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**AB-1500 Property taxation: application of base year value: disaster relief. (2023-2024)**

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**Assembly Bill No. 1500**

**CHAPTER 583**

An act to amend Section 70.5 of the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.

[ Approved by Governor October 08, 2023. Filed with Secretary of State October 08, 2023. ]

**LEGISLATIVE COUNSEL'S DIGEST**

AB 1500, Irwin. Property taxation: application of base year value: disaster relief.

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 law defines "newly constructed" and "new construction" to mean any addition to real property since the last lien date and any alteration of land or of any improvement since the last lien date that constitutes a major rehabilitation thereof or that converts the property to a different use. Existing law, where real property has been damaged or destroyed by misfortune or calamity, excludes from the definition of "newly constructed" and "new construction" any timely reconstruction of the real property, or portion thereof, where the property after reconstruction is substantially equivalent to the property prior to damage or destruction. Existing law, pursuant to the authorization of the California Constitution, authorizes the transfer of the base year value of property that is substantially damaged or destroyed by a disaster, as declared by the Governor, to comparable replacement property within the same county that is acquired or newly constructed within 5 years after the disaster, as provided.

Existing law authorizes the owner of property substantially damaged or destroyed by a disaster, as declared by the Governor, to apply the base year value of that property to replacement property reconstructed on the same site of the damaged or destroyed property within 5 years after the disaster if the reconstructed property is comparable to the substantially damaged or destroyed property, determined as provided.

This bill would extend the 5-year time period described above by 3 years if the property was substantially damaged or destroyed by the 2018 Woolsey Fire or by the 2018 Camp Fire on or after November 1, 2018, but on or before November 30, 2018. The bill would make these provisions applicable to the determination of base year values for the 2018–19 fiscal year and fiscal years thereafter. By imposing additional duties on local tax officials, the bill would create a state-mandated local program.

This bill would make legislative findings and declarations as to the public purpose served by these provisions.

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.

Existing law requires the state 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 those provisions, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3 Appropriation: no Fiscal Committee: yes Local Program: yes

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

**SECTION 1.** Section 70.5 of the Revenue and Taxation Code is amended to read:

**70.5.** (a) Notwithstanding Section 70, and pursuant to Section 2 of Article XIII A of the Constitution, the base year value of property that is substantially damaged or destroyed by a disaster, as declared by the Governor, may be applied to replacement property reconstructed on the site of the damaged or destroyed property within five years after the disaster as a replacement for the substantially damaged or destroyed property if that reconstructed property is comparable to the substantially damaged or destroyed property. A person who owns substantially damaged or destroyed property that receives property tax relief under this section shall not be eligible for property tax relief provided under Section 69.

(b) (1) The replacement base year value of the reconstructed property shall be determined in accordance with this section.

(2) The assessor shall use the following procedure in determining the appropriate base year value of the reconstructed property:

(A) If the full cash value of the reconstructed property does not exceed 120 percent of the full cash value of the property substantially damaged or destroyed, then the adjusted base year value of the property substantially damaged or destroyed shall apply to the reconstructed property as its base year value.

(B) If the full cash value of the reconstructed property exceeds 120 percent of the full cash value of the property substantially damaged or destroyed, then the amount of the full cash value over 120 percent of the full cash value of the property substantially damaged or destroyed shall be added to the adjusted base year value of the original property substantially damaged or destroyed. The sum of these amounts shall become the reconstructed property's base year value.

(C) If the full cash value of the reconstructed property is less than the adjusted base year value of the original property substantially damaged or destroyed, then that lower value shall become the reconstructed property's base year value.

(D) The full cash value of the property substantially damaged or destroyed shall be the amount of its full cash value immediately prior to its substantial damage or destruction, as determined by the county assessor of the county in which the property is located.

(c) For purposes of this section:

(1) Property is substantially damaged or destroyed if the improvements sustain physical damage amounting to more than 50 percent of the improvements' full cash value immediately prior to the disaster.

(2) Reconstructed property shall be considered comparable to the original property substantially damaged or destroyed if it is similar in size, utility, and function to the property which it replaces. For purposes of this paragraph:

(A) Property is similar in function if the reconstructed property is subject to similar governmental restrictions, such as zoning.

(B) (i) Both the size and utility of property are interrelated and associated with value. Property shall be considered similar in size and utility only to the extent that the reconstructed property is, or is intended to be, used in the same manner as the original property substantially damaged or destroyed and its full cash value does not exceed 120 percent of the full cash value of the original property substantially damaged or destroyed.

(ii) A reconstructed property or any portion of reconstructed property used or intended to be used for a purpose substantially different than the use made of the original property substantially damaged or destroyed shall to the extent of the dissimilar use be considered not similar in utility.

(iii) A reconstructed property or any portion of reconstructed property that satisfies the use requirement but has a full cash value that exceeds 120 percent of the full cash value of the original property substantially damaged or destroyed shall be considered, to the extent of the excess, not similar in utility and size.

(C) To the extent that reconstructed property or any portion of reconstructed property is not similar in function, size, and utility, the property or portion of that property shall be considered to be newly constructed.

(3) "Disaster" means a major misfortune or calamity in an area subsequently proclaimed by the Governor to be in a state of disaster as a result of that misfortune or calamity.

(d) Only the owner or owners of the property substantially damaged or destroyed, whether one or more individuals, partnerships, corporations, other legal entities, or a combination thereof, shall be eligible to receive property tax relief under this section. Relief under this section shall be granted to an owner or owners of substantially damaged or destroyed property who have reconstructed that property.

(e) (1) Notwithstanding any law, the time period specified in subdivision (a) to apply the base year value of qualified property to replacement property reconstructed on the site of the damaged or destroyed property is extended by three years if the qualified property was substantially damaged or destroyed on or after November 1, 2018, but on or before November 30, 2018.

(2) This subdivision shall apply to the determination of base year values for the 2018–19 fiscal year and fiscal years thereafter.

(3) For purposes of this subdivision, "qualified property" means property that was substantially damaged or destroyed, as described in paragraph (1) of subdivision (c), by the 2018 Woolsey Fire disaster or by the 2018 Camp Fire disaster, as proclaimed by the Governor.

(f) This section shall apply to real property damaged or destroyed by misfortune or calamity on or after January 1, 2017.

**SEC. 2.** The Legislature finds and declares that Section 1 of this act, which amends Section 70.5 of the Revenue and Taxation Code, does not constitute a gift of public funds within the meaning of Section 6 of Article XVI of the California Constitution and serves the following public purpose:

To ensure that owners of real property that has been substantially damaged or destroyed in the 2018 Woolsey Fire disaster or in the 2018 Camp Fire disaster, as declared by the Governor, are provided the full and fair opportunity to reconstruct on the site of the damaged or destroyed real property and to retain the property tax base year value of that property, an extension of the deadline in Section 70.5 of the Revenue and Taxation Code is necessary.

**SEC. 3.** 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.

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

**SEC. 5.** This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to provide, as quickly as possible, essential relief to those persons who have been unable to rebuild their destroyed properties resulting from the devastating 2018 Woolsey Fire and 2018 Camp Fire, it is necessary that this act take effect immediately.