

ASSEMBLY THIRD READING

AB 1668 (Pellerin)

As Amended April 20, 2026

Majority vote

SUMMARY

Extends the sunset date of the welfare property tax exemption for property used exclusively for the preservation of specified natural resources and open-space lands by five years.

Major Provisions

- 1) Extends the January 1, 2027 inoperative date, and the January 1, 2028 repeal date, of the welfare property tax exemption for property that is used exclusively for the preservation of specified natural resources and open-space lands by five years to January 1, 2032, and January 1, 2033, respectively.
- 2) Provides that it is the intent of the Legislature to apply the requirements of Revenue and Taxation Code (R&TC) Section 41 to this bill's provisions. As such, this bill finds and declares that this bill's specific goals, purposes, and objectives are to eliminate financial barriers that inhibit nonprofit land conservation organizations from preserving California's natural resources, and to promote environmental preservation by enabling nonprofit organizations to hold and maintain land in its natural state without incurring additional tax burdens.
- 3) Provides that the detailed performance indicators for the Legislature to use in determining whether this bill meets its stated goals purposes and objectives are the total number of properties that qualify for this bill's exemption, the total assessed value of properties qualifying for this bill which are preserved by nonprofit land conservation organizations, the total acreage of land on properties that qualify for this bill which are preserved by nonprofit land conservation organizations, and the rate of the year-over-year growth in the total acreage of land on properties that qualify for this bill which are preserved by nonprofit land conservation organizations.
- 4) Requires the State Board of Equalization (BOE) to, on or before January 1 of each year prior to January 1, 2034, publish and submit to the relevant committees of the Legislature a summary of the annual total acreage and annual total assessed value of the properties exempt pursuant to this bill, to the extent that data are available.
- 5) Takes immediate effect as a tax levy.

COMMENTS

Preserving legislative history: The natural resources and open-space lands welfare property tax exemption was enacted by the Legislature in 1971. Specifically, the enactment of this exemption arose from a report issued by this Committee in 1970. According to the opinion issued by the appellate court in the case of *Santa Catalina Island Conservancy v. County of Los Angeles* (1981):

The legislative history behind the enactment of [R&TC] Section 214.02 is clear. In 1970, the Assembly Committee on Revenue and Taxation held hearings and conducted studies to

investigate alternative tax policies which would have a positive environmental influence on the future of the state. The staff report to the committee concluded that, due to an over-reliance on property tax revenues, local governments were reluctant to preserve open space areas, recreational areas, and ecologically valuable areas. [...] Among the conclusions reached in the staff report was the following: "The property tax exemption provided under existing welfare exemption should be broadened to include environmentally oriented nonprofit organizations that are preserving ecologically valuable areas."¹

The exemption was limited to non-profit organizations engaged in eligible conservation activities. An analysis by this Committee of AB 703 (Gordon), Chapter 575, Statutes of 2011, states that according to staff at the BOE:

[T]he intent of the original legislation enacting R&TC Section 214.02 was to assist nonprofit organizations that purchased open-space and similar lands, held the lands temporarily, and then sold or donated the lands to public agencies for permanent use as park facilities. A sunset date was included in the original legislation as a result of a Senate Revenue and Taxation Committee hearing to ensure that the charitable organizations sold or donated the lands rather than hold them indefinitely. Since that time, it appears that many charitable organizations may be the permanent owners of lands due, in part, to the limited ability of public agencies to acquire additional parklands.

This exemption has been extended numerous times over the course of its 50 years in operation, with the latest extension occurring in 2021 to the current inoperative date of January 1, 2027.

This bill: As currently drafted, this bill would simply extend the existing inoperative and repeal dates for the natural resources and open-space lands welfare property tax exemption by five years, to January 1, 2032 and January 1, 2033, respectively. There are no other proposed changes to existing law in this bill.

According to the Author

For more than 40 years, the welfare tax exemption has proven an important tool in protecting habitat for some of California's unique flora and fauna, and for providing recreational opportunities and natural beauty to Californians. AB 1668 extends the property tax exemption for open lands from 2027 to 2033 so that land trusts can continue doing the important work of preserving and maintaining open space.

Arguments in Support

The California Council of Land Trusts (CCLT), writing in support of this bill, states, in part:

Open-spaces and parklands are vitally important to the quality of life in communities across California. All Californians benefit from these preserved natural spaces, whether they are for the protection of wildlife, the outdoor education of our urban youth, or for outdoor recreation. Many of these natural lands are owned and operated by charitable organizations, such as CCLT's member land trusts, for the public benefits they provide. Existing property tax law has acknowledged the value of this charitable service since 1971, affording these lands with an exemption from property taxes. This exemption has allowed non-profit organizations to focus their limited funds on the long-term stewardship of these

¹ *Santa Catalina Island Conservancy v. Cty. of L.A.*, 126 Cal. App. 3d 221, (1981), 237-238.

important lands, and in many cases on providing the public with educational programs not offered anywhere else. Without extending the current 2028 sunset provision associated with the exemption, and extending the 2027 operative provisions of the exemption, these charitable services will be threatened and put increase cost pressures on the state to protect environmental and open space lands and increase cost pressures on the state to protect environmentally important and open space lands. AB 1668 would resolve these issues by extending the sunset and operative provision for an additional five years.

Arguments in Opposition

The California Teachers Association (CTA), writing in opposition to a series of bills that would cause estimated revenue losses, states, in part:

In fiscal year [(FY)] 2025-26, the Department of Finance estimated a \$94 billion dollar loss in general fund revenue due to existing tax expenditures. This is revenue that would have otherwise gone to the General Fund, of which approximately 40% would have gone toward the Proposition 98 minimum guarantee. Once tax credits are passed with a simple majority, it takes a two-thirds vote of the Legislature to repeal them.

While we understand that some of these bills are well intended, CTA does not support this approach, as it would reduce overall funding for education. CTA believes Proposition 98 should be protected from reductions through the creation of new or expanding existing tax expenditures.

FISCAL COMMENTS

The Assembly Committee on Appropriations, in its analysis of this bill, estimates the following fiscal impact:

- 1) Annual property tax revenue loss of approximately \$6.5 million by extending the welfare exemption for preserved lands. A 2010 BOE analysis estimated the exempt value of identified qualified properties at \$304 million, which would reach \$647 million under the annual inflation factor of 2%. Although property tax is a local government revenue source and this bill prohibits the state from reimbursing local agencies for lost property tax revenues, reductions in property tax revenues, in turn, increase General Fund (GF) Proposition 98 spending by up to roughly 50% (the exact amount depends on the operative test of the annual Proposition 98 guarantee).
- 2) One-time costs of approximately \$3,000 to BOE to update related guidance and produce eight annual reports (GF).
- 3) Likely minor and absorbable costs across 58 county assessors to continue administering the exemption. If the Commission on State Mandates determines the provisions of this bill create a new program or impose a higher level of service for which the state must reimburse local costs, counties could claim reimbursement from the state.

The Legislative Analyst's Office recently warned of GF structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

VOTES

ASM REVENUE AND TAXATION: 7-0-0

YES: Gipson, Sanchez, Carrillo, DeMaio, McKinnor, Quirk-Silva, Michelle Rodriguez

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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