THIRD READING

Bill No: AB 1668
Author: Pellerin (D)
Amended: 5/22/26 in Assembly
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 6/10/26
AYES: McNerney, Alvarado-Gil, Ashby, Becker, Grayson

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/13/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 77-0, 5/26/26 - See last page for vote

SUBJECT: Property tax: welfare exemption

SOURCE: California Council of Land Trusts;
Shasta Land Trust;
Sonoma Land Trust

DIGEST: This bill extends the sunset for five years on the welfare exemption from property tax for open space lands owned by non-profit charitable organizations.

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 XIIIA, as added by Proposition 13, 1978).

3) 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.

4) 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).

5) 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).

This bill:

1) 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 by extending 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.

2) Makes legislative findings and declarations to comply with Section 41 of the Revenue and Taxation Code.

Background.

Open Space Exemption. 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, but it is set to expire on January 1, 2027, unless extended.

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

According to the Senate Appropriations Committee:

- The State Board of Equalization 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 turns 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.

SUPPORT: (Verified 8/14/26)

California Council of Land Trusts (Co-Source)
Shasta Land Trust (Co-Source)
Sonoma Land Trust (Co-Source)
Ag Land Trust
Arroyos & Foothills Conservancy
California Desert Land Conservancy, dba Mojave Desert Land Trust
California State Board of Equalization
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
Ojai Valley Land Conservancy

Placer Land Trust
Redwood Coast Land Conservancy
Rivers & Lands Conservancy
Sempervirens Fund
Sequoia Riverlands Trust
Sierra Consortium
Siskiyou Land Trust
Solano Land Trust
The Nature Conservancy
The Trust for Public Land
Western Alliance for Nature
Wildlife Heritage Foundation

OPPOSITION: (Verified 8/14/26)

California Teachers Association

ARGUMENTS IN SUPPORT: 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."

ARGUMENTS IN OPPOSITION: According to the California Teachers Association, "In fiscal year 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 the intent of the bill, 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."

ASSEMBLY FLOOR: 77-0, 5/26/26
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, Garcia, Gipson, Jeff Gonzalez, Mark González,

Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, 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: Gallagher, Muratsuchi, Celeste Rodriguez

Prepared by: Colin Grinnell / REV. & TAX. / (916) 651-4117
8/15/26 11:42:50

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