
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair

2025 - 2026 Regular

Bill No: SB 1298
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Consultant: Grinnell

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Tax Levy: Yes
Fiscal: Yes

REAL PROPERTY TAX: EXEMPTIONS: RELIGIOUS SERVICES: PARKING

Deletes the requirement that a congregation of a church, religious denomination, or sect be less than 500 members to be eligible for a property tax exemption.

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. Section Three of Article XIII exempts from property taxation buildings, land on which they are situated, and equipment used exclusively for religious worship. Section 5 of Article XIII applies the exemption to property in the course of construction, land required for their convenient use, and equipment if its intended use qualifies the property for an exemption.

Like the school exemption, the Constitution does not require that a church organization *own* the property to qualify for the exemption, it need only be exclusively *used* for religious worship. In the case of leased premises, the church or religious organization may report the leased property on its claim for the church exemption, or the lessor (owner) of such property may claim the exemption by filing a Lessor's Exemption Claim (form BOE-263) with the county assessor.

Church Parking Lots. Article XIII, Section 4(d) of the California Constitution allows the Legislature to exempt from taxation "real property not used for commercial purposes that is reasonably and necessarily required for parking vehicles of persons worshipping on land exempt" under the religious worship exemption. The Legislature has implemented the exemption to allow the exemption when the real property is not at other times used for commercial purposes. The real property need not be contiguous to the land on which the services, worship, or other religious activity is located to be eligible for the exemption. The exemption also applied to taxable possessory interests, where a private party has an independent, exclusive, and durable right to the beneficial use of real property owned by a public entity.

Before 1996, the exemption did not apply to leased land. In that year, the Legislature enacted AB 1991 (Granlund), which added the leased property to the exemption in response to the Riverside County Assessor denying an exemption for a parking lot leased by the Hemet Valley Southern Baptist Church. The assessor stated at the time that while the Constitution did not require the church to own the property, the statute did. AB 1991 allowed the exemption to apply to land leased for parking when:

- The congregation of the church, religious denomination, or sect is no greater than 500 members.

- The church, denomination, or sect is engaged in a lease of real property to be used exclusively for qualifying parking purposes, so long as, under the terms of the lease, the church, denomination, or sect is responsible for paying the property taxes levied.
- The real property is used exclusively for the parking of automobiles of persons attending religious services, or engaged in religious services or worship or any other religious activity.
- The fee owner agrees to pay property taxes that would have been levied on the property should the property be used for purposes other than church parking in either the second or third year; if so, the exemption is lost for all three years.

For reasons lost to history, AB 1991 added the requirement that the congregation of the church, religious denomination, or sect not exceed 500 members to be eligible for the exemption. The California Assessors Association wants to delete that requirement.

Proposed Law

Senate Bill 1298 deletes the requirement that a congregation of a church, religious denomination, or sect be less than 500 members to be eligible for the exemption from property tax for real property used for the parking of automobiles of persons who are attending religious services, or are engaged in religious services, worship, or any religious activity.

State Revenue Impact

According to BOE, “Removing the 500-member congregation limit from existing property tax exemption for qualifying church parking property, and allowing the exemption to apply regardless of congregation size will have the following impact:

- Annual property tax revenue loss per megachurch (2,000 plus member congregation) is estimated at \$92,000
- Annual property tax revenue loss per non-megachurch (501 plus, less than 2,000) is estimated at \$23,000.”

Comments

1. Purpose of the bill. According to the author, “Senate Bill 1298 was developed in response to concerns raised by county assessors regarding the need for greater consistency, clarity, and efficiency in applying the property tax exemption for religious institution parking. Under current law, eligibility for this tax exemption depends on an arbitrary 500-member threshold, despite no clear definition of what constitutes a “member.” This requires county assessors to rely on self-reported and often inconsistent data, leading to uneven implementation across counties and unnecessary administrative burden. By removing this limitation, SB 1298 ensures that the exemption to apply regardless of congregation size, while maintaining the other existing requirements for the exemption.”

2. Who pays? When the Legislature expanded the worshipping persons parking lot exemption to include leased land in 1996, it only allowed the exemption for land leased for parking lots used by congregations with 500 members or fewer; churches owning parking lots remained exempt regardless of the number of members. While it’s unlikely that assessors enforce the

requirement beyond self-reporting, should the Legislature discard it entirely? A church having a congregation of more than 500 implies an ability to pay taxes necessary to reflect its fair share of the burden of financing public services, especially when its building, land, and equipment are already exempt. The Committee may wish to consider whether SB 1298's absolution of taxes imposed on parking lots used by worshippers is worth shifting the tax burden to others.

3. Who's affected? The California Assessors Association surveyed its counties on the potential fiscal impact of SB 1298. Of the 18 counties that responded, six counties reported that the measure would affect fewer than ten properties, with less than \$100,000 in impact. One county reported an impact on more than ten properties, with an impact of more than \$100,000.

4. Taxing divinity. The First Amendment to the United States Constitution prohibits Congress from prohibiting the free exercise of religion, and the California Constitution guarantees the free exercise of religion without discrimination. As a result, taxing property used for worship is a delicate matter. The Constitution provides an exemption for property used for religious worship; however, only when the property is "exclusively" used for that purpose, thereby compelling assessors to verify that land is so used. Courts have stated that a taxing authority, when processing a claim for exemption, is obligated to make inquiries and gather information to determine whether the organization's purposes and activities are within the statutory requirements, and the courts have held that such an investigation is not precluded by the First Amendment's guarantee of freedom of religion. According to the Board of Equalization's (BOE's) assessor's handbook, the assessor must determine whether any claimant for the religious worship exemption holds the belief honestly and in good faith or whether they seek religious immunity merely for purposes of tax avoidance. The burden of clearly demonstrating that the use of property comes within the terms of the exemption is upon the applicant.

5. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because SB 1298 changes how assessors value real property, 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.

Support and Opposition (5/1/26)

Support: California Assessors' Association

Opposition: None received.

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