

Date of Hearing: May 17, 2023

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Chris Holden, Chair

AB 1066 (Joe Patterson) – As Amended April 27, 2023

Policy Committee: Revenue and Taxation

Vote: 11 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

**SUMMARY:**

This bill increases, for lien dates occurring on or after January 1, 2024, and before January 1, 2029, the maximum low-value property tax exemption amount from \$10,000 to \$15,000.

This bill applies, beginning January 1, 2025, an inflation adjustment factor no longer limited to 2% per year when calculating the maximum exemption value for both the total base year value of real property and the full value of personal property. This bill declares the goals and performance indicators of the increased exemption and requires, by June 1, 2025, the state Board of Equalization (BOE) to annually report specified available data from county assessors to the Legislature.

**FISCAL EFFECT:**

- 1) Annual property tax revenue loss of \$765,000, if 28 counties increase their low-value ordinance to approve a maximum \$15,000 exemption. Actual revenue loss depends on the number of counties that adopt such ordinances. Although property tax is a local government revenue source and this bill specifies that the state shall not reimburse any local agency for lost property tax revenues, reductions in property tax revenues increase Proposition 98 General Fund (GF) spending by up to roughly 50 percent (the exact amount depends on the specific amount of the annual Proposition 98 guarantee).
- 2) GF costs of approximately \$3,400 in fiscal year 2023-24 and \$5,500 annually thereafter to BOE to update informational materials and provide the specified report.

**COMMENTS:**

- 1) **Purpose.** According to the author:

It takes more time and local government resources to assess low value property items than the amount of revenue that can be collected. AB 1066 provides flexibility to local governments to exempt those assessments that take too many staff resources only after the local government does a fee study. This bill provides locals with an option to save money.

- 2) **Low-value Ordinance Exemption.** Historically, it was common practice for county assessors to not assess certain real property interests when the administrative costs would outweigh the revenue proceeds derived from taxing the property. Proposition 8 (1974)

established the low-value ordinance exemption, granting county boards of supervisors explicit authority to set a low-value threshold by ordinance. Different thresholds can be set for different types of property.

The maximum limit for the low-value ordinance exemption has been raised numerous times, generally adjusted upwards every 10 to 15 years. The limit was increased from \$5,000 to \$10,000 in 2009. Accounting for inflation, the current \$10,000 limit would equal nearly \$14,000 today. This bill increases the maximum low-value exemption limit for real property and personal property a county board of supervisors may adopt to \$15,000 and applies an ongoing inflation adjustment factor to the threshold limit.

- 3) **Prior Legislation.** AB 608 (Petrie-Norris), Chapter 92, Statutes of 2019, expanded the higher low-value ordinance exemption threshold limit of \$50,000 for certain possessory interests to include all possessory interests.

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