
THIRD READING

Bill No: AB 1112
Author: Wallis (R)
Amended: 5/5/25 in Assembly
Vote: 27

SENATE LOCAL GOVERNMENT COMMITTEE: 7-0, 7/16/25
AYES: Durazo, Choi, Arreguín, Cabaldon, Laird, Seyarto, Wiener

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 75-0, 5/27/25 - See last page for vote

SUBJECT: Tax Equity Allocation

SOURCE: City of Rancho Mirage

DIGEST: This bill repeals the requirement for Riverside County to reduce the amount of property taxes distributed to the City of Rancho Mirage due to the creation of a community services district.

ANALYSIS:

Existing law:

- 1) Provides, pursuant to Article XIII of the California Constitution, that all property is taxable at the same percentage of fair market value unless explicitly exempted by the Constitution or federal law. The Constitution limits the maximum amount of any ad valorem tax on real property at 1% of full cash value, plus any to pay locally-authorized bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition (for non-school entities).

- 2) Specifies procedures for collection and allocation of property taxes in California to cities, the county, special districts, former redevelopment agencies, and school districts within each county.
- 3) Specifies that, in any fiscal year in which a qualifying city, defined to mean any city, unless otherwise excepted, that incorporated prior to June 5, 1987, and had an amount of property tax revenue allocated to it that is less than 7% of the amount of property tax revenue computed as specified, is to receive a property tax distribution, as specified, the auditor shall reduce the actual amount distributed to the qualifying city if certain circumstances apply.
- 4) Requires the Riverside County Auditor to reduce the actual amount distributed to the City of Rancho Mirage by any amount of property tax revenues that has been exchanged between the City of Rancho Mirage and a community services district (CSD), the formation of which was initiated on or after March 6, 1997.

This bill repeals the requirement that the Riverside County Auditor must reduce the actual amount of property taxes distributed to the City of Rancho Mirage by any amount of property tax revenues exchanged between the City of Rancho Mirage and a CSD formed on or after March 6, 1997.

Background

Property tax. Counties collect and allocate property taxes in California according to state law to cities, the county, special districts, former redevelopment agencies, and school districts within the county. Proposition 13 set a single, countywide rate of 1%, replacing the numerous individual tax rates set by the various taxing agencies. In what the Legislature intended as a permanent resolution to the issue of how to distribute property tax revenues post Proposition 13, the Legislature passed AB 8 (L. Greene, 1979). AB 8 required each county to allocate revenues to local agencies based on their average property tax revenue in the three years preceding Fiscal Year 1978-79 (the year voters adopted Proposition 13). Each year thereafter, counties have allocated property tax revenues according to 1) the property tax revenues allocated to each agency in the previous year, plus 2) a share of the growth in tax revenues resulting from increases in assessed value in the jurisdiction.

Approximately 30 cities never levied property tax rates before Proposition 13, and are called no-property tax cities. Other cities (approximately 60), levied low property tax rates and are known as low property-tax cities. Proposition 13 and its implementing legislation effectively froze property taxes at their existing levels. To compensate for the low levels of property tax revenue these cities receive, the

Legislature requires counties to shift some of their own property tax revenues to these cities (AB 1197, W. Brown, 1988). AB 1197 specified that, in most counties, “no/low cities” get 7% of the property tax revenues generated within their city limits, known as a “tax equity allocation” (TEA).

City of Rancho Mirage. Rancho Mirage is a city of about 17,000 residents in Riverside County. The City incorporated in 1973. The City withdrew from the Riverside City and County Library System and the Riverside County Structural Fire Tax System in 1991 and 1993 respectively. As a result of the withdrawal from both of the systems, the city received additional property tax revenue that previously went to the county. The City then formed the Rancho Mirage CSD to fund fire and library services. Shifting the property tax revenue to the CSD instead of the City would have made Rancho Mirage a no or low property tax city eligible for a TEA from the county. In 1997, the Legislature adjusted the TEA formula to exempt Riverside County from having to make a TEA payment to the City of Rancho Mirage due to the formation of the CSD.

To shift additional property tax revenue from the county to the city, Rancho Mirage wants to eliminate this requirement.

Comments

Purpose of this bill. According to the author, “The City of Rancho Mirage believes Section 98(f)(4) was added under the mistaken belief it would benefit the City; however, it has instead lowered our property tax allocation formula below the 7% minimum received by other qualifying cities. Removing this subsection will restore equity, strengthen the City’s ability to fund essential services, and correct a decades-old inequity.”

Zero-sum game. The reallocation of property tax revenues is a zero-sum game; every reallocation creates winners and losers. While this bill may provide additional funding to the City of Rancho Mirage, Riverside County could have less revenue to dedicate to the services it provides. Given that property taxes are a finite resource, the Committee may wish to consider the impact this bill may have on both the City of Rancho Mirage and Riverside County.

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

SUPPORT: (Verified 8/19/25)

City of Rancho Mirage (source)

OPPOSITION: (Verified 8/19/25)

None received

ASSEMBLY FLOOR: 75-0, 5/27/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lowenthal, Macedo, McKinnor, Muratsuchi, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Ellis, Jeff Gonzalez, Lee, Nguyen

Prepared by: Jonathan Peterson / L. GOV. / (916) 651-4119

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