Office of Senate Floor Analyses
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THIRD READING

Bill No: AB 2167
Author: Macedo (R)
Amended: 6/11/26 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: 7-0, 8/13/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 71-0, 5/21/26 - See last page for vote

SUBJECT: Property tax: documentary transfer tax: exemptions: nonprofit corporations chartered under tribal or federal law

SOURCE: Mooretown Rancheria

DIGEST: This bill clarifies that nonprofit tribal corporations and wholly owned tribal entities are eligible for the welfare exemption from property tax and exemption from Documentary Transfer Tax for tribal land return transactions.

ANALYSIS:

Existing law:

1) Vests Congress with the authority to engage in relations with Indian tribes, sovereign nations that existed long before the founding of the Republic (United States Constitution, Article One, Section Eight).

2) Provides that all property is taxable unless explicitly exempted by the Constitution or federal law (California Constitution, Article XIII, Section One.)

3) 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).

4) 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.

5) 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).

6) 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).

7) Enacts the Documentary Transfer Tax Act, which allows counties to levy a tax upon the recording of documents that transfer interests in real property. All 58 counties impose a documentary transfer tax (DTT), which is levied at a rate of 55 cents per $500 (or 0.11%) of the value of the real property or interest being transferred.

8) Under the Act, permits a city within a county that has adopted a DTT to impose a DTT at one-half of the county rate, where the amount of tax paid to a city is a credit against the amount of the tax owed to a county. More than 450 cities levy a DTT pursuant to the Act, including some charter cities, which can apply the tax at rates that exceed the Act's limits on the DTT.

9) Directs county recorders to administer documentary transfer taxes, and prohibits a recorder from recording a document subject to the DTT unless the tax is paid at the time of recording.

10) Exempts tribal land return transactions, as defined, from the documentary tax, and enacts a property tax exemption parallel to the current exemption for open space lands for properties owned and operated by a federally recognized Indian

tribe, or its wholly owned subsidiary (AB 1485, Macedo, Chapter 2, Statutes of 2026).

11) Defines "tribal land return transactions" as a land return acquisition that transfers ownership of land to a federally recognized Indian tribe, or a wholly owned subsidiary of a federally recognized Indian tribe in fee simple, and that includes restrictive covenants that prohibit that tribe from engaging in commercial activities on the land, instead restricting its uses to cultural, educational, recreational, or conservation purposes.

This bill:

1) Adds the following entities as eligible property owners to apply AB 1485's documentary transfer tax and property tax exemptions:

   a) Nonprofit corporations chartered by a federally recognized tribe pursuant to tribal law,

   b) Nonprofit corporations chartered under Section 17 of the Indian Reorganization Act, and

   c) Wholly owned tribal entities.

2) Defines "wholly owned tribal entity," as an entity wholly owned by one or more Indian tribal governments, as that term is defined in Section 7701(a)(40) Title 26 of the United States Code, that is organized or incorporated under the law of the tribe or tribes that own the entity and authorized by all of the other owning tribes.

3) Deletes references to "subsidiary."

4) Makes a conforming change to AB 1485's legislative findings and declarations to comply with Section 41 of the Revenue & Taxation Code.

Background

Tribal corporations. The Indian Reorganization Act of 1934 has long provided a framework for tribes to create corporations that facilitate economic development while safeguarding their sovereignty and assets. Tribal nations often create separate corporations or subsidiaries for specific purposes, including owning land not held in trust by the federal government. Tribes state that forming corporations under their own law is an exercise of their inherent sovereign authority to generate governmental revenue, self-govern the use of that revenue according to their own laws, and self-determine the use of that revenue for their citizenry. Tribes add that incorporating corporations under Tribal law enables Tribes to create entities that meet their emerging revenue opportunities, establish guidelines for the operation of these entities that are culturally appropriate and protect Tribal assets, and dissolve them when they are no longer needed.

Last December, the Internal Revenue Service issued new regulations that included a new rule providing that entities wholly owned by Tribes and organized, incorporated, or authorized under the laws of the Tribes that own them generally are not recognized as separate entities for federal tax purposes. The regulations also apply to entities wholly owned by one or more Indian Tribal governments, and to entities other than corporations, such as Limited Liability Companies.

AB 1485 allowed wholly-owned subsidiaries of tribes to qualify for the measure's welfare exemption from property tax as well as its DTT exemption. However, tribes can differ in the types of entities they create, and the term "wholly owned subsidiary" may be interpreted differently from tribe to tribe. Additionally, it's unclear whether a non-profit land trust created by several tribes would qualify as a "wholly owned subsidiary" of a tribe.

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

According to the Senate Appropriations Committee:

- This bill would likely reduce local property tax revenues relative to current law. Although the Board of Equalization (BOE) estimates no revenue impact, the actual fiscal effect is unknown because it is unclear how many nonprofit corporations chartered under tribal law currently own, or may in the future acquire, property that would become eligible for the exemption.

- 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).

- BOE would incur minor and absorbable costs as a result of the bill.

- By imposing specified duties on local officials, 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. The magnitude is unknown, but likely minor.

SUPPORT: (Verified 8/13/26)

Mooretown Rancheria (source)
California Baptist Capitol Ministry
California Nations Indian Gaming Association
Elk Valley Rancheria
Habematolel Pomo of Upper Lake
Rincon Band of Luiseño Indians
Santa Ynez Band of Chumash Indians
Soboba Band of Luiseño Indians
Tolowa Dee-ni' Nation
Wilton Rancheria
Yurok Tribe

OPPOSITION: (Verified 8/13/26)

None received

ARGUMENTS IN SUPPORT: According to the author, "California has taken an important step toward supporting tribal land return transactions and the preservation of natural resources and open-space lands under current law. AB 2167 is a narrow follow-up measure to ensure that framework works as intended. Some tribes hold land through corporations chartered under tribal law. Those entities are legitimate arms of tribal self-governance, but current statutory language does not clearly state them in the relevant tax provisions. As a result, similarly situated tribal land return transactions may be treated differently based solely on how a tribe structures its ownership. AB 2167 provides a simple fix by expressly including corporations chartered under tribal law in the applicable welfare exemption and documentary transfer tax provisions. This bill promotes parity, respects tribal governance structures, and preserves the intent of existing law."

ASSEMBLY FLOOR: 71-0, 5/21/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Irwin, Jackson, Johnson, Kalra, Krell, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ransom, Michelle Rodriguez, Rogers,

Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Zbur, Rivas

NO VOTE RECORDED: Arambula, Chen, Garcia, Hoover, Lackey, Lee, Ramos, Celeste Rodriguez, Wilson

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8/14/26 16:20:10

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