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THIRD READING

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Bill No: SB 303  
Author: Borgeas (R), et al.  
Introduced: 2/3/21  
Vote: 21

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SENATE GOVERNANCE & FIN. COMMITTEE: 5-0, 3/11/21  
AYES: McGuire, Nielsen, Durazo, Hertzberg, Wiener

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

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**SUBJECT:** Property taxation: transfer of base year value: disaster relief

**SOURCE:** Calaveras County Assessor Leslie K. Davis

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**DIGEST:** This bill extends from five to seven years the time period for a taxpayer affected by a disaster to transfer their base year value to a replacement property.

**ANALYSIS:**

Existing law:

- 1) Provides that all property is taxable unless explicitly exempted by the Constitution or federal law (California Constitution, Article XIII).
- 2) Limits the maximum amount of any ad valorem tax on real property at 1% of full cash value, and directs assessors to set assessed values at 1975 market value levels and only reappraise property thereafter if there is new construction or a change in ownership (California Constitution, Article XIII A, as added by Proposition 13, 1978).
- 3) Sets, generally, a property's value as its sales price when the taxpayer purchases it, or when there is no sales price, at its fair market value, which becomes its "base year value."

- 4) Allows taxpayers to continue to pay property taxes at the factored base year value of their previous home (or other property types where the law allows) and not on the value of their newly purchased or constructed home in specified circumstances, including:
  - a) When their property is damaged by a major misfortune or calamity and located in an area the Governor declared to be in a state of disaster (Proposition 50, 1986).
  - b) To other counties when their property is damaged by a major misfortune or calamity and located in an area declared to be in a state of disaster by the Governor when the county enacts an ordinance allowing the transfer (Proposition 171, 1993)
- 5) Implements Proposition 50 to allow base year value transfers when:
  - a) The damaged property sustains physical damages amounting to more than 50% of its full cash value immediately prior to the disaster;
  - b) The replacement property is located in the same county as the damaged property and is acquired or newly constructed within five years after the disaster;
  - c) The replacement property is comparable to the damaged property in size, utility, and function. For example, a residential property can be replacement property for a damaged residence, but not for a commercial, agricultural, or industrial property;
  - d) The market value of the replacement property does not exceed 120% of the fair market value of the replaced property in its pre-damaged condition. Property owners can still receive the disaster relief in cases where the value of the replacement property exceeds the 120% limitation, but any amount over this threshold is assessed at full market value and added to the transferred base year value; and,
  - e) The buyer of the replacement property was the owner of the damaged property at the time of damage.

This bill:

- 1) Extends by two years the time period for a taxpayer affected by a disaster declared by the Governor to transfer their base year value to a new residence if the property meets either of the following conditions:

- a) The last day to transfer their base year value was on or after March 4, 2020, but on or before the COVID-19 emergency termination date, or
  - b) The property was substantially damaged or destroyed on or after March 4, 2020, but on or before the COVID-19 emergency termination date.
- 2) Applies the determination of base year values retroactive to the 2015-16 fiscal year.
  - 3) Contains a legislative finding stating that this retroactive treatment does not constitute a gift of public funds for a specific public purpose.
  - 4) Defines two terms, including “COVID-19 emergency termination date” as the date the Governor proclaims the termination of the emergency related to the COVID-19 pandemic that was declared on March 4, 2020, pursuant to the California Emergency Services Act.

## **Background**

*California wildfires.* The 2020 California wildfire season set new records for destruction. By the end of the year, nearly 10,000 fires had burned over 4.2 million acres, more than 4% of the state's roughly 100 million acres of land, making 2020 the largest wildfire season recorded in California's modern history. The 2020 season was worse than the terrible 2018 wildfire season, which eclipsed 2017 as the most destructive and deadliest year for wildfires in California. The 2018 Mendocino Complex Fire alone burned 459,123 acres to become the largest fire in California history at the time. However, California's August Complex fire in 2020 smashed that record, exceeding one million acres burnt. Recent wildfires are not only destructive, but deadly: the Camp Fire in November 2018 caused the deaths of 86 people and destroyed nearly 19,000 structures.

*COVID-19.* The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing, widespread outbreak of the disease caused by a strain of the coronavirus. On March 19, 2020, Governor Newsom issued a mandatory “stay-at-home” order to protect the health of Californians. In April 2020, California's unemployment rate rose to a record high 15.5 percent in April as the state's employers lost 2,344,700 nonfarm payroll jobs, according to the Employment Development Department. According to Federal Reserve Bank Chair Jerome Powell, 40 percent of households earning less than \$40,000 annually lost their jobs in March 2020.

Reconstructing a home or business property destroyed by a disaster such as a wildfire is difficult and time consuming: debris and dead trees must be cleared, building and other permits acquired, contractors and other construction workers hired, materials purchased, and construction completed. Disaster victims unaccustomed to completing these tasks are further frustrated as each seeks to procure labor and materials in the same market, squeezing prices and causing construction delays. Additionally, the COVID-19 pandemic has resulted in lost jobs and closed businesses, plus difficulty finding qualified construction labor, especially in rural areas disproportionately affected by wildfires where construction labor can be hard to find.

*Flexible deadline.* Over time, the Legislature has extended the deadline for taxpayers to purchase or newly construct a replacement property to apply a base year value transfer under Proposition 50, often in response to wildfires. The Legislature initially set it at two years when implementing Proposition 50 in 1986, and then extended it to three years after the Oakland Hills fire (AB 1824, Lee, Chapter 1024, Statutes of 1993). In 2006, the Legislature further extended the deadline from three to five years for disasters occurring on or after July 1, 2003 (AB 1890, Mountjoy, Chapter 317, Statutes of 2006). Four years later, the Legislature allowed the San Diego County Board of Supervisors to extend the deadline two additional years for property substantially damaged or destroyed by the 2003 Cedar Fire (AB 157, Anderson, Chapter 341, Statutes of 2010).

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: Yes

**SUPPORT:** (Verified 4/7/21)

Calaveras County Assessor Leslie K. Davis (source)  
California Assessors' Association  
Lake County Assessor-Recorder Richard Ford

**OPPOSITION:** (Verified 4/7/21)

None received

**ARGUMENTS IN SUPPORT:** According to the author, "California has seen an unprecedented number of wildfires over the years that have destroyed many homes throughout the state. This has left countless residents displaced and in a fight against the clock to meet the five year deadline allowed to acquire or construct a replacement property and qualify for a transfer of their base year value. At a time when these displaced residents were beginning to put their lives back together following these devastating wildfires, the COVID-19 pandemic hit bringing critical

sectors of the government and economy to a grinding halt. Due to delays as a result of the strains on the system and the COVID-19 pandemic, some residents were not able to meet their deadline. SB 303 would relieve some of the pressure put on these residents by extending the deadline by two years to allow additional time to rebuild or acquire a replacement property.”

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4/7/21 15:15:13

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