THIRD READING

Bill No: AB 2089
Author: Ward (D)
Amended: 8/21/26 in Senate
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 4-0, 6/24/26
AYES: McNerney, Ashby, Becker, Grayson
NO VOTE RECORDED: Alvarado-Gil

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 72-0, 5/18/26 - See last page for vote

SUBJECT: Property taxation: welfare exemption

SOURCE: California Council for Affordable Housing
California Housing Partnership
Enterprise Community Partners, Inc.

DIGEST: This bill makes several changes to the welfare exemption from property tax for affordable rental housing.

Senate Floor Amendments of 8/21/26 resolve conflicts with AB 1294 (Haney).

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) 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 (California Constitution, Article XIII, Section Four).

3) Permits the welfare exemption to apply 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.

4) Requires exempt units qualifying owners for the exemption to be continuously available to or occupied by lower-income households.

5) Allows, under federal and state law, taxpayers who provide project capital to low-income rental housing projects to claim Low-Income Housing Tax Credits (LIHTCs), which under state law taxpayers can apply against the Personal Income Tax, Corporation Tax, and Gross Premiums Tax.

6) States, under federal law, that a low-income unit can 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.

7) Provides, under federal law, 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.

8) Provides, under state law, that a unit that is eligible for and receives an LIHTC can continue to be treated as occupied by a lower income household, which can then continue to qualify the owner for the exemption (AB 1193, Gloria, Chapter 756, Statues of 2017), if:

   a) The occupants were lower-income households on the lien date in the fiscal year in which their occupancy of the unit commenced; and

   b) 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.

9) Applies the above provisions to Community Land Trusts claiming the welfare exemption (AB 1206, Bennett, Chapter 636, Statutes of 2022).

10) Sunsets the above provisions that apply to LIHTC and Community Land Trust property after the 2027-28 fiscal year.

11) Requires assessors to send an annual notice to recipients of the welfare exemption, along with a card that contains specific questions relating to the property's exempt purpose.

12) Directs property owners to file a form with the assessor when initially claiming the exemption on or before February 15 to obtain a full exemption for that year.

13) Requires property owners to annually file a claim with the assessor to receive the exemption, which must be accompanied by an affidavit stating the number of units serving low-income households, including vacant units, and a list of qualified households.

14) Applies late filing penalties, and permits the assessor to revoke the exemption, if the property owner does not submit the required claim and statement.

15) Defines a "digital signature" 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.

16) Provides that if a public entity elects to use a digital signature, it has 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.

17) Enacts the Uniform Electronic Transactions Act (UETA), which among other provisions, provides that 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.

18) States that a "digital signature" is one type of "electronic signature" that a public agency may choose to accept under UETA.

19) Authorizes a taxpayer to elect to use an electronic signature in lieu of a manual, facsimile, or other signature for a State Board of Equalization (BOE) 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, Chapter 217, Statutes of 2024).

20) Requires a county assessor to accept the electronic signature and provides that a compliant electronic signature has the same legal effect as the manual, facsimile, or other signature of the taxpayer.

21) Authorizes an assessor to accept the filing of all BOE forms via electronic media, not just property statements.

This bill:

1) Extends the sunset until the 2028-29 fiscal year on provisions of law that state a unit that is eligible for and receives an LIHTC can continue to be treated as occupied by a lower income household when 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.

2) Requires counties to release forms related to the annual recertification of tenant income necessary to receive the exemption by November 15 annually.

3) 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.

4) Permits assessors to accept electronic signatures for materials necessary to claim, maintain, or otherwise receive the welfare exemption.

5) Directs county boards of supervisors to adopt any resolutions necessary to implement electronic signatures on those materials in collaboration with the assessor.

6) Contains provisions to resolve conflicts with AB 1294 (Haney).

Related/Prior Legislation

AB 1294 (Haney) amends the same section of the Revenue & Taxation Code that Section One of AB 2089 amends to enact an alternate welfare exemption equal to the percentage that the number of units serving low- and moderate-income households represents out of the total number of residential units in the Counties of Alameda and Sacramento, and the City and County of San Francisco.

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

SUPPORT: (Verified 8/24/26)

California Council for Affordable Housing (Co-Source)
California Housing Partnership (Co-Source)
Enterprise Community Partners, Inc. (Co-Source)

California Apartment Association
California Housing Consortium
California State Board of Equalization
Circulate Planning & Policy
City of Sunnyvale
Eden Housing
Housing California
Housing Trust Silicon Valley
LeadingAge California

OPPOSITION: (Verified 8/24/26)

None received

ARGUMENTS IN SUPPORT: 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."

ASSEMBLY FLOOR: 72-0, 5/18/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Ta, Tangipa, Valencia, Wallis, Ward, Wilson, Zbur, Rivas

NO VOTE RECORDED: Calderon, Dixon, Gallagher, Lee, Quirk-Silva, Celeste Rodriguez, Stefani, Wicks

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