

Date of Hearing: April 27, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

AB 2705 (Dixon) – As Introduced February 20, 2026

Majority vote.

SUBJECT: Property taxation: tax-defaulted property sales: excess proceeds claims

SUMMARY: Applies additional requirements to agreements for claims of excess proceeds filed by third parties on behalf of parties of interest. Specifically, **this bill:**

- 1) Requires any agreement between a party of interest and any person or entity acting on behalf of a party of interest to file a claim for excess proceeds to:
 - a) Be in writing;
 - b) Disclose the relevant assessor's parcel number and situs, if available, disclose that the excess proceeds are currently in the county's delinquent tax sale trust fund, and disclose the phone number and address which the party of interest may use to file the claim for excess proceeds;
 - c) Be signed by the party of interest after receipt of the above listed disclosure requirements;
 - d) Clearly advise the party of interest of their right to file a claim for the excess proceeds on their own behalf with the county at no cost;
 - e) Ensure the party of interest is not required to pay a fee or other compensation prior to approval of the claim and payment of the excess proceeds to the party of interest; and,
 - f) Limit any agreed-upon fee or compensation to no more than 10% of the amount of excess proceeds awarded to the party of interest.
- 2) Provides that this bill must not be construed to prevent an owner from asserting, at any time, that an agreement to file a claim for excess proceeds is based upon an excessive or unjust consideration.
- 3) Applies the provisions of this bill to agreements entered into on or after January 1, 2027.

EXISTING LAW:

- 1) Requires taxpayers to pay their property tax bills on real property in two installments, which become delinquent on December 10 and April 10, respectively, and subject to penalties. (Revenue & Taxation Code (R&TC) Sections 2617 and 2617.)

- 2) Declares real property, except tax-defaulted property or property that is a possessory interest, for which the taxes, assessments, and penalties have not been paid on July 1 to be in default. (R&TC Section 3436.)
- 3) Requires tax collectors to mail to the last known assessee of the property a notice of default and of the power to sell the property by the county for nonpayment of taxes. The tax collector must make a reasonable effort to ascertain the address of the last assessee of the tax-defaulted property. (R&TC Section 3365.)
- 4) Requires a tax collector to sell an unredeemed tax-defaulted property after a certain period of time, generally four years after the property is in tax-default. Any person, regardless of any prior or existing lien on, claim to, or interest in, the property may purchase it at the sale. The existing owner of the tax-defaulted property may not purchase the property for a price less than the minimum bid amount. Tax collectors must make additional notices to other entities regarding the sale. (R&TC Section 3691 *et seq.*)
- 5) Requires the minimum bid amount in a sale to be no less than the amount of the sum of defaulted taxes, delinquent penalties and costs, redemption penalties, a redemption fee, and any outstanding balance of any property tax postponement loan, as defined. (R&TC Sections 3698.5 and 3793.1.)
- 6) Requires a tax collector to, between 45 and 120 days before the proposed sale, notify any parties of interest that a sale will occur on a property to which they are lienholders of, or with title of, record to the property. The tax collector must make a reasonable effort to obtain the name and last known mailing address of parties of interest. (R&TC Section 3701.)
- 7) Requires revenues resulting from the sale of a tax-defaulted property to be allocated according to a specific schedule and stipulates that any excess proceeds may be claimed by parties of interest, which include lienholders of record and any persons with title of record to the property. Requires the county to provide notice to parties of interest within 90 days of the sale of a property if the excess proceeds are more than \$150. (R&TC Sections 4675 and 4676.)
- 8) Invalidates an agreement to locate, deliver, recover, or assist in the recovery of unclaimed property if that agreement is entered into between the date unclaimed property is reported to the State Controller, and the date it is paid or delivered to the State Controller. Such an agreement is valid if, after payment or delivery to the State Controller, the following conditions are met:
 - a) The fee or compensation paid does not exceed 10% of the recovered property;
 - b) The owner does not have to pay the fee or compensation before the State Controller approves the claim and pays the recovered property to the owner; and,
 - c) The agreement discloses the nature and value of the property, that the State Controller is in possession of the property, and the address where the owner can directly claim their property from the State Controller. (Civil Code of Procedure Section 1582.)

FISCAL EFFECT: Committee staff notes that any associated revenue losses would almost certainly be below this Committee's Suspense File threshold.

COMMENTS:

- a) The author has provided the following statement in support of this bill:

AB 2705 would protect consumers by establishing a uniform statewide framework for agreements to locate, recover, deliver, or assist in filing excess proceeds claims by requiring a written agreement between the party of interest and the third party; by requiring specific disclosures, including the property information and how to file directly with the county; by requiring the agreement to clearly advise the party of interest that they may file directly with the county at no cost; by prohibiting fees or compensation before approval and payment of the claim; and by applying these requirements to agreements entered into on or after January 1, 2027. This legislation creates necessary regulatory guardrails to limit the ability of bad actors to abuse the excess proceeds process for profit while still allowing asset finder companies to assist consumers in claiming their excess proceeds.

- b) The California Association of County Treasurers and Tax Collectors (CACTTC), and the Rural County Representatives of California, writing as the sponsors of this bill, state, in part:

Current law allows any party of interest in a tax-defaulted property sold at auction to file a claim with the county for excess proceeds of more than \$150 within one year of the tax collector's deed being recorded. Private "asset finder" companies have moved into this space, offering a "middle man" service to consumers to file these claims, on which they collect a fee, when consumers are able to file a claim with the county themselves free of charge. In many cases, these companies charge significant or excessive fees for what is largely an administrative process, and consumers may not be aware that they can recover these funds on their own at no cost. Additionally, there are currently no statewide standards governing these practices, creating a gap in consumer protections.

[...]

Counties across California are required to conduct tax-defaulted property sales, meaning this issue impacts every county and a wide range of taxpayers. County reports have identified recurring concerns with asset finder companies, including misleading representations, aggressive solicitation practices, and attempts to improperly establish themselves as parties of interest. Without clear statewide standards, these practices can undermine the integrity of the excess proceeds process and reduce the funds ultimately returned to rightful claimants.

- c) Global Discoveries, Ltd., writing in opposition to this bill, states, in part:

Excess proceeds recovery is not comparable to locating ordinary escheated funds on a public website. These matters often require real estate research, full title analysis and title reports, skip tracing, genealogical research, probate and heirship work, business-entity investigation, lien analysis, document reconstruction, and sometimes private investigative work. In many cases, the rightful claimant is not obvious, and the work requires a complete analysis of all parties of interest before a claim can responsibly be filed. Some matters are straightforward; others requires years of specialized experience and coordinated work across multiple disciplines. A single fee cap applied to all these very different matters does not reflect the reality of the work.

[...]

We are also concerned that counties have a structural financial interest in unclaimed excess proceeds because funds not timely claimed revert to county general funds. Counties should act as neutral administrators, and any legislation in this area should be carefully reviewed to avoid unintended consequences that make it harder for rightful owners to recover money owed to them.

d) Committee Staff Comments:

- a) *Tax-defaulted property sales*: Existing law generally declares real property for which taxes have not been paid by July 1st in default. After a certain period, depending on the type of property, the defaulted property becomes subject to the power to sell by the tax collector. The tax collector is required to issue notices to the last known assessee, generally the owner, of defaulted property informing them of the property's status, and to subsequently inform the last known assessee of the intent to sell the property at auction, after certain requirements are met. According to the County Tax Collectors' Reference Manual, published by the State Controller, current tax sale practice allows the title of tax-defaulted property to remain with the property owner or successor in interest while the property is subject to the tax collector's power to sell; ownership terminates upon completion of the tax sale by the tax collector and payment of the purchase amount. During the period between the property being declared in default and the sale of the property, the property owner has a right to redeem the status of the property by paying all taxes, assessments, penalties, and fees. Upon completion of the sale, however, this right terminates, and the title to the property is deeded to the purchaser. The property must be sold at the minimum bid price unless certain circumstances apply. Any party of interest in the property may claim the excess proceeds resulting from the sale of a property up to one year after the date of the sale. If no party of interest claims the excess proceeds after a period of one year, the balance may be transferred to the county general fund after reimbursing certain costs incurred by specified entities.

- b) *Patterns of behavior described by counties*: Los Angeles (LA) and Riverside Counties report issues with asset finders or third parties that assist parties of interest in claiming excess proceeds. The author, in background material provided to this Committee, notes that LA County reports that certain companies are attempting to acquire interests in tax-defaulted properties after their sale in order to file claims as a purported party of interest rather than assisting the rightful claimant. In other cases, these asset finders submitted claims that were supported by unverifiable or fraudulent documentation and pursued litigation against counties when claims were seemingly appropriately denied.

Additionally, the author notes that Riverside County has reported instances of asset finders misrepresenting the amount of excess proceeds available, attempting to bypass probate requirements, and using notarized affidavits in place of legally required documentation. In one case, the county alleges, a claim was submitted for the full value of the loan despite evidence that the underlying debt was already satisfied.

- c) *Evidence in court rulings*: In unpublished rulings in two cases, it appears the superior court rulings denying claims for excess proceeds were affirmed by appellate courts. In *Global Discoveries, Ltd. v. Ventura County* (2009), the California Second Appellate District Court affirmed the Ventura County Superior Court's decision to deny Global

Discoveries' petition to compel Ventura County to disburse denied excess proceeds¹. The county had denied the excess proceeds claim because Global Discoveries did not have a security interest in the property and was not a party of interest. The denial by the county was upheld in the county's Superior Court and on appeal.

In *Global Discoveries, Ltd. v. County of Contra Costa* (2022), Global Discoveries again sought to compel a county to disburse excess proceeds of a denied claim². In this case, Contra Costa County denied the claim for failure to submit required supporting documentation within one year of the sale. The trial court sustained the county's demurrer without leave to amend. In other words, the trial court found that Global Discoveries had failed to sufficiently state a claim for relief to warrant further examination of the case. The California First Appellate District Court upheld this ruling on appeal.

While these cases are only two instances that Committee staff discovered when analyzing this bill, these cases do, to some extent, corroborate the claims made by counties; Committee staff notes that many cases of counties alleging impropriety may not be litigated. On the other hand, these cases do not evidence a systemic pattern of abuse as stated by the opponents.

- d) *The Unclaimed Property (UP) Law*: The UP Law provides for the "escheat," or return of unclaimed or abandoned property, to the state in certain instances. Under that law, third parties filing a claim on the behalf of owners of property subject to escheatment must include certain elements within the agreement and limit any compensation to 10% of the value of the property. This requirement was enacted by AB 2280 (Reyes), Chapter 282, Statutes of 2022. In its analysis of AB 2280, the Assembly Committee on the Judiciary noted that there may be instances where owners pre-paid an asset finder, when that owner was not entitled to the full value of the property they were claiming, the current value of the property was less than described to the owner, or the owner was not entitled to claim the property at all.
- e) *This bill*: As currently drafted, this bill seeks to impose similar requirements on asset finders claiming excess proceeds on behalf of parties of interest as are imposed under the UP Law. On the one hand, there does appear to be merit to the proponents' contentions. It does appear that there are potentially abusive actions being taken by asset finders. The extent to which these actions are a knowing and willing violation of the law is beyond the scope of this analysis. On the other hand, depending on the type of property and circumstances of its tax-default status, the complexity noted by the opponents in properly determining parties of interest is valid. For property in probate, clear title may not be readily determined and determining the appropriate party of interest may be a complex, resource-intensive endeavor.
- f) *Counties' financial interest in excess proceeds*: While it is true that unclaimed excess proceeds revert to a county's general fund, the implied claim that tax collectors would violate the law to gain these excess proceeds because of a structural financial interest seems specious. As noted by the CACTTC, LA County, the largest county in California,

¹ *Glob. Discoveries v. Ventura Cty.*, No. B214357, 2009 Cal. App. Unpub. LEXIS 9553 (Dec. 2, 2009).

² *Glob. Discoveries, Ltd. v. Cty. of Contra Costa*, No. A160787, 2022 Cal. App. Unpub. LEXIS 4649 (July 27, 2022).

is holding approximately \$7 million annually in excess proceeds. Riverside County is reported to hold approximately \$11 million. For context, LA County's proposed 2026-27 fiscal year budget is \$48.8 billion, and Riverside County's is \$10 billion. Committee staff questions whether county tax collectors would be willing to violate state law and open themselves to liability for fractions of a percentage of their county's overall budget.

REGISTERED SUPPORT / OPPOSITION:**Support**

California Association of Treasurers and Tax Collectors
California State Association of Counties
Rural County Representatives of California
Urban Counties of California

Opposition

Global Discoveries, Ltd.

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