
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 245 (Gipson) - Property taxation: application of base year value: disaster relief

Version: July 15, 2025

Urgency: Yes

Hearing Date: August 18, 2025

Policy Vote: REV. & TAX. 5 - 0

Mandate: Yes

Consultant: Robert Ingenito

Bill Summary: AB 245 would (1) extend the five-year deadline to eight years to reconstruct without reassessment, and (2) allow the county assessor to reduce valuations for properties partially damaged more quickly, as a result of the Los Angeles Fires in January 2025.

Fiscal Impact:

- The Board of Equalization (BOE) estimates that this bill would result in annual property tax revenue losses of \$184 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). BOE would incur minor administrative costs to implement the provisions of the bill.
- By imposing specified duties on local tax 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 potentially in excess of \$50,000 annually (General Fund).

Background: Under the California Constitution, all property is taxable unless explicitly exempted by itself or federal law. The Constitution limits the maximum amount of any ad valorem tax on real property at one percent of full cash value, plus any locally-authorized bonded indebtedness. Assessors reappraise property whenever it is purchased, newly constructed, or when ownership changes (as defined by both statute and the Constitution). Current law generally sets 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 (base year value). Thereafter, existing law requires an annual inflation adjustment to that value that cannot exceed 2 percent (factored base year value).

Under current law, a county board of supervisors can enact an ordinance allowing any taxpayer whose property was damaged or destroyed in a major misfortune or calamity, as specified, to apply for reassessment. These provisions apply to large disasters, such as earthquakes or wildfires, or site-specific incidents, like house fires. All 58 counties have enacted such an ordinance. Taxpayers must file a claim with the county assessor

within the time specified in its ordinance, or 12 months from the date of damage or destruction, whichever is later. After the taxpayer files a claim with the assessor, the assessor revalues the property to its (generally lower) disaster-affected value and sends the taxpayer a Notice of Proposed New Assessment. The county will then issue a separate supplemental, prorated refund for taxes paid in the current year based on the amount of reduction, if applicable. The property retains its disaster-affected value until fully restored, reconstructed, or rebuilt. Additionally, taxpayers can defer payment of their next property tax installment if the property was damaged or destroyed by a disaster for which the Governor issued a state of emergency.

Base year value transfers allow a taxpayer to continue paying property taxes at the factored base year value of their previous home (or other property types where permitted by law) and not on the value of their newly purchased or constructed home, often resulting in tax savings. For example, a taxpayer who purchased a residence for \$100,000 in 1975 now has a base year value under Proposition 13 that cannot exceed \$269,158 under the 2 percent cap in annual inflationary growth, regardless of its market value. A base year value transfer allows a taxpayer to transfer the \$269,158 value to a newly purchased or constructed property subject to specified requirements; without a base year value transfer, the new property would be assessed at (higher) fair market value.

In June 1986, voters enacted Proposition 50 to allow a taxpayer to transfer their base year value when their property is damaged by a major misfortune or calamity and located in an area the Governor declared or proclaimed to be in a state of disaster. State law implements Proposition 50 to allow the transfer when:

- The damaged property sustains physical damages amounting to more than 50 percent of its current market value immediately prior to the disaster.
- The replacement property is located in the same county as the damaged property and is acquired or newly constructed within five years after the disaster.
- The replacement property is comparable to the damaged property in size, utility, and function. For example, a residential property can be a replacement property for a damaged residence, but not for a commercial, agricultural, or industrial property.
- The market value of the replacement property does not exceed 120 percent of the fair market value of the replaced property in its pre-damaged condition. Property owners can still receive the disaster relief in cases where the value of the replacement property exceeds the 120 percent limitation, but any amount over this threshold is assessed at full market value and added to the transferred base year value.
- The buyer of the replacement property was the owner of the damaged property at the time of damage.

Prior to 2020, any timely reconstruction of property damaged or destroyed by a misfortune or calamity was not reassessed, so long as the reconstruction is “substantially equivalent” to the property prior to damage or destruction. Assessors

then value any newly constructed property that was not “substantially equivalent” at fair market value. Consequently, taxpayers who have endured disasters and subsequently reconstructed property can often have some portions of their properties with different base year values, depending on whether the property was destroyed, the damaged property incurred a loss in value, and the degree of any reconstruction. Taxpayers can even have different base year values for the same building, because the assessor will only assess to fair market value the portion of the building that is not substantially equivalent. For example, a taxpayer owns a 1,200 square foot home that is destroyed in a wildfire. If they replace the home with a 3,500 square foot home, the assessor values the additional square footage to fair market value, and adds that value to the factored base year value for the 1,200 square foot home.

In 2020, the Legislature enacted AB 2013 (Irwin) to ensure consistency between the standards that apply to owners who rebuild onsite using the new construction exclusion, who currently must meet the “substantial equivalence” requirement, and the more specific and flexible requirements that apply to owners who transfer their base year values to a newly purchased or constructed offsite property under Proposition 50. Under AB 2013, assessors would not revalue a structure that is larger in size if its value is within 120 percent of the value of the damaged or destroyed structure. Additionally, the assessor will only assess to fair market value that portion of value that exceeds 120 percent of its pre-disaster value. This treatment applied only when taxpayers complete reconstruction within five years of the disaster.

The five-year window can be difficult to meet. Disaster-affected property owners become their own property developers, and have to navigate insurance, permitting, and construction contracting. Consequently, the Legislature has extended AB 2013’s five-year deadline in AB 1500 by three years for both the 2018 Camp Fire and Woolsey Fire disasters (AB 1500, Irwin, 2023).

The Constitution 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. To receive a welfare exemption, the Board of Equalization must verify that the organization is charitable, and then the assessor must determine that the use of the property qualifies for an exemption. After a disaster, such as when a wildfire destroys an exempt property, it is hard for a property to qualify as exempt in many cases. For example, a church must be used for religious worship to qualify for the exemption; however, if the church is destroyed or damaged so badly it cannot be used for services, the property no longer meets the requirement of being used for charitable purposes. In such a case, the assessor must generally revoke the property welfare exemption.

In January 2025, a series of fires erupted in Los Angeles County, for which the Governor declared a state of emergency in Los Angeles and Ventura counties. According to the California Department of Forestry and Fire Protection (CalFIRE), the Palisades Fire burned 23,448 acres, and destroyed 6,833 structures. The Eaton Fire burned 14,021 acres, and destroyed 9,413 structures. The Kenneth Fire and Hughes Fires started a few days later, neither of which destroyed structures. The UCLA Anderson School of Management estimates total property and capital losses could range between \$76 billion and \$131 billion, with insured losses estimated up to \$45 billion.

Proposed Law: This bill would, among other things, make the following two changes to property tax law resulting from the 2025 Los Angeles Fires:

- Lengthen the five-year deadline in AB 2013 by three years if the qualified property as substantially damaged or destroyed on or after January 1, 2025, but before February 1, 2025, and is applicable for the determination of base-year values for 2025–26 and thereafter.
- State that the fair market value of real property affected by the 2025 Los Angeles Fires on the January 1, 2025 lien date shall be its full cash value as of the date the property was damaged or destroyed, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a decline in value. This provision applies notwithstanding the general law determining property value as of the lien date, and only to property:
 - Impacted by specified 2025 fire disasters as proclaimed by the Governor.
 - The sum of the full cash values of the land, improvements, and personalty before the damage or destruction exceeds the sum of the values after the damage by ten thousand dollars or more.
 - The property is not eligible for disaster reassessment.

Related Legislation:

- SB 293 (Pérez) would extend the current six-month deadline to three years from the date of notice for supplemental assessment under Propositions 58 and 19, applicable for taxpayers that have been reassessed due to a disaster and had an unrecorded change in ownership. The bill is currently pending in the Assembly Appropriations Committee.
- SB 663 (Allen), like AB 245, would extend the five-year deadline in AB 2013 by three years if the qualified property was substantially damaged or destroyed on or after January 1, 2025, but before February 1, 2025. SB 663 also would apply these provisions to the County of Ventura, and would extend the deadline from 12 to 24 months for taxpayers to file a claim for disaster reassessment for property that was damaged or destroyed by the 2025 Los Angeles County Fires, and directs the assessor to deem that a property that received a welfare exemption in 2025 continues to be used exclusively for its welfare exempt purposes if the property is no longer being used for its exempt purpose due to damage to the property by the Los Angeles fires. The bill is currently pending in the Assembly Appropriations Committee.

Staff Comments: As noted previously, according to CalFIRE, 6,833 structures (homes, barns, garages, sheds and commercial properties) were destroyed in the Palisades fire, and 9,413 structures in the Eaton fire. The majority of the structures lost were single-family homes (SFRs): 5,058 in the Palisades Fire, and 6,003 in the Eaton Fire.

BOE data indicate that the average assessed value of a SFR destroyed in Palisades was \$1.6 million; BOE estimates the corresponding market value to be approximately \$4 million. Therefore, when a transfer is granted, using BOE estimates, the average difference between an SFR's market value and assessed value is \$2.4 million; the corresponding property tax revenue loss (at the basic one percent rate) is \$24,000. Applying this figure to the total number of SFRs lost in the Palisades Fire, and assuming that homeowners would need additional time to reconstruct the property, BOE estimates the total annual revenue loss associated with SFRs in the Palisades Fire to be \$122 million.

BOE further estimates that the average assessed value of SFRs destroyed in the non-Palisades areas is \$532,568, and the market value is \$1.4 million. Therefore, when the transfer is granted, using BOE estimates, the average difference between these SFRs' market value and assessed value is \$867,000; the corresponding revenue loss is \$8,674. Applying this figure to the total number of SFRs lost in the non-Palisades areas, and assuming that homeowners would need additional time to reconstruct the property, BOE estimates the total annual revenue loss associated with SFRs in the non-Palisades areas to be \$52 million. Thus, BOE estimates the bill's revenue loss from all affected SFRs to be \$174 million. BOE estimates the revenue loss associated with commercial property to be \$10 million annually.

The Board notes that its estimates can be considered an upper-bound, as its figures assume that all affected land owners would seek the additional three years. Additionally, BOE's figures assume that every fire victim who had a home damaged or destroyed elects to rebuild on their property instead of purchasing replacement property.

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