

Date of Hearing: April 15, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Matt Haney, Chair

AB 2089 (Ward) – As Amended April 6, 2026

SUBJECT: Property taxation: welfare exemption: filing of claims: delinquency penalties

SUMMARY: Makes changes to how the property tax welfare exemption applies to properties where there is a change in ownership of an affordable housing development and requires the county assessor to post certain documents on their internet website. Specifically, **this bill:**

- 1) Provides that a property owner shall not be liable for property taxes if the tax collector has evidence that the property received a welfare tax exemption, but lost the exemption due to a change in control, change in ownership, or removal, resignation, or replacement of a nonprofit managing general partner of the property, and that the benefit provided by this provision is necessary to continue maintaining the welfare exemption on the property. Applies this provision to property taxes due and payable beginning December 10, 2027
- 2) Requires the county assessor to accept electronic signatures for materials necessary to claim, maintain, or otherwise receive the property tax welfare exemption, including the annual income verification.
- 3) Requires a county board of supervisors to, if necessary, and in collaboration with the county assessor, adopt any ordinances or resolutions to accept electronic materials associated with the property tax welfare exemption.
- 4) Requires the county assessor to make all documentation required for the property tax welfare exemption related to the certification that a unit is occupied by a lower income household available on its internet website, as specified. Requires the county assessor to make this information available within seven days of any changes.
- 5) Requires every county to release all forms related to the annual recertification of tenant income necessary to receive the exemption by November 15 of each calendar year, prior to the due date for the forms.

EXISTING LAW:

- 1) Authorizes the Legislature to exempt from taxation property used exclusively for religious, hospital, or charitable purposes, as specified. (California Constitution Article XIII, Section 4(b).) The Legislature has implemented this “welfare exemption” in Revenue and Taxation Code (R&TC) Section 214.
- 2) Exempts from taxation low-income housing developments operated by non-profit organizations, as specified. (R&TC Section 214(g).)
- 3) Provides that qualifying rental housing properties are entitled to a partial exemption, equal to that percentage of the property's value that is equal to the percentage that the number of units serving “lower income households” represents of the total number of residential units. The exemption applies in any year in which any of certain criteria apply, including that the owner

is eligible for and receives low-income housing tax credits (LIHTCs) under Internal Revenue Code (IRC) Section 42.

- 4) Defines “lower income households” by reference to Health and Safety Code (H&SC) Section 50079.5. H&SC Section 50079.5, in turn, defines the term as persons and families whose income does not exceed the qualifying limits for lower income families as established and amended from time to time under Section 8 of the United States Housing Act of 1937. In the event the federal standards are discontinued, the Department of Housing and Community Development (HCD) must, by regulation, establish income limits for lower income households for all geographic areas of the state at 80% of area median income (AMI), adjusted for family size and revised annually.
- 5) Authorizes an exemption from taxation property used exclusively for religious, hospital, or charitable purposes when buildings are under construction. (California Constitution Article XIII, Section 5)
- 6) Provides that a property owner shall not be liable for interest or penalties, nor shall the tax collector take or continue any collection action, with respect to any ad valorem property taxes levied upon a property if the property owner satisfies all of the following requirements annually:
 - a) The property owner submits evidence to the tax collector that they have submitted an application to the assessor for a welfare exemption from property tax for rental housing,
 - b) Supplies evidence to the tax collector that they received a reservation of LIHTCs from the California Tax Credit Allocation Committee (TCAC) or an award of funds from HCD, including a copy of the reservation letter or notice of award, and
 - c) A facility is in the course of construction.
 - d) Applies to delinquent installments that are due and payable from December 10, 2025 to April 10, 2031.
- 7) Requires an eligible property owner that is not liable for penalties or interest to provide verification of eligibility annually to the tax collector.
- 8) Directs the tax collector to provide a list of properties eligible for 1) to the assessor.
- 9) Provides that if an assessor deems an application ineligible for an exemption under 1), they must provide to the tax collector the same notice that they must provide to the property owner upon receipt of the eligibility list.
- 10) Provides that when a corporation, partnership, limited liability company, other legal entity, or any other person obtains control through direct or indirect ownership or control of more than 50% of the voting stock of any corporation, or obtains a majority ownership interest in any partnership, limited liability company, or other legal entity through the purchase or transfer of corporate stock, partnership, or limited liability company interest, or ownership interests in other legal entities, including any purchase or transfer of 50% or less of the ownership interest through which control or a majority ownership interest is obtained, the purchase or transfer of that stock or other interest shall be a change of ownership of the real property

owned by the corporation, partnership, limited liability company, or other legal entity in which the controlling interest is obtained. (RTC 64 (c))

- 11) Provides that property is transferred on or after March 1, 1975, to a legal entity in a transaction excluded from change in ownership then the persons holding ownership interests in that legal entity immediately after the transfer shall be considered the “original co-owners.” Whenever shares or other ownership interests representing cumulatively more than 50% of the total interests in the entity are transferred by any of the original co-owners in one or more transactions, a change in ownership of that real property owned by the legal entity shall have occurred, and the property that was previously excluded from change in ownership shall be reappraised. The date of reappraisal shall be the date of the transfer of the ownership interest representing individually or cumulatively more than 50% of the interests in the entity. A transfer of shares or other ownership interests that results in a change in control of a corporation, partnership, limited liability company, or any other legal entity is subject to reappraisal. (RTC 64 (d))

FISCAL EFFECT: Unknown.

COMMENTS:

Author’s statement: According to the author “AB 2089 would preserve limited affordable housing dollars by allowing non-profit affordable housing providers to withhold relevant tax payments, without penalty, while their welfare exemption applications are under review. To be eligible, a property must be subject to a recorded affordability covenant, indicating they are eligible for the exemption.”

Property Tax Welfare Exemption: Article XIII, Section 4(b) of the California Constitution authorizes the Legislature to exempt property used exclusively for religious, hospital, or charitable purposes, as specified, from taxation. The Legislature has implemented this “welfare exemption” in R&TC Section 214. AB 2144 (Filante), Statutes of 1989 amended R&TC Section 214 to specifically exempt low-income housing developments operated by non-profit organizations. As noted in the Senate Revenue and Taxation Committee analysis, AB 2144's proponents argued that the property tax funds then being paid “could better be used in furtherance of the goals of providing low income housing.” Generally, to qualify for the welfare exemption, the law requires that the rental housing be financed with specified tax-exempt bonds, government loans, or grants, or that the property's owner receives LIHTC under IRC Section 42. The welfare exemption extends to “units serving lower income households.”

To qualify for the property tax welfare exemption, the unit must be occupied by a lower income household (a household with an initial maximum income of 80% of AMI). To receive the welfare exemption, a property owner must certify that the property tax savings are necessary to maintain the affordability of the units occupied by lower income households. A developer must also submit an application to the county assessor. While the application is being approved, a developer must pay property taxes, and must later seek reimbursement after both the BOE and the county assessor approve the property tax exemption. County assessors have existing authority to cancel any penalty, costs, or other charges resulting from tax delinquency, in particular if a taxpayer is ordered to “shelter in place” as a result of a natural disaster.

AB 2353 (Ward), Chapter 566, Statutes of 2024, created a “land banking” use exemption to the welfare exemption, allowing developers to receive the exemption if they have purchased properties to develop as affordable housing if they have received appropriate clearance certificate or supplemental clearance certificate from the BOE, have a reservation of LIHTC. Building affordable housing can sometimes take years. Once a developer purchases a property, they must go through the local approval process and assemble the funding for the project. Allowing the welfare exemption to apply during construction reduces some of the burden to the developer and could improve overall financial feasibility for the project. Requiring proof of an application for the welfare exemption and proof that the project has LIHTC act as a safeguard to ensure the project will actually be constructed.

This bill adds to AB 2353 a new scenario in which a developer could continue to receive the welfare property exemption without penalty, when a change in ownership occurs. A change in ownership occurs when 50% of the property ownership changes. Most LIHTC projects are owned as limited partnerships. The limited partner, a for-profit entity with tax liability, that receives the benefit of the LIHTC, owns 99% of the partnership. The administrative general partner owns the remaining 0.99%, with the managing general partner owning a small 0.001% interest. In year 15 of the affordable housing development constructed with LIHTC, once the limited partner has received the benefits of the LIHTC, the administrative general partner or the managing general partner will buy out the limited partner. This triggers a change in ownership.

According to the sponsors of this bill, in some counties, the change in ownership causes the county assessor to revalue the property. The use of the property does not change with the change in ownership, it is required to remain affordable to lower income households for 55 years, the entire length of the deed-restriction on the affordable units. This process is not atypical for a development funded by LIHTC, however, the sponsor indicates that it has become more frequent because the state has shifted funding from new construction to support acquisition-rehab projects. Projects can “re-syndicate” or access additional LIHTC to finance improvements to the developments after year fifteen. Re-syndication requires a change in ownership in order to receive LIHTC for acquisition-rehab.

Income Limits for LIHTC Units: Property owners are required to verify tenants’ income annually and certify to the county assessor that incomes qualify to receive the welfare exemption. This bill requires the county assessor to make the materials needed to certify incomes for lower income households on its website and accept electronic signatures for any materials needed to claim the welfare exemption.

Arguments in Support: According to the sponsors, the California Council for Affordable Housing, “when an affordable housing project that already qualifies for and receives the welfare exemption undergoes a change in ownership, control, or managing general partner, the exemption is automatically terminated, even though the physical property, its use, and its affordability restrictions remain unchanged. As a result, the new ownership entity must restart the exemption application process with the county assessor. During this administrative review period, the project is required to pay full property taxes. This creates an unnecessary financial burden at precisely the moment when projects are most vulnerable, during ownership transitions that are often driven by compliance requirements, recapitalization needs, or long-term stewardship planning.”

Arguments in Opposition: None on file.

AB 2353 (Ward), Chapter 566, Statutes of 2025 prohibits a county tax collector from taking or continuing any collection action for any delinquent installments of property taxes levied on a taxpayer that intends to develop the property for rent at affordable rates to low-income households, among other conditions.

AB 84 (Ward), Chapter 734, Statutes of 2023 expanded the welfare exemption by authorizing 501(c)(3) bonds as an eligible form of financing, and permits, for five years, a unit in a development that is not financed with low-income housing tax credits to remain eligible if the tenant's income rises to no more than 100% of the area median income.

Double-Referred: This bill was also referred to the Assembly Committee on Revenue and Taxation, where it will be heard should it pass out of this Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

California Council for Affordable Housing (Sponsor)
California Housing Partnership (Sponsor)
Enterprise Community Partners (Sponsor)
California Housing Consortium
Circulate Planning & Policy
Housing California
LeadingAge California

Opposition

None on file.

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