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CONSENT

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Bill No: AB 1516  
Author: Committee on Revenue and Taxation  
Introduced: 3/13/25  
Vote: 21

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SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 6/25/25  
AYES: McNerney, Valladares, Ashby, Grayson, Umberg

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 69-0, 5/15/25 (Consent) - See last page for vote

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**SUBJECT:** Real property taxation

**SOURCE:** California Assessors' Association

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**DIGEST:** This bill makes changes to two areas of property tax law suggested by the California Assessors' Association to improve tax administration.

**ANALYSIS:**

Existing law:

- 1) Provides that all property is taxable unless explicitly exempted by the Constitution or federal law (California Constitution, Article XIII, Section One).
- 2) 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).

- 3) Allows the Legislature to exclude from the definition of “new construction,” the construction or addition of any active solar energy system (California Constitution, Article XIII A, Section Two, as added by Proposition 7, 1980).
- 4) Implements in statute the active solar energy system new construction exclusion until the 2025-26 fiscal year, which is repealed on January 1, 2027 (SB 1340, Hertzberg, Chapter 425, Statutes of 2022).
- 5) Defines an active solar energy system as one that uses solar devices, which are thermally isolated from living space or any other area where the energy is used, to provide for the collection, storage, or distribution of solar energy.
- 6) States that an active solar energy system excluded from new construction may be used for:
  - a) Domestic, recreational, therapeutic, or service water heating.
  - b) Space conditioning.
  - c) Production of electricity.
  - d) Process heat.
  - e) Solar mechanical energy.
- 7) Excludes from the definition of active solar energy system:
  - a) Solar swimming pool heaters.
  - b) Hot tub heaters.
  - c) Passive energy systems.
  - d) Wind energy systems.
- 8) Applies the active solar energy system exclusion to its first buyer when an owner-builder who does not intend to occupy the property constructs the system, so long as the first buyer purchases the building before it becomes subject to supplemental reassessment to the builder, and files a claim with the assessor containing specified information.
- 9) Does not contain a deadline for the first buyer to file the claim that can apply retroactively to the date construction was completed.

- 10) Exempts from property taxation property owned by local agencies, which functionally exempts most public schools in the state from property taxation (California Constitution, Article XIII, Section Three).
- 11) Exempts property used exclusively for public schools, community colleges, and state universities, which ensures that owners of property leased to public schools are not subject to property tax either (California Constitution, Article XIII, Section Three).
- 12) Allows the Legislature to exempt property used exclusively for charitable purposes, so long as it is owned by non-profit 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).
- 13) Requires property owners to file welfare exemption claims by the lien date of January 1<sup>st</sup>.
- 14) Enacts specific provisions to ensure that organizations which are currently qualified for the welfare exemption that acquire property, or ones that currently own property but are not yet qualified for the exemption, are not disadvantaged. Among them:
  - a) States that when an organization which qualifies for the welfare exemption and acquires property after the lien date files a claim within a specified time period, regardless of the date acquired, property taxes, penalties, or interest imposed are cancelled or refunded, as applicable.
  - b) Cancels or refunds taxes, penalties, and interest if an organization would have qualified for the welfare exemption, had it been in existence on the lien date and acquired property before the beginning of the fiscal year.
  - c) Applies the above provisions when an organization files an exemption application within 90 days from the first day of the next month following the date on which the property was acquired, or by February 15 of the following calendar year, whichever occurs first.
  - d) Reduces taxes, penalties, and interest when the organization files a claim after the 90-day deadline passes, unless the amount exceeds \$250, in which case it is cancelled or refunded entirely.

- e) Cancels supplemental assessments without the requirement for the organization to file a claim when an organization that qualifies for the welfare exemption either forms or acquires property after the lien date.
- f) Applies these provisions to organizations qualified for the welfare exemption, public cemetery and church exemptions, but not for the public school use exemption.

This bill:

- 1) Provides that property owners have three years from the date of purchase to file a claim for the active solar energy exclusion that applies retroactively to the date construction is completed; claims filed after that date can be granted, but would only apply prospectively, commencing on the lien date of the year in which the claim is filed.
- 2) Applies provisions that allow for the cancellation or refund of property taxes, penalties, or interest imposed on an organization qualified for the welfare exemption to property owners qualified for the school exemption, including those that apply to supplemental assessments.
- 3) Makes a conforming change to state that when property currently qualified for the school exemption is sold or transferred, the exemption ceases as of the date of sale.

### **Background.**

*Active Solar Energy System New Construction Exclusion.* Under current law, installing a qualifying solar energy system does not result in either an increase or a decrease in the assessment of the existing property, unlike other physical additions to real property, which are assessed at current market value and whose value is added to the existing base year value of the real property. Only active solar energy systems, fire sprinkler systems, seismic retrofits, disabled access improvements, and rainwater capture systems have similar treatment under the Constitution and statute. While the exclusion applies to “new construction,” it is not an exclusion from “change of ownership.” As a result, the exclusion terminates when the property is sold to a new owner; however, the active solar energy exclusion contains an exception for the first buyer when an owner-builder who does not intend to occupy the property constructs the system that applies under specified circumstances.

*Exemption parity.* The welfare exemption is contingent both on the charitable characteristics of a property’s owner, as well as its use. However, to be exempt

under the public school exemption, characteristics of a property's owner do not matter; any property can be exempt so long as the property is used exclusively for public school purposes. While most school properties in the state are exempt as publicly-owned property, some schools are privately owned and can only be exempt under the public school use exemption; schools also lease private land for educational purposes. Currently, charitable organizations can have taxes, interest, and penalties cancelled when they acquire property after the lien date, which apply to supplemental assessments, but not owners under the school use exemption. AB 1516 would remove this distinction by granting organizations that currently do not need to meet the same requirements that apply to charitable organizations the same benefit. With that said, the provisions that AB 1516 amends to apply to school use exemption properties currently apply to other use-based qualifications, such as churches and cemeteries.

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

Senate Rule 28.8

**SUPPORT:** (Verified 7/8/25)

California Assessors' Association (Source)

**OPPOSITION:** (Verified 7/8/25)

None received

**ARGUMENTS IN SUPPORT:** According to the author, "this bill contains two major provisions. The first imposes a three-year deadline to claim the new construction exclusion for an active solar energy system (ASES) on a property recently purchased from a developer. The second adds public schools to the list of entities exempt from supplemental or escape assessments when building on or purchasing an exempt property. Existing law requires that a reassessment occur anytime a property changes ownership, or new construction occurs on the property. Under the ASES exclusion, a developer may sell a property to an initial purchaser, without triggering a change in ownership reassessment. Existing law, however, does not impose a deadline to file a claim after sale to an initial purchaser. This bill simply establishes a three-year deadline to file. Certain eligible properties and their uses are exempt from property taxation, and, by extension, supplemental and escape assessment. While the use of property for public schools is exempt generally, that property's use is not exempt from supplemental or escape assessment. This bill would make the use of public school property purchased after the lien date exempt from supplemental and escape assessment."

ASSEMBLY FLOOR: 69-0, 5/15/25

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

NO VOTE RECORDED: Alanis, Arambula, Bennett, Caloza, Castillo, Jeff Gonzalez, Hart, Quirk-Silva, Ramos, Stefani

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7/9/25 16:03:36

\*\*\*\* END \*\*\*\*