

Date of Hearing: May 21, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1253 (Schultz) – As Amended May 5, 2025

Policy Committee: Revenue and Taxation

Vote: 7 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

**SUMMARY:**

This bill authorizes an assessor to align the “substantial equivalence” standard for purposes of assessing new construction after a property has been damaged or destroyed by misfortune or calamity with the reconstruction rules set by the state or local government to expedite the rebuilding of property damaged by the January 2025 Los Angeles-area wildfire disaster.

**FISCAL EFFECT:**

- 1) Ongoing property tax revenue loss of an unknown, but likely significant amount, in excess of \$300,000, by providing that post-fire new construction built pursuant to a state or local government suspension or modification of rebuild development standards will not have a new base year value for property tax assessment purposes. The amount of revenue loss is unquantifiable because this bill does not define or limit what is considered a “suspension or modification of rebuild development standards,” and new rules may still be promulgated for years to come to facilitate disaster recovery. Although property tax is a local government revenue source, reductions in property tax revenues increase Proposition 98 General Fund spending by up to roughly 50% (the exact amount depends on the specific amount of the annual Proposition 98 guarantee).
- 2) Costs of an unknown amount to the Board of Equalization to revise informational materials, issue guidance, and ensure consistent application of the alignment across counties (GF).

**COMMENTS:**

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

Many city, county, and state planning agencies have authorized expedited reconstruction permits, allowing property owners to rebuild up to 110% of their prior structure. These efforts are aimed at accelerating recovery and providing flexibility to homeowners in crisis...Unfortunately, many local agencies and officials – often unknowingly – have misinformed homeowners, suggesting that rebuilding up to 110% or more would not affect their property tax base. As a result, numerous homeowners, acting in good faith, may rebuild beyond allowable limits and face unexpected reassessments and supplemental tax bills. These financial shocks add to the

emotional and economic hardship already experienced by those recovering from disaster.

This bill is supported by the California Assessors' Association, Howard Jarvis Taxpayers Association, and a local elected official.

- 2) **Background. *Property Tax Relief for Damaged or Destroyed Property.*** Existing law authorizes two types of relief when property is suddenly damaged or destroyed, without fault of the property owner, and subsequently rebuilt on the same site. First, existing law excludes a property damaged or destroyed by a misfortune or calamity that is timely rebuilt in a “substantially equivalent” manner from the definition of “new construction,” thus excluding the rebuilt property from being reassessed at fair market value. However, existing law and the Assessors' Handbook do not define “substantially equivalent” nor provide a time frame in which the property must be rebuilt. As a result, an assessor has wide authority in applying this provision of property tax relief.

Second, existing law authorizes a base year value transfer for reconstructed property damaged or destroyed by a Governor-proclaimed disaster. Reconstruction must occur within five years of the damage or destruction, at no more than 120% of the full cash value of the original property. Thus, the reconstructed value of the property exceeding 120% of the full cash value is subject to reassessment as new construction.

***Executive Order (EO) N-4-25.*** In response to the January 2025 Los Angeles-area wildfire disaster, Governor Newsom issued a series of EOs to provide relief to fire victims. EO N-4-25 ordered the suspense of certain laws, including the California Environmental Quality Act and permitting requirements under the California Coastal Act, when a homeowner rebuilds on the same site as property damaged or destroyed in the fire. However, the suspension applies only to property reconstructed within 110% of the footprint and height of the damaged or destroyed property.

This bill authorizes an assessor to align the “substantial equivalence” standard for purposes of assessing new construction after a property has been damaged or destroyed by misfortune or calamity with the reconstruction rules set by the state or local government to expedite the rebuilding of property damaged by the January 2025 Los Angeles-area wildfire disaster. This bill limits the alignment to 120% of the full cash value of the original property. Thus, under this bill, if a property owner reconstructs their home to 110% of the original footprint and height, pursuant to EO N-4-25, the property would not be subject to reassessment if the value of the rebuild is within 120% of the full cash value of the original property. However, this bill applies broadly to any current or future post-fire reconstruction rule set by the state or local government, not just EO N-4-24.

- 3) **Related Legislation.** AB 245 (Gipson) extends, by three years, the existing five-year deadline to rebuild qualified property damaged or destroyed by the January 2025 Los Angeles-area wildfire disaster while retaining the original property's base-year value. AB 245 is pending hearing by this committee.

**Analysis Prepared by:** Irene Ho / APPR. / (916) 319-2081