
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair
2025 - 2026 Regular

| | | | |
|--------------------|-----------------|----------------------|---------|
| Bill No: | AB 1668 | Hearing Date: | 6/10/26 |
| Author: | Pellerin | Tax Levy: | Yes |
| Version: | 5/22/26 Amended | Fiscal: | Yes |
| Consultant: | Grinnell | | |

PROPERTY TAX: WELFARE EXEMPTION

Extends the welfare exemption for open space lands owned by non-profit charitable organizations for five years.

Background

Property Taxation. Section One of Article XIII of the California Constitution provides that all property is taxable unless explicitly exempted by the Constitution or federal law. The Constitution 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%. Assessors reappraise property whenever it is purchased, newly constructed, or when ownership changes. The Constitution and statute define those terms.

Section Four of Article XIII 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," it has a similar policy rationale to tax-exempt status for charitable groups: Revenues paid in tax to the government divert needed resources away from the organization's good works.

Implementing a recommendation from a 1970 Assembly Revenue & Taxation Committee report to encourage preservation of ecologically valuable areas, current law has since 1971 exempted property that is 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. The Legislature extended the exemption six times, most recently in 2022, until the January 1, 2027 lien date (SB 825, Committee on Governance & Finance).

With the exemption due to sunset on January 1, 2027, the California Council of Land Trusts would like to extend it another five years.

Proposed Law

Assembly Bill 1668 extends the welfare exemption on 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. Specifically, the measure extends the lien date for property tax years in which the exemption applies from January 1, 2027, to January 1, 2032, and its repeal date from January 1, 2028, to January 1, 2033. The bill also makes legislative findings and declarations to comply with Section 41 of the Revenue and Taxation Code.

State Revenue Impact

According to the Board of Equalization (BOE), the “total exempt value [of property qualifying for this exemption] is estimated to be \$647 million. Annual revenue loss (foregone by the exemption) at the basic 1% property tax rate amounts to an estimated \$6.5 million (1% × \$647 million exemption value).” BOE adds that these amounts may be understated as they are based on organizations qualifying for an organizational clearance certificate in 2010.

Comments

1. **Purpose of the bill.** According to the author, “For more than 40 years, the welfare property 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.”

2. **Section 41.** Section 41 of the Revenue and Taxation Code requires any bill enacting a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve and detailed performance indicators, along with data collection and reporting requirements (SB 1335, Leno, 2014). While previous extensions did not include similar findings, to comply with Section 41, AB 1668:

- States that its goal, purpose, and objective is to reduce financial barriers that inhibit nonprofit land conservation organizations from preserving California’s natural resources, and promote environmental preservation by enabling nonprofit organizations to hold and maintain land in its natural state without incurring additional tax burdens.
- Identifies as its performance indicators the total number of properties, the total assessed value, and the total acreage of land that qualify for the exemption.
- Directs BOE to report the above data to the relevant committees of the Legislature.

3. **Mandate.** The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because AB 1668 changes the way assessors value real property by extending a welfare exemption from property tax, Legislative Counsel says that this bill imposes a new state mandate. The measure provides that the state shall not reimburse local agencies for property tax revenue losses, instead stating that, should the Commission on State Mandates determine that the bill imposes a reimbursable mandate, reimbursement must be made pursuant to existing statutory provisions.

Assembly Actions

| | |
|--|------|
| Assembly Revenue & Taxation Committee: | 7-0 |
| Assembly Appropriations Committee: | 15-0 |
| Assembly Floor: | 77-0 |

Support and Opposition (6/5/26)

Support: California Council of Land Trusts (Sponsor)
California Legislative Central Coast Caucus
California State Board of Equalization
Ag Land Trust
Arroyos & Foothills Conservancy
California Desert Land Conservancy, dba Mojave Desert Land Trust
Center for Natural Lands Management
Elkhorn Slough Foundation
Feather River Land Trust
John Muir Land Trust
Kings River Land Trust
Land Conservancy of San Luis Obispo
Land Trust for Santa Barbara County
Land Trust of Napa County
Land Trust of Santa Cruz County
Mendocino Land Trust
Nature Conservancy
Ojai Valley Land Conservancy
Placer Land Trust
Redwood Coast Land Conservancy
Rivers & Lands Conservancy
Sempervirens Fund
Sequoia Riverlands Trust
Shasta Land Trust
Sierra Consortium
Siskiyou Land Trust
Solano Land Trust
Sonoma Land Trust
Trust for Public Land
Western Alliance for Nature
Wildlife Heritage Foundation

Opposition: California Teachers Association

-- END --