.

By imposing new duties on local tax collectors with respect to sales of tax-defaulted property, the 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, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 3698.5 of the Revenue and Taxation Code is amended to read:

3698.5. (a) Except as provided in Section 3698.7, the minimum price at which property may be offered for sale pursuant to this chapter shall be an amount not less than the total amount necessary to redeem, plus costs and the outstanding balance of any property tax postponement loan. For purposes of this subdivision:

(1) The "total amount necessary to redeem" is the sum of the following:

- (A) The amount of defaulted taxes.
- (B) Delinquent penalties and costs.
- (C) Redemption penalties.
- (D) A redemption fee.

(2) "Costs" are those amounts described in subdivision (c) of Section 3704.7, subdivisions (a) and (b) of Section 4112, Sections 4672, 4672.1, 4672.2, 4673, and subdivision (b) of Section 4673.1.

(3) The "outstanding balance of any property tax postponement loan" is the sum of the following:

- (A) The tax payments made by the Controller's office on behalf of the claimant in the Property Tax Postponement Program.
- (B) Accrued interest pursuant to Section 16183 of the Government Code, subject to Sections 20644 and 20644.5.
- (C) Other associated fees and penalties as deemed appropriate by law.
- (D) Less any payments already made on the property tax postponement loan.

(b) This section shall not apply to property or interests that qualify for sale in accordance with the provisions of subdivisions (b) and (c) of Section 3692.

(c) If property or property interests have been offered for sale at least once and the tax collector has received no acceptable bids for that property or those interests at the minimum price determined pursuant to subdivision (a), the tax collector may, in his or her discretion and with the approval of the board of supervisors, offer that same property or those interests at the same or next scheduled sale at a minimum price that the tax collector deems appropriate in light of the most current assessed valuation of that property or those interests, or any unique circumstance with respect to that property or those interests.

(d) The current owner of tax-defaulted property subject to sale under this chapter shall not purchase that property, directly or indirectly, at a price below the minimum price determined pursuant to subdivision (a). No deed shall be transferred to the purchaser if the property is purchased, directly or indirectly, by the current owner for lower than the minimum price determined pursuant to subdivision (a).

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