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# SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair  
2025 - 2026 Regular

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**Bill No:** AB 2089  
**Author:** Ward  
**Version:** 6/16/26  
**Consultant:** Grinnell

**Hearing Date:** 6/24/26  
**Tax Levy:** No  
**Fiscal:** Yes

## ***PROPERTY TAXATION: WELFARE EXEMPTION: FILING OF CLAIMS***

*Makes several changes to the welfare exemption from property tax for affordable rental housing.*

### **Background**

**Property taxation.** The California Constitution provides that all property is taxable unless explicitly exempted by the Constitution or federal law, but also allows the Legislature to exempt property used exclusively for charitable purposes so long as it is owned by non-profit entities organized and operated for charitable purposes, such as universities, hospitals, and libraries. The Legislature enacted this exemption, commonly known as the “welfare exemption.” The welfare exemption has a similar policy genesis as tax-exempt status for charitable groups: revenues paid in tax to the government divert needed resources away from the organizations’ good works.

**Welfare exemption for rental housing.** The welfare exemption also applies to property used for rental housing, if it meets several requirements, including that there is an enforceable and verifiable agreement with a public agency, a recorded deed restriction, or other legal document that restricts the project’s usage. The exemption also provides that the units designated for use by lower-income households must be continuously available to or occupied by lower-income households. The exemption can include property used for rental housing when the housing is financed by tax-exempt mortgage revenue bonds; general obligation bonds; federal, state, or local grants; or federal Low Income Housing Tax Credits (LIHTCs). For projects with both low-income and market-rate units, the owner can claim a partial exemption equal to the percentage of the value of the number of units serving lower-income households.

**Low Income Housing Tax Credits (LIHTCs).** Current state law allows taxpayers who provide project capital to low-income rental housing projects to claim LIHTCs against the Personal Income Tax, Corporation Tax, and Gross Premiums Tax. State LIHTCs are calculated in partial conformity with federal LIHTCs, although the credit rates and durations differ. Federal law, which the state conforms to, sets the requirements determining whether a rental housing project is eligible for LIHTCs, including setting specified percentages of units that must be occupied by persons of certain percentages of AMI.

Federal LIHTC law states a low-income unit will continue to be treated as a low-income unit, and therefore qualify investors to claim an LIHTC, if the occupant’s income initially met the income limitation and the unit continues to be rent-restricted. Federal law further provides that if an occupant’s income exceeds 140% of federal law’s income limitations, then the next available unit of a comparable or smaller size must be rented to a low-income tenant. If not, the unit occupied by the household over the 140% threshold ceases to be treated as a low-income unit.

Because the welfare exemption claim for a rental housing unit depends on its occupant's annual income, the property owner can lose an exemption for a unit when its occupant's income increases beyond what is specified in the contract, deed restriction, or legal document restricting rents. In response, the Legislature enacted AB 1193 (Gloria, 2018), which expanded eligibility of the welfare exemption from property tax for property owners of units occupied by individuals who meet income limits when they begin occupying a unit, but whose income subsequently increases. Specifically, the bill placed into welfare exemption law requirements similar to federal LIHTC law that provide a unit shall continue to be treated as occupied by a lower income household, which can then continue to qualify the owner for the exemption, if:

- The occupants were lower income households on the lien date in the fiscal year in which their occupancy of the unit commenced; and
- The unit continues to be rent restricted, notwithstanding an increase in the income of the occupants of the unit to 140% of area median income, adjusted for family size.

In 2022, the Legislature extended similar treatment to a low-income household renting a unit from a Community Land Trust subject to specific requirements (AB 1206, Bennett). In 2023, the Legislature extended similar treatment for property subject to an enforceable and verifiable agreement with a public agency, but not an LIHTC or CLT property, albeit at a lower threshold of 100% of AMI (AB 84, Ward). However, each of the above bills sunset their provisions on different dates, with LIHTC and CLT properties set to sunset after the 2027-28 year, and AB 84 ending after the 2028-29 fiscal year.

**Welfare exemption documentation.** Existing law requires county assessors to send an annual notice to recipients of the welfare, non-profit cemetery, or religious exemption, along with a card that contains specific questions relating to the property's exempt purpose. The Board of Equalization (BOE) publishes Form 267, which property owners must file with the assessor when initially filing the claim on or before February 15<sup>th</sup> to obtain a full exemption for that year. Additionally, since 2017, the Legislature has required property owners to annually file a claim with the assessor to receive the exemption, stating the number of units serving low-income households, including vacant units, and a list of qualified households (AB 1193, Gloria). To qualify, the property owner must obtain a signed statement from each household certifying that the family household income did not exceed the income limits for that year. BOE publishes form BOE-267-L, which property owners must also file by February 15<sup>th</sup>; if not, a late-filing penalty can apply, and the assessor can revoke the exemption.

**Electronic signatures.** California has taken various steps to utilize more electronic resources within the various branches of government. In 1995, the Legislature enacted AB 1577 (Bowen), which added Government Code §16.5 to first allow public agencies to use a "digital signature," defined as an electronic identifier, created by a computer, intended by the party using it to have the same force and effect as the use of a manual signature. If a public entity elects to use a digital signature, it is to have the same force and effect as the use of a manual signature if it meets certain conditions, including that it conforms to regulations adopted by the Secretary of State.

In 1999, the Legislature enacted the Uniform Electronic Transactions Act (UETA), based on a model law to set rules for electronic commerce across the country, proposed by the National Conference of Commissioners on Uniform State Laws (SB 820, Sher). UETA provides a voluntary system of rules and procedures for the sending and receiving of electronic records and signatures, the formation of contracts using electronic records, the making and retention of

electronic records and signatures, and the procedures governing changes and errors in electronically transmitted records. Under UETA, a record or signature may not be denied legal effect or enforceability solely because it is in electronic form, a contract may not be denied legal effect or enforceability solely because an electronic record was used in its formation, and an electronic record or signature satisfies a requirement in the law that a record be in writing or a signature be affixed. UETA also defined an “electronic signature” as “an electronic sound, symbol, or process attached to or logically associated with an electronic record and executed or adopted by a person with the intent to sign the electronic record.” In 2017, the Legislature clarified that a “digital signature” authorized by Government Code §16.5 is one type of “electronic signature” that a public agency may choose to accept under UETA (AB 2296, Low).

In 2024, the Legislature authorized a taxpayer to elect to use an electronic signature in lieu of a manual, facsimile, or other signature for a State Board of Equalization form if a county assessor has authorized that form to be submitted via the use of electronic media and certain conditions are met (AB 1879, Gipson). AB 1879 required a county assessor to accept the electronic signature, and provided that a compliant electronic signature has the same legal effect as the manual, facsimile, or other signature of the taxpayer. The measure also authorized an assessor to accept the filing of all BOE forms via electronic media, not just property statements.

Affordable housing advocates have long argued that the February 15<sup>th</sup> deadline to submit the BOE 267-L to assessors is difficult. After assessors issue the forms, property owners must then obtain income information from each tenant along with a wet signature. A coalition of affordable housing developers want to improve administration of the welfare exemption for rental housing.

### **Proposed Law**

Assembly Bill 2089 makes four changes:

- Extends the sunset on provisions in the welfare exemption for affordable rental housing that received LIHTCs to maintain eligibility when a tenant’s income increases to 140% of AMI.
- Requires counties to release forms related to the annual recertification of tenant income necessary to receive the exemption by November 15 annually.
- Holds counties harmless from liability resulting from a failure to release any form under this section if that failure is caused by a delay by BOE or other state entity in publishing relevant forms.
- Permits assessors to accept electronic signatures for materials necessary to claim, maintain, or otherwise receive the welfare exemption.
- Directs county boards of supervisors to adopt any resolutions necessary to implement electronic signatures on those materials in collaboration with the assessor.

### **State Revenue Impact**

According to BOE, the 4/22/26 version of AB 2089 has no projected revenue impact. A revenue estimate for the 6/16 version is pending.

**Comments**

1. **Purpose of the bill.** According to the author, “The property tax welfare exemption improves project feasibility and sustainability for affordable housing providers, supporting long-term affordability for low-income Californians. Currently, the compressed timeline and labor-intensive signature collection process present significant barriers to annual exemption recertifications. AB 2089 facilitates a smooth and timely recertification process by authorizing the county assessor to accept electronic signatures and requiring each county to release all necessary forms by November 15th of each calendar year. Additionally, AB 2089 extends by one year the sunset date allowing a tenant’s income in a LIHTC-eligible property to increase up to 140% of area median income (AMI) without being disqualified for exemption purposes.”
  
2. **Oldie but goodie.** California’s property tax was enacted in March, 1850, before the state was admitted to the Union, and is largely administered by 58 independently elected county assessors. As a result, systems may not be uniform, and technology not cutting-edge, especially in smaller counties with less resources. AB 2089’s permissive approach regarding electronic signatures allows counties to accept electronic signatures on welfare exemption documents if they so choose, and implement any necessary resolutions.
  
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 2089 requires counties to release specified forms by a specific deadline, 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 Housing & Community Development Committee:	12-0
Assembly Revenue & Taxation Committee:	7-0
Assembly Appropriations Committee:	15-0
Assembly Floor:	72-0

**Support and Opposition** (6/18/26)

**Support:** California Council for Affordable Housing (Co-Sponsor)  
 California Housing Partnership (Co-Sponsor)  
 Enterprise Community Partners, Inc. (Co-Sponsor)  
 California Apartment Association  
 California Housing Consortium  
 Circulate Planning & Policy  
 City of Sunnyvale  
 Eden Housing  
 Housing California  
 Housing Trust Silicon Valley  
 LeadingAge California

**Opposition:** None received.

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