
THIRD READING

Bill No: AB 1485
Author: Macedo (R), et al.
Amended: 9/5/25 in Senate
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 7/9/25
AYES: McNerney, Valladares, Ashby, Grayson, Umberg

ASSEMBLY FLOOR: 77-0, 6/3/25 - See last page for vote

SUBJECT: Property tax: documentary transfer tax: exemptions: Native American tribes

SOURCE: Author

DIGEST: This bill exempts tribal land return transactions as defined from the documentary tax; enacts 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.

Senate Floor Amendments of 9/5/25 remove corporations chartered under tribal law from the measure's new welfare exemption from property tax and documentary transfer tax, and limit its documentary transfer tax exemption to federally-recognized tribes by removing references to California Native American tribes.

ANALYSIS:

Existing law:

- 1) Vests Congress with the authority to engage in relations with Indian tribes, sovereign nations that existed long before the founding of the Republic (United States Constitution, Article One, Section Eight).
- 2) Provides that all property is taxable unless explicitly exempted by the Constitution or federal law (California Constitution, Article XIII, Section One.)

- 3) Limits the maximum amount of any *ad valorem* tax on real property at 1% of full cash value, plus any locally-authorized bonded indebtedness, and caps a property's annual inflationary increase in taxable value to 2%. Provides that assessors reappraise property whenever it is purchased, newly constructed, or when ownership changes (California Constitution, Article XIII A, as added by Proposition 13, 1978).
- 4) Sets, generally, a property's value as its sales price when purchased or, when there is no sales price, at its fair market value when ownership changes.
- 5) Allows the Legislature to exempt property used exclusively for charitable purposes, so long as it is owned by non-profit corporations or other entities organized and operated for charitable purposes, such as universities, hospitals, and libraries, commonly known as the "welfare exemption" (California Constitution, Article XIII, Section Four).
- 6) Applies the welfare exemption to property used exclusively for the preservation of native plants and animals, biotic communities, geological or geographical formations of scientific or educational interest, or open-space lands used solely for recreation and for the enjoyment of scenic beauty. The land must be open to the public subject to reasonable restrictions, and the exemption cannot apply to property that is reserved for future development. In 2022, the Legislature extended the exemption until the 2027 lien date (SB 825, Committee on Governance & Finance, Chapter 433, Statutes of 2022).
- 7) Enacts the Documentary Transfer Tax Act, which allows counties to levy a tax upon the recording of documents that transfer interests in real property. All 58 counties impose a documentary transfer tax (DTT), which is levied at a rate of 55 cents per \$500 (or 0.11%) of the value of the real property or interest being transferred.
- 8) Under the Act, permits a city within a county that has adopted a DTT to impose a DTT at one-half of the county rate, where the amount of tax paid to a city is a credit against the amount of the tax owed to a county. More than 450 cities levy a DTT pursuant to the Act, including some charter cities, which can apply the tax at rates that exceed the Act's limits on the DTT.
- 9) Directs county recorders to administer documentary transfer taxes, and prohibits a recorder from recording a document subject to the DTT unless the tax is paid at the time of recording.

This bill:

- 1) Enacts a property tax exemption parallel to the current exemption for open space lands owned and operated by a federally recognized Indian tribe or a wholly owned subsidiary of a federally recognized Indian tribe, which also applies to property used exclusively for traditional tribal knowledge.
- 2) Exempts “tribal land return transactions” from the documentary tax, defined as a land return acquisition that transfers ownership of land to a federally recognized Indian tribe, or a wholly owned subsidiary of a federally recognized Indian tribe in fee simple, 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.
- 3) Provides that both exemptions take effect immediately as tax levies.
- 4) Sunsets the DTT exemption on January 1, 2031;
- 5) Provides that the property tax exemption applies commencing on the lien date in the 2026-27 fiscal year and ends on the lien date after the 2031-32 fiscal year, with the exemption repealed on January 1, 2033.
- 6) Makes legislative findings and declarations to comply with Section 41 of the Revenue & Taxation Code, specifically to:
 - a) State as its goal, purpose, and objective to eliminate financial barriers that inhibit federally recognized tribes from reclaiming and preserving ancestral lands; ensure equitable access to existing tax exemptions for land conservation; facilitate the return of land to tribal stewardship for cultural, environmental, educational, and recreational purposes; and promote tribal self-determination and long-term environmental preservation by enabling tribes to hold and maintain land in its natural state without incurring additional transactional tax burdens.
 - b) Set as its detailed performance indicators:
 - i) The total number and total assessed value of tribal land return transactions that qualify its property tax exemption, and the total dollar amount of taxes exempted.
 - ii) The total acreage of land reclaimed by federally recognized Indian tribes granted a DTT exemption under the bill, and the rate of year-over-year growth in the number of qualifying land transfers and acreage.

- c) Directs the State Board of Equalization to submit a report to the Legislature on or before March 1, 2028, and every March 1st thereafter, that includes:
 - i) Annual summaries of the total acreage of land exempted that is owned and operated by federally recognized Indian tribes or their wholly owned subsidiaries, to the extent data is available from counties.
 - ii) The number of tribal land return transactions qualifying for a DTT exemption, the total dollar value of the land transferred through transactions qualifying for an exemption, and the total amount of documentary transfer taxes exempted, to the extent data is available from counties.

Background

California is home to 110 federally recognized tribes and more than 60 aboriginal tribes that are not federally recognized. However, the State's history with tribes is a tumultuous and violent one, filled with dispossessions of tribal lands, violations of human rights, and unlawful termination of federal recognition as tribal sovereigns. Further, the Homestead Act, the Dawes Act, and the Rancheria Act, among other actions by federal, state, and local governments, resulted in vast land takings from California tribes.

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, Chapter 12, Statutes of 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. As a result, the 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.

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.

AB 1485 would facilitate tribal land return transactions by reducing the up-front cost of acquisition by exempting qualifying transactions from the DTT. The measure should also reduce ongoing tax obligations resulting from the transactions by enacting a welfare exemption for tribally-owned lands used for qualifying purposes.

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

According to the Senate Appropriations Committee:

- 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.
- 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).

SUPPORT: (Verified 9/8/25)

Agua Caliente Band of Cahuilla Indians
Big Sandy Rancheria Band of Western Mono Indians
Big Valley Band of Pomo Indians
California Assessors' Association
California Nations Indian Gaming Association
Enterprise Rancheria
Habematolel Pomo of Upper Lake
Karuk Tribe
Mooretown Rancheria
Pit River Tribe
Potter Valley Tribe
Pulikla Tribe of Yurok People

Rincon Band of Luiseño Indians
Tolowa Dee-ni' Nation
Viejas Band of Kumeyaay Indians

OPPOSITION: (Verified 9/8/25)

None received

ARGUMENTS IN SUPPORT: According to the author, “supporting the preservation of Indian ancestral lands is important to California’s rich history. AB 1485 is a step in the right direction to ensure that federally recognized Indian tribes receive the same property tax exemptions as other entities engaged in conservation efforts. This bill removes financial barriers that currently make it more difficult for tribes to reclaim ancestral lands for cultural, educational, and conservation purposes. AB 1485 strengthens California’s commitment to tribal sovereignty and environmental preservation.”

ASSEMBLY FLOOR: 77-0, 6/3/25

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, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, 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: Lee, Ortega

Prepared by: Colin Grinnell / REV. & TAX. / (916) 651-4117
9/8/25 21:46:06

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