
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 1485 (Macedo) - Property tax: documentary transfer tax: exemptions: Native American tribes

Version: July 15, 2025

Urgency: No

Hearing Date: August 18, 2025

Policy Vote: REV. & TAX. 5 - 0

Mandate: Yes

Consultant: Robert Ingenito

Bill Summary: AB 1485 would (1) exempt tribal land return transactions from the documentary transfer tax (DTT), and (2) enact a property tax exemption, parallel to the current exemption for open space lands, for properties owned and operated by a federally recognized Indian tribe or its wholly owned subsidiary.

Fiscal Impact:

- The Board of Equalization (BOE) indicates that this bill would reduce annual property tax revenues by \$4.7 million. Reductions in local property tax revenues, in turn, can increase General Fund Proposition 98 spending by up to roughly 50 percent (the exact amount depends on the specific amount of the annual Proposition 98 guarantee, which in turn depends upon a variety of economic, demographic and budgetary factors). BOE would incur minor administrative costs to implement the provisions of the bill.
- The Legislative Analyst's Office (LAO) would likely incur absorbable costs to prepare its required report. The LAO's funding comes from the Legislature's budget, which is capped by Proposition 140 (1990). Thus, to the extent the LAO would be required to perform the duties required by the bill, less resources would be available for other LAO workload.
- By expanding the duties of local tax officials, this bill creates a state-mandated local program. To the extent the Commission on State Mandates determines that the provisions of this bill create a new program or impose a higher level of service on local agencies, local agencies could claim reimbursement of those costs. The magnitude is unknown (General Fund).

Background: On April 26, 2024, the Governor announced that the State awarded more than \$100 million in funding appropriated as part of the 2022-23 and 2023-24 state budgets for 33 tribal land projects, including ancestral land return.

The California Constitution exempts from property taxes, in whole or in part, property used exclusively for religious, hospital, or charitable purposes and owned or held in trust by corporations or other entities (1) that are organized and operating for those purposes, (2) that are nonprofit, and (3) no part of whose net earnings inures to the benefit of any private shareholder or individual. Current law authorizes, until the 2027 lien date, the welfare exemption for property used exclusively for specified preservation

or open-space purposes that is open to the general public and owned and operated by a scientific or charitable fund with a primary interest to preserve such natural areas.

Existing law authorizes a county board of supervisors to enact an ordinance to impose a tax on each document that transfers real property within the county. The DTT is a local government revenue source. Current law additionally, provides for a number of DTT exemptions, such as for documents to secure debt, transfer assets in bankruptcy, and transfer community property. County recorders administer DTTs, and state law prohibits a recorder from recording a document subject to the DTT unless the tax is paid at the time of recording.

California is home to 110 federally recognized tribes and more than 60 aboriginal tribes that are not federally recognized. In recent years, California has enacted policies that encourage the return of tribal land to California Tribes and support co-management of ancestral lands by California Tribal Nations. In 2020, Governor Newsom signed Executive Order N-82-20, which directed certain agencies to partner with various entities, including California tribes, to combat the biodiversity and climate crises. Subsequently, the Legislature enacted SB 101 (Committee on Budget & Fiscal Review, 2023), which directed the California Natural Resources Agency (CNRA) to develop a Tribal Nature-Based Solutions program, and appropriated \$41 million to state agencies to support the return of ancestral lands to tribal ownership and stewardship, as well as habitat restoration projects, coast and ocean protection, wildfire resiliency and cultural fire, among other purposes. Consequently, CNRA has announced nearly \$108 million available to fund 33 projects and support the return of approximately 39,000 acres of land to California Native American tribes. Among them, the Program helped the Hoopa Valley Tribe fund the recent reacquisition of more than 10,000 acres, the tribe's largest acquisition since its reservation was established in 1864.

When a tribe conveys land to the United States Government to be held in trust, it is exempt from property tax as federally-owned property. However, this process can often take several years to obtain federal government approval. When a tribe purchases land in fee, the only other property tax exemption available specifically to tribes is the tribal low-income housing tax exemption that applies to rental housing owned and operated by a federally recognized Indian tribe, or its tribally designated housing entity. As a result, most property purchased by tribes becomes taxable in the same way as property owned by anyone else.

In March 2024, the Berkeley City Council unanimously approved an ordinance that authorized purchasing the West Berkeley Shellmound and Village Site with funds raised by Sogorea Te' Land Trust. The land is among the most culturally significant sites for the Lisjan people, so the land return acquisition was imperative to the Tribe's ability to protect its culture. However, the purchase price was more than \$25 million, which results in \$250,000 in annual property tax payments at the one percent rate, unless an exemption applies. The tribal land trust also paid DTTs.

Proposed Law: This bill would do the following:

- Exempt "tribal land return transactions" from the DTT, defined as a land return acquisition that transfers ownership of land to a federally recognized tribe in fee simple, is not in federal trust, and that includes restrictive covenants that prohibit

that tribe from engaging in commercial activities on the land, instead restricting its uses to cultural, educational, recreational, or conservation purposes.

- Enact a property tax exemption parallel to the current exemption for open space lands owned and operated by a federally recognized Indian tribe or wholly owned subsidiary of a federally recognized Indian tribe.

Both exemptions would take effect immediately as tax levies. The DTT exemption would sunset on January 1, 2031; the property tax exemption would last for the property tax lien dates for 2026–27 through 2031–32.

Staff Comments: BOE assumes that this bill would be applicable to 35,000 acres in the State. United States Department of Agriculture (USDA) 2024 data indicate that the average California farm real estate value per acre is \$13,400. Assuming that this would reflect the land buy-back transactions, BOE computes total market value to be \$469 million.

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