
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 1668 (Pellerin) - Property tax: welfare exemption

Version: May 22, 2026

Urgency: No

Hearing Date: June 22, 2026

Policy Vote: REV. & TAX. 5 - 0

Mandate: Yes

Consultant: Robert Ingenito

Bill Summary: AB 1668 would extend for five years the welfare exemption for open space lands owned by non-profit charitable organizations.

Fiscal Impact:

- BOE indicates that this bill would result in an annual property tax revenue loss of \$6.5 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).
- By changing the manner in which assessors value real property, 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 (General Fund). The magnitude of these costs is unknown.

Background: Article XIII of the California Constitution provides that all property is subject to taxation unless expressly exempted by the Constitution or federal law. Proposition 13 established the state's modern property tax framework by limiting the ad valorem tax rate on real property to 1 percent of assessed value, plus voter-approved indebtedness, and restricting annual increases in assessed value to no more than 2 percent absent a change in ownership or new construction. County assessors reassess property when ownership changes, new construction occurs, or other constitutionally defined reassessment events take place.

Article XIII also authorizes the Legislature to exempt property used exclusively for charitable purposes when it is owned and operated by nonprofit entities organized for charitable objectives. Pursuant to this authority, the Legislature established the welfare exemption, which reflects the longstanding public policy that charitable organizations should be permitted to devote their resources to public-serving activities rather than property tax payments.

Consistent with this policy, California law since 1971 has provided a property tax exemption for land used exclusively to preserve native plants and animals, biotic communities, geological or geographical features of scientific or educational significance, and qualifying open-space lands maintained for public recreation and scenic enjoyment. To qualify, the property generally must be accessible to the public,

subject to reasonable restrictions, and may not be held for future development. The Legislature has extended the exemption on six occasions, most recently through the January 1, 2027 lien date.

Proposed Law: This bill, among other things, would extend 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, to January 1, 2032.

Related Legislation: SB 825 (Committee on Governance and Finance, Chapter 433, Statutes of 2022) extended the exemption through the January 1, 2027 lien date.

Staff Comments: The BOE's estimate is derived from a 2010 analysis that identified \$304 million in exempt assessed value associated with qualified properties. Adjusting this amount for annual assessed value growth of 2 percent, consistent with Proposition 13, yields an estimated current assessed value of approximately \$647 million. At the one percent basic property tax rate, the resulting annual property tax revenue loss would be \$6.5 million.

BOE notes that these amounts may be understated as they are based on organizations qualifying for an organizational clearance certificate in 2010.

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