
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair
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Consultant: Grinnell

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CHIQUITA CANYON LANDFILL: MORTGAGE FORBEARANCE: PROPERTY TAX REASSESSMENT AND PENALTIES

Authorizes property tax relief to residents in the neighborhoods surrounding the Chiquita Canyon Landfill.

Background

Section One of Article XIII of the California Constitution provides that all property is taxable unless explicitly exempted by the Constitution or federal law. The Constitution 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%. Assessors reappraise property whenever it is purchased, newly constructed, or when ownership changes. The Constitution and statute define those terms.

Disaster reassessment. The California Constitution allows the Legislature to authorize local agencies to provide for the assessment or reassessment of taxable property "physically damaged or destroyed" for property tax purposes. To implement these Constitutional provisions, a county board of supervisors can enact an ordinance allowing any taxpayer whose property was damaged or destroyed in a major misfortune or calamity, and not by the fault of the taxpayer, to apply for reassessment. These provisions apply to large disasters, such as earthquakes or wildfires, or site-specific incidents, like house fires. Every county has enacted such an ordinance.

Upon a taxpayer filing a valid claim, assessors must revalue the property affected by the disaster according to a specific process set forth in statute. The assessor must make six calculations: the pre *and* post-disaster market value of land, improvements and personalty (other taxable personal property not affixed to land or other belongings). If the sum of the pre-disaster values exceed the post-disaster values by \$10,000 or more, the assessor then determines the percentage value difference for each of land, improvements, and personalty. For example, a home with a market value of \$675,000 is 100% destroyed in a wildfire. In this case, the assessor determines that the loss of the home exceeds \$10,000, then reduces value of the home and personalty by 100%. The assessor may reduce the value of the land in some cases, but at a lower percentage than the home and personalty.

Proposition 8. Five months after voters approved Proposition 13 in June 1978, they approved Proposition 8, which amended Proposition 13 to allow temporary reductions in assessed value in cases where real property suffers a decline in value. The Legislature implemented Proposition 8 in state law, which was widely used by assessors during the economic recession a decade ago. The assessor evaluates the change in a property's value from one lien date (January 1 of each

year) to the next, and enrolls a new value if the property's current market value falls below its previous assessed value. If the market value subsequently increases, the assessor can revalue the property up to its previous base year value, accounting for Proposition 13's restrictions. Proposition 8 will apply to properties which lost market value due to COVID-19; however, it does not provide refunds of previous taxes paid, similar to disaster reassessments. Most county assessors will review a property's assessment for a possible decline in value upon request. The review may be provided as an informal discussion with the assessor's staff, or the assessor may require the property owner to complete a request form.

Property tax payments. Property taxes are due in two installments: November 1 and February 1, with delinquency for the second installment occurring on April 10. Generally, state law requires county tax collectors to begin imposing penalties for nonpayment of property taxes, which are 10% of each amount due, plus administrative charges, once the taxes become delinquent. If a property owner does not pay the property taxes due in the current fiscal year before June 30th, their property becomes tax-defaulted and can be subject to tax sale to satisfy outstanding taxes, penalties, and administrative charges.

State law allows each tax collector to waive penalties and other charges when failure to pay is due to reasonable cause and where there is no willful neglect. The tax collector in each county makes this determination for any specific taxpayer. Reasonable cause usually applies to circumstances outside the taxpayer's control, such as illness, but generally does not when the taxpayer lacks funds to pay taxes. In these cases, tax collectors can accept partial payments and place taxpayers on installment plans, but only after delinquency occurs in most cases.

Executive Order N-61-20. In response to the COVID-19 pandemic, Governor Newsom issued Executive Order N-61-20 on May 6th, 2020. The order suspended provisions of the Revenue and Taxation Code "to the extent that it requires a tax collector to impose penalties, costs, or interest for the failure to pay taxes on property on the secured or unsecured roll, or to pay a supplemental bill, before the date and time such taxes became delinquent." The order also directed tax collectors to cancel any penalties, costs, and interest for owner-occupied residential property and property owners of specified small businesses, so long as the penalties waived were for taxes due after March 4th, 2020, and the taxpayer filed a claim. Taxpayers must also demonstrate to the satisfaction of the tax collector that they suffered economic hardship, or were otherwise unable to pay on time due to the pandemic, or any local, state, or federal government response to it. The order also forestalled delinquencies for taxpayers on installment plans, so long as taxpayers were current on those plans. Soon after the Governor issued the executive order, then State Controller Betty Yee created a standard form for taxpayers to use to request penalty cancellation.

After Executive Order N-61-20 expired on May 6, 2021, the Legislature enacted SB 219 (McGuire, 2021), which allowed a tax collector to cancel any penalty, cost, or other charge resulting from a tax delinquency when failure to make the payment is due to a documented hardship as determined by the tax collector. The hardship must have resulted from a shelter-in-place order, as defined, issued by the Governor or the public health officer of a city, county, or city and county in which the property is located or its owner resides. The taxpayer must also make the principal payment by June 30th of the fiscal year in which the payment became delinquent.

Los Angeles County Fires. The National Weather Service held a conference call with Southern California fire and emergency management officials on Jan. 3, warning that a "truly historic

event” was due in four days, with the possibility of fires that would spread with extraordinary speed. On January 7, 2025, a series of fires exploded in Los Angeles County, for which the Governor proclaimed a state of emergency to exist in Los Angeles and Ventura counties. According to CalFIRE, the Palisades Fire burned 23,448 acres, destroyed 6,833 structures, and killed 12. The Eaton Fire burned 14,021 acres, destroyed 9,418 structures, and killed 18. The Kenneth Fire started two days later, and the Hughes Fire on January 22nd, neither of which destroyed structures or resulted in loss of life. 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. The causes of all four fires remain under investigation.

Executive Order N-10-25. In response to the Los Angeles Fires, Governor Newsom issued Executive Order N-10-25, which suspended several property tax deadlines to the extent it authorizes or requires a tax collector to impose penalties, costs, or interest for the failure to pay taxes on property on the secured or unsecured roll, or to pay a supplemental bill, and a tax collector shall cancel such penalties, costs, and interest due during calendar year 2025. The order did not apply based on whether the fires had directly affected a taxpayer or resulted in a hardship. Instead, the order applied to any property located in the areas encompassed by the 90019, 90041, 90049, 90066, 90265, 90272, 90290, 90402, 91001, 91040, 91104, 91106, 91107, 93535, or 93536 Zip Codes. The order did not apply to taxes delinquent as of January 6, 2025. The order also stated that it did not apply to any property for which taxes are paid through an impound account.

Mortgage Servicers. Unfortunately, sometimes California homeowners find themselves in difficult financial situations and cannot make the mortgage payments on what they owe on their homes. When this happens, the borrower defaults on their home loan and the lender can begin the foreclosure process to sell the property to pay off the loan in default. In 2020, the Legislature enacted the COVID-19 Small Landlord and Homeowner Relief Act, which, among other provisions, required a mortgage servicer to comply with applicable federal guidance regarding borrower options following a forbearance relating to the COVID-19 emergency (AB 3088, Chiu, 2020).

Chiquita Canyon elevated temperature landfill event (ETLE). Since May of 2022, the Chiquita Canyon Landfill in Los Angeles County has been experiencing a chemical reaction that the Environmental Protection Agency calls a Subsurface Elevated Temperature event. This type of event causes excessive toxic leakage, which increases emissions and odors from carbon monoxide, hydrogen gas, hydrogen sulfide, and volatile organic compounds, while methane is decreased.¹ The extreme heat smoldered decades-old garbage and damaged the landfill’s gas control systems, causing foul odors to drift into the surrounding area.² The smoldering chemical reaction has sent noxious odors into area neighborhoods and triggered legal action by residents and Los Angeles County.³

¹ Spectrum News. (2025, March 28). *Chiquita Canyon landfill regulations*. Spectrum Local News.

<https://spectrumlocalnews.com/weather/2022/environment/2025/03/28/chiquita-canyon-landfill-regulations>.
² Barboza, T. (2024, December 31). *Chiquita Canyon landfill will no longer accept trash in 2025*. Los Angeles Times. <https://www.latimes.com/environment/story/2024-12-31/chiquita-canyon-landfill-will-no-longer-accept-trash-in-2025>.

³ ABC7. (2024, December 17). *LA County sues Chiquita Canyon Landfill, claiming Castaic residents have been sickened by noxious fumes, odors*. ABC7 Los Angeles. <https://abc7.com/post/la-county-sues-chiquita-canyon-landfill-claiming-castaic-residents-have-been-sickened-noxious-fumes-odors/15672684/>; Barboza, T. (2024,

The owner of the landfill, Waste Connections Inc., established a fund from March 2024 to February 2025 for the residents of Val Verde, Live Oak, Hasley Hills, Hillcrest Parkway, Hasley Canyon, and Stevenson Ranch.⁴ Payments were expected to exceed \$25 million and were awarded to 1,829 households between March 2024 and February 2025. Prior to being shut down, Chiquita Canyon was Los Angeles County's second-largest active landfill and accounted for about one-third of all garbage disposed of in L.A. County.⁵ The owners of Chiquita Canyon Landfill shut down the municipal waste site on January 1, 2025.⁶

The ELTE event has caused severe health impacts and economic distress on residents near the landfill. The author wants to provide nearby taxpayers a five-year suspension of property tax payments, penalties, and filing requirements, and enact similar mortgage relief provisions as AB 3088 for those affected by the ELTE event.

Proposed Law

Assembly Bill 985 contains three major provisions:

- First, it enacts a new form of valuation reduction for taxpayers affected by the Chiquita Canyon ELTE, similar to current disaster reassessment provisions.
- Second, it allows property tax relief provisions similar to Governor Newsom's Executive Order for the Los Angeles Fires to suspend deadlines and payment requirements for property that is both located in the areas encompassed by United States Postal Service ZIP Codes 91384, 91381, or 91355 and within a five mile radius of the Chiquita Canyon Landfill in the County of Los Angeles. However, AB 985 suspends deadlines for five years, not until April 10, 2026, as provided in the Executive Order.
- Enacts provisions similar to AB 3088 to provide that a borrower who is experiencing financial hardship that prevents the borrower from making timely payments on a residential mortgage loan due directly to the landfill event may request forbearance, which the residential mortgage loan mortgage servicer must grant with some exceptions for an initial 90 days, and which can then be extended at the request of the borrower in 90-day increments.

Reassessment. AB 985 permits a board of supervisors, by ordinance, to provide that every assessee of any qualified taxable property, or any person liable for the taxes thereon, may apply for reassessment. Qualified taxable property is defined to include any property within a five mile radius of the landfill. The ordinance can specify a time period within which it is effective, but if it does not, it remains in effect until repealed. Taxpayers apply for reassessment by filing a written application under penalty of perjury requesting reassessment showing the condition and value of the property immediately after the landfill event, and the dollar amount of its diminution in value. Upon receiving the application, the assessor shall appraise the property and determine separately the full cash value of land, improvements, and personalty immediately before and after the landfill event. If the difference in property value before and after the disaster exceeds

December 17). *Los Angeles County sues Chiquita Canyon Landfill*. Los Angeles Times.
<https://www.latimes.com/environment/story/2024-12-17/los-angeles-county-sues-chiquita-canyon-landfill>

⁴ Sheeler, A. (2025, March). *California takes aim at troubled Chiquita Canyon landfill*. CalMatters.
<https://calmatters.org/politics/2025/03/chiquita-canyon-landfill-california/>.

⁵ *Id.*

⁶ *Id.*

\$10,000, the assessor must separately determine the percentage reductions in value of land, improvements, and personalty due to the landfill event. The assessor must then reduce the values appearing on the assessment roll by the percentage of damage or destruction and adjust the tax amounts accordingly.

The assessor must next notify the taxpayer of the proposed reassessment and include a notice stating that the taxpayer may appeal the reassessment within six months of the notice. The board of supervisors or the assessment appeals board must hear and decide the matter, which is final, except that the bill states that the board's decision does not create a presumption regarding the value of the qualified taxable property before the landfill event. Any reduction must be forwarded to the auditor, who enters the new value on the property tax roll, which is not subject to review, except by a court of competent jurisdiction. The assessor can also determine that the property has suffered a diminution of value, and send the taxpayer a reassessment application.

AB 985 applies similar provisions to disaster reassessment that direct the auditor to prorate the amount of taxes reflecting a reduction in reassessment, and refund any overpaid taxes as erroneously collected. The new valuation becomes the property's base year value, which can increase by 2% per year until the cessation of the landfill event. After the cessation of the landfill event, the assessor must revalue the property and enter its new taxable value.

Payments, penalties, interest, and other requirements. AB 985 enacts a five-year suspension, moratorium on collection, or consideration of delinquency, as applicable, of the following property tax payment, penalty, and other requirements:

- Failure to pay taxes on supplemental assessments,
- Filing an annual business personal property statement,
- Failure to pay either the first or second installment of property taxes,
- Failure to pay taxes on the unsecured roll,
- Tax default redemption penalties, and
- Failure to pay taxes under an installment plan.

AB 985 does not apply to taxes that were delinquent as of April 1, 2025, or which are paid through an impound account.

State Revenue Impact

Pending.

Comments

1. **Purpose of the bill.** According to the author, “the Chiquita Canyon Landfill in my district has been burning for the last three years. The landfill fire is releasing carcinogens into the air and causing health problems among residents, businesses to shut down, and making the surrounding area completely unlivable. Requests that a state of emergency be enacted so residents receive needed assistance have gone ignored. The people of Val Verde and Castaic deserve better and need the resources to protect themselves. AB 985 ensures those additional resources such as mortgage forbearance or property tax reassessment are available for residents to utilize.”

2. Necessary? AB 985 creates a new process for the Los Angeles County Board of Supervisors to enact an ordinance that would require the assessor to revalue property to reflect the effect of the landfill event on a property's value for tax purposes that operates similarly to reassessments that occur when a property is physically damaged or destroyed by a major misfortune or calamity. However, it's unclear whether these procedures are an improvement over Proposition 8. As noted above, most county assessors will review a property's assessment for a possible Prop. 8 decline in value upon request. Additionally, because the landfill event is ongoing, and commenced in 2022, it may be difficult for the assessor to determine for any given property based on the number of months in the current fiscal year prior to the landfill event. Also, the landfill event may continue for several years, with effects changing over time, making it difficult to determine the market value loss for any given property for any specific fiscal year. Instead of the measure's current provisions, the committee may wish to consider amending AB 985 to remove these provisions and instead provide that affected taxpayers can apply for Proposition 8 decline in value adjustments retroactively to reflect market value losses resulting from the landfill event.

3. Something similar. In October 2015, residents of Porter Ranch in the City of Los Angeles were driven from their homes due to harmful gas released into the air from neighboring natural gas wells in Aliso Canyon. In response, the Legislature approved SB 1304 (Huff), which enacted a provision similar to this bill by directing assessors to revise property valuations as a result of an event external to the property. The bills differ in a few key ways: SB 1304 directly amended disaster reassessment law to apply to environmental contamination while AB 985 enacts a new section; SB 1304 was limited to three years, and was contingent on the Governor declaring a state of emergency. (While Governor Brown declared a state of emergency for Aliso Canyon, Governor Newsom has not yet done so for Chiquita Canyon.) However, Governor Brown vetoed SB 1304, referencing Proposition 8, stating:

This bill allows for retroactive property tax assessments for those affected by the Porter Ranch gas leak and expands the basis for future tax relief in similar circumstances.

Under existing law, the county assessor can already reduce the assessed value of homes to reflect changed market conditions. I think that should be sufficient.

Sincerely,

Edmund G. Brown Jr.

4. Cast a wide net. Deferring property tax deadlines, penalties, and other collections mechanisms for taxpayers based on whether a property is located in a specific ZIP code does not take into account whether the landfill event creates a hardship for any specific taxpayer. While the landfill event has caused tremendous hardships for many nearby residents, not all of them lack the means necessary to pay property taxes on time as a result of the event. Instead of qualification based on ZIP code (effectively blanket relief based on general property location), the committee may wish to consider amending AB 985 to allow tax collectors to cancel penalties and interest as a result of a documented hardship, similar to the approach taken under Governor Newsom's Executive Order during the COVID-19 pandemic, and codified by SB 219.

5. Impacts. AB 985 provides similar treatment for taxpayers affected by the landfill event as Governor Newsom's Executive Order N-10-25 provided for taxpayers owning properties in

specified ZIP codes affected by the 2025 Los Angeles Fires. As a result, many taxpayers who pay property taxes directly and not through impound accounts, may not pay property taxes as there is no penalty. As a result, Los Angeles County, where property tax revenues are already likely to decline significantly as a result of valuation reductions due to the fires and the Governor's Executive Order, won't receive as much revenue as they were planning on to fund public services under AB 985, although they would receive more once the suspension period ends. Cities, school and special districts, with property included within AB 985's provisions will receive less revenue as well. Additionally, direct charges for various purposes, including incremental property taxes dedicated to repaying general obligation bonds, won't be paid either, which could reduce funds local agencies have pledged to repay any outstanding bonds. Lastly, the bill defers penalties for nonpayment for five years, which will help taxpayers in the short run, but may require them to pay a very large sum when the suspension period is over. Also, it's unclear how the five year suspension applies if a taxpayer sells their current property before the period expires.

6. Who qualifies? AB 985's property tax payment relief depends on taxpayers meeting two criteria: first, the property is located in areas encompassed by United States Postal Service ZIP Codes 91384, 91381, or 91355, and second, within a five mile radius of the Chiquita Canyon Landfill in the County of Los Angeles. While tax records may indicate whether a property meets the first requirement, tax collectors won't be able to easily know the second. Additionally, the bill doesn't specify the point in the landfill from which they should measure the radius. Lastly, it may also be difficult for tax collectors to know whether a taxpayer pays tax through an impound account, who are not eligible for the measure's payment relief provisions. The Committee may wish to consider amending AB 985 to clarify the area in which payment penalties and interest suspension applies.

7. Special legislation. The California Constitution prohibits special legislation when a general law can apply (Section 16 of Article IV). AB 985 contains findings and declarations explaining the need for legislation that applies only to transaction and use taxes imposed within the County of Los Angeles.

8. Double-referred. The Senate Rules Committee ordered a double-referral for AB 985. First, to the Committee on Revenue & Taxation to consider its property tax provisions, and second, to the Committee on Banking & Financial Institutions to consider its mortgage forbearance provisions.

9. Gut and amend. As approved by the Assembly, AB 985 (Ahrens) related to anesthesiologist assistants. On June 23rd, Asm. Ahrens amended AB 985 to make Asm. Schiavo the author, and insert the measure's current provisions.

10. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because AB 985 changes the way that assessors value real property, and the way tax collectors administer tax collections, Legislative Counsel says that this bill imposes a new state mandate. The measure provides that the state shall not reimburse local agencies for property tax revenue losses, instead stating that, should the Commission on State Mandates determine that the bill imposes a reimbursable mandate, reimbursement must be made pursuant to existing statutory provisions

11. Related legislation. On June 25, the Committee approved AB 27 (Schiavo), which enacts a Personal Income and Corporation Tax exclusion for any Chiquita Canyon elevated temperature

landfill event payment amount received by a taxpayer, on or after March 1, 2024, and before January 1, 2029, and establishes that these payment amounts are excluded from income for determining certain state benefits. Additionally, SB 816 (Valladares) would authorize a property tax exemption for real property impacted by the Chiquita Canyon elevated temperature for lien dates from January 1, 2025, to January 1, 2030. This bill is currently pending in the Senate Revenue and Taxation Committee.

Assembly Actions

Not relevant to this version of the bill.

Support and Opposition (7/3/25)

Support: None received.

Opposition: None received.

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