SENATE RULES COMMITTEE AB 418
Office of Senate Floor Analyses
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CONSENT

Bill No: AB 418
Author: Wilson (D), et al.
Amended: 3/17/25 in Assembly
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 6/25/25
AYES: McNerney, Valladares, Ashby, Grayson, Umberg

SENATE JUDICIARY COMMITTEE: 13-0, 7/8/25
AYES: Umberg, Niello, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Valladares, Wahab, Weber Pierson, Wiener

ASSEMBLY FLOOR: 75-0, 4/24/25 (Consent) - See last page for vote

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SUBJECT: Property taxation: tax-defaulted property

SOURCE: California Association of County Treasurer-Tax Collectors

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DIGEST: This bill enacts new requirements on counties before a property can be sold pursuant to a Chapter 8 tax sale.

ANALYSIS:

Existing law:

1) Provides that property taxes are due in two installments, the first on November 1st and the second on February 1st, with delinquency for the second installment occurring on April 10th.

2) Requires county tax collectors to begin imposing penalties for nonpayment of property taxes for each amount due, plus administrative charges, once taxes become delinquent.

3) Provides that property becomes tax-defaulted and can be subject to tax sale to satisfy outstanding taxes, penalties, and administrative charges if a property

owner does not pay the property taxes due in the current fiscal year before June 30th.

4) Requires tax collectors to first send a notice of impending default, then a notice of default, to taxpayers whose property may be subject to tax sale by registered mail to the taxpayer's last known address.

5) Affords the property owner a right to redeem the status of the property by paying the "redemption amount," equal to the total of all taxes, assessments, penalties, and fees.

6) Allows tax collectors to offer delinquent taxpayers installment agreements to cure a default before a tax sale.

7) Permits a tax collector to sell a residential property that has been in default for five years, or three years for a commercial property, unless the board of supervisors sets a five-year period for commercial property; however, the tax collector must sell property within four years of it becoming subject to sale.

8) Directs the tax collector to transmit to the board of supervisors a notice of the properties they intend to sell.

9) Requires the tax collector after approval by the board of supervisors to publish a notice of power and intent to sell all property that will be tax defaulted, which commences the tax sale process.

10) Directs the tax collector to make a reasonable effort to ascertain the names and last known addresses of parties of interest to the tax sale, including the owner and other lienholders.

11) Requires the tax collector to send notice of the sale to parties of interest not less than 45 days nor more than 120 days before the proposed sale.

12) Directs the tax collector to send a notice to all taxing agencies having the right to levy taxes or assessments on the property and to each city having jurisdiction over a property scheduled for the tax sale.

13) Allows a taxing agency, the state, or a city, to object to the sale of a portion of the property and try to purchase it themselves if it is needed for public use.

14) Directs the tax collector to also forward a copy of the notice to any nonprofit organization that has requested a copy, which can also object to a tax sale and propose to purchase the property themselves, but only for the purposes of:

a) Constructing or rehabilitating currently substandard residential property to rent or sell to low-income persons, or otherwise use the property to serve low-income persons, or

b) Dedicating vacant land for open space purposes, or for constructing residential dwellings for subsequent sale or rent to low-income persons, or for other uses to serve low-income persons.

15) Provides that a public agency or nonprofit may purchase residential or vacant property that has been tax defaulted by agreement with the board of supervisors, known as a "Chapter 8 sale."

16) Allows the board of supervisors to establish conditions of sale to a nonprofit, including reporting, to ensure the completion of rehabilitation within a reasonable time and to maximize the benefit to low-income persons.

17) Requires the tax collector to send a copy of the executed Chapter 8 agreement to the State Controller for approval.

18) Directs the tax collector to then complete almost all of the same steps for the Chapter 8 sale as a regular tax sale, such as sending the agreement to the current property owner and any parties of interest not less than 45 nor more than 60 days prior to the effective date of the agreement, and publishing the notice of agreement.

19) Allocates proceeds from a tax sale proceeds to pay the costs of newspaper publishing and recording fees, then to taxing agencies with valid claims, and next to the tax collector to pay for notices and contacting taxpayers. After that, proceeds satisfy liens held by parties in interest, who can file a claim at any time up to one year after the tax collector records the deed transferring from the property to the tax sale purchaser.

20) States that the county board of supervisors, or one or more assessment appeals boards created by the county board of supervisors, shall constitute the county board of equalization for a county (California Constitution, Article XIII, Section 19).

This bill:

1) Requires a board of supervisors to approve any Chapter 8 tax sale, and conduct a hearing at which it finds that, based on substantial evidence in light of the whole record:

   a) The sale price (the price paid by the nonprofit organization or local agency acquiring the property in Chapter 8) is greater than or equal to the property's "tax sale value," or

   b) The "tax sale value" is less than the redemption amount.

2) Defines "tax sale value" as the amount that typically could be realized from the sale of the property at a properly advertised and conducted Chapter 7 tax sale.

3) Requires the tax collector to send a notice of the hearing with specified contents by registered mail to the last assessee of each portion of the property, and to each party of interest, at their last known address.

4) Directs tax collectors to examine assessment records starting with the first year of delinquency to ascertain the assessee's last address.

5) Requires tax collectors to make reasonable efforts to ascertain the identity and address of parties of interest if they do not receive a notice.

6) Provides that it is not necessary to mail a copy of the notice to any party who files a written acknowledgement of the receipt or a waiver of the notice.

7) Clarifies that the validity of a Chapter 8 sale is not affected if the tax collector's reasonable efforts fail to disclose the name and last known address of parties of interest, or if a party of interest does not receive a notice.

8) Requires the notice to contain the following:

   a) A description of the property as described in the Chapter 8 agreement.

   b) The name of the last assessee based on assessments on previous property tax rolls.

   c) A statement that an agreement for the sale or option to purchase the property has been proposed.

   d) The proposed sale price.

   e) The date, time, and location of the hearing.

   f) A statement informing parties of their right to appear and present evidence at the hearing, and that the sale will not take place unless the board makes the specified finding.

g) A statement that substantially reads, "If you challenge the proposed sale in court, you may be limited to raising only those issues you or someone else raised at the hearing described in this notice, or in written correspondence delivered to the county at, or prior to, the hearing."

9) Creates a right for the assessee and parties of interest to appear at the hearing, and present any relevant evidence regarding the value of the property or the amount of any excess proceeds.

10) States that the assessee or parties of interest can provide the evidence at the hearing or in writing before the hearing, which must become part of the record considered by the Board when making its finding.

11) Provides that any costs incurred conducting the hearing and making any findings must be paid by the taxing entity or nonprofit organization seeking to purchase the property.

12) Allows the board's determination to be challenged by filing a petition for judicial review in the superior court of the county within 45 days following the issuance of the board's decision.

13) Requires the petition to name the county as the respondent and clearly state the grounds upon which the petitioner alleges that the determination is unlawful or unsupported by substantial evidence.

14) Provides that review must be conducted under the provisions of the Code of Civil Procedure for a writ of administrative mandate.

15) Limits court review to the administrative record at the hearing when determining whether the board's decision is supported by substantial evidence, except for evidence that could not have been introduced at the administrative hearing in exercise of reasonable diligence.

16) Provides that if the superior court determines that the decision of the board of supervisors was not supported by substantial evidence or that the board otherwise failed to follow the Chapter 8 requirements, the court may vacate the board's determination and remand the matter to the board of supervisors for further proceedings consistent with the court's opinion.

Background

Generally, counties paused tax sales during the COVID-19 pandemic. Though they have resumed, Chapter 8 sales are rare, with only 16 in six counties in 2022, and 30 in 12 counties in 2023, according to the State Controller. However, many counties have also ceased Chapter 8 sales because of a recent U.S. Supreme Court case, *Tyler v. Hennepin County, Minnesota*, 598 U.S. 631, 143 S. Ct. 1369. In *Tyler*, the Court ruled that a Minnesota county violated the United States Constitution's Fifth Amendment takings clause when it retained $25,000 after a condominium was sold was sold for $40,000 to satisfy a $15,000 property tax delinquency. Unlike in California, where taxpayers can claim excess proceeds from a tax sale, under Minnesota law, the state can either keep a tax-defaulted property for public use or sell it, retaining all proceeds, including those in excess of the tax due. In Chief Justice Roberts' final remarks in the case, he wrote, "The taxpayer must render unto Caesar what is Caesar's, but no more." AB 418 creates new procedural requirements for counties to ensure that California's Chapter 8 process operates in accordance with *Tyler.*

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

Senate Rule 28.8

SUPPORT: (Verified 8/19/25)

California Association of County Treasurers & Tax Collectors (Source)
California Housing Partnership
California State Association of Counties
City and County of San Francisco
County of Lake
County of Merced
Howard Jarvis Taxpayers Association
Rural County Representatives of California
Urban Counties of California

OPPOSITION: (Verified 8/19/25)

None received

ARGUMENTS IN SUPPORT: According to the author, "AB 418 establishes a process that California's county tax collectors will follow, when utilizing the Chapter 8 sale process, to ensure that the property is disposed of in a way that is transparent and affords property owners an administrative remedy if the property owner disputes the price set at a Chapter 8 tax sale. These additional steps still preserve the Treasurer-Tax Collector's informed discretion to utilize options to manage those properties for which appraisals are not financially logical. AB 418 aims to ensure that the sale of tax-defaulted property within California is aligned with the ruling of Tyler v Hennepin County and reflects the decision of the

Supreme Court. AB 418 provides a middle-ground solution allowing Tax Collectors to continue their use of the Chapter 8 sales process, while also protecting the rights of the owners or last assesse of said properties."

ASSEMBLY FLOOR: 75-0, 4/24/25
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Chen, Gallagher, Harabedian, Lackey

Prepared by: Colin Grinnell / REV. & TAX. / (916) 651-4117
8/21/25 16:45:22

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