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**AB-2353 Property taxation: welfare exemption: delinquent payments: interest and penalties.** (2023-2024)

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**Assembly Bill No. 2353**

**CHAPTER 566**

An act to add Section 4985.05 to the Revenue and Taxation Code, relating to taxation.

[ Approved by Governor September 25, 2024. Filed with Secretary of State September 25, 2024. ]

**LEGISLATIVE COUNSEL'S DIGEST**

AB 2353, Ward. Property taxation: welfare exemption: delinquent payments: interest and penalties.

Except as provided, the California Constitution requires that all property be taxed in proportion to its full value and assessed at the same percentage of fair market value. The tax imposed pursuant to these provisions is commonly referred to as an ad valorem property tax. Existing property tax law, in accordance with the California Constitution, provides for a "welfare exemption" for property used exclusively for religious, hospital, scientific, or charitable purposes and that is owned or operated by certain types of nonprofit entities, if certain qualifying criteria are met. Under existing property tax law, property that meets these requirements that is used exclusively for rental housing and related facilities is entitled to a partial exemption, equal to that percentage of the value of the property that is equal to the percentage that the number of units serving lower income households represents of the total number of residential units, in any year that any of certain criteria apply.

Existing law imposes various penalties and costs for delinquent payment of real property taxes. Existing law, however, requires the cancellation of any delinquent penalty, cost, redemption penalty, interest, or redemption fee upon satisfactory proof, as described, that the penalty, cost, interest, or fee attached due to an error of the tax collector, the auditor, or the assessor or due to their inability to complete valid procedures initiated prior to the delinquency date, as specified.

This bill would provide that a property owner is not liable for interest or penalties, and would prohibit the tax collector from taking or continuing any collection action, with respect to ad valorem property taxes levied upon a property if, annually while receiving the benefit, the facilities are in the course of construction, as defined, and the property owner supplies evidence to the tax collector that the property owner has submitted to the county assessor an application for an exemption pursuant to the above-described partial welfare exemption, except as provided, and that the property received a specified reservation of tax credits or award of funds. The bill would require the tax collector to provide the list of eligible properties to the assessor. The bill would require an assessor to provide specified notice to a taxpayer if the assessor deems an application ineligible for exemption. The bill would provide that any bill, notice of deficiency, or other routine communication sent to the taxpayer from the tax collector does not constitute a collection action under the bill's provisions. The bill would make its provisions applicable to property tax installments that are due and payable from December 10, 2025, to April 10, 2031. By imposing additional duties on local tax officials, 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

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

**SECTION 1.** Section 4985.05 is added to the Revenue and Taxation Code, to read:

**4985.05.** (a) Notwithstanding any other law, but except as provided in subdivision (b), a property owner shall not be liable for interest or penalties, nor shall the tax collector take or continue any collection action, with respect to any ad valorem property taxes levied upon a property if the property owner satisfies all of the following requirements annually while receiving the benefit:

(1) The property owner supplies evidence to the tax collector that the property owner has submitted to the county assessor an application for an exemption pursuant to subdivision (g) of Section 214, including, but not limited to, the information required under Section 254.

(2) The property owner supplies evidence to the tax collector that they received a reservation of tax credits from the California Tax Credit Allocation Committee or an award of funds from the Department of Housing and Community Development, including a copy of the reservation letter or notice of award.

(3) Facilities are in the course of construction, as defined in Section 214.2 of the Revenue and Taxation Code.

(b) The treatment of delinquent installments of ad valorem property tax and associated penalties and interest under subdivision

(a) shall not apply to any of the following:

(1) The prorated portion of any delinquent installments of ad valorem property taxes that are related to improvements not eligible for an exemption or to residential units not restricted as affordable to lower and very low income households pursuant to the reservation of tax credits from the California Tax Credit Allocation Committee or the award of funds from the Department of Housing and Community Development.

(2) Any late or delinquent installments of ad valorem property taxes related to property which the assessor, upon completion of its review of the application for exemption pursuant to subdivision (g) of Section 214, has deemed ineligible for exemption.

(3) Any delinquent installment of ad valorem taxes for property that, after four years from the date the claim for the welfare exemption was filed with the assessor, has not been developed in a manner that would make the property eligible for exemption under subdivision (g) of Section 214.

(c) An eligible property owner who is not liable for penalties or interest under this section shall provide verification of eligibility to the tax collector annually. The tax collector shall provide the list of eligible properties to the assessor.

(d) If an assessor deems an application ineligible for exemption, as described in paragraph (2) of subdivision (b), they shall make the notice required in paragraph (2) of subdivision (c) of Section 254.5 and provide a copy of the notification to the tax collector upon receipt of the annual eligibility list.

(e) Any bill, notice of deficiency, or other routine communication sent to the taxpayer from the tax collector shall not constitute a collection action under this section.

(f) This section shall apply to property tax installments that are due and payable from December 10, 2025, to April 10, 2031.

**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.