SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair
2025 - 2026 Regular

Bill No:	SB 1352	**Hearing Date:**	4/22/26
Author:	Valladares	**Tax Levy:**	No
Version:	4/13/26 Amended	**Fiscal:**	Yes
Consultant:	Grinnell		

PROPERTY TAXATION: NEWLY CONSTRUCTED: RECONSTRUCTED PROPERTY

Provides that a property damaged or destroyed in a Governor-declared disaster that is subsequently rebuilt can maintain its pre-disaster base year value if the size of the reconstructed property is 110% of the size of the damaged or destroyed property.

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 statutes define those terms.

Base year value transfers. State law implementing Proposition 13 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, the law requires an annual inflation adjustment to that value that cannot exceed 2% (factored base year value).

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 the law allows) and not on the value of their newly purchased or constructed home, often resulting in tax savings. For example, a taxpayer who purchased their residence for $100,000 in 1975 now has a base year value that cannot exceed $269,158 under Proposition 13's 2% 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 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% 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% 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% limitation, but any amount over this threshold is assessed at full market value and added to the transferred base year value; and,
- The buyer of the replacement property was the owner of the damaged property at the time of damage.

AB 2013 (Irwin, 2020). 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. As a result, 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.

The term "substantially equivalent" is not clearly defined in state law, so California's 58 independently elected County Assessors implement these Constitutional and statutory directions regarding the assessment of damaged or destroyed property with the aid of guidance from the state Board of Equalization (BOE). As a result, treatment can vary from county to county. In 2004, BOE surveyed assessors regarding the issue, and reported that:

> "Twenty-two assessors mentioned size as a determining factor; of these, eight specified square footage. Seven assessors specified quality class; one assessor indicated that an increase of a single quality class rating is 'substantially equivalent.' Fourteen assessors rely on field inspection and appraiser judgment. One assessor reported that they use a threshold of 80 percent of new; another assessor reported they follow the guidelines in Section 69 (base year value transfer for properties substantially damaged or destroyed in a Governor-declared disaster), which provides a value threshold of 120 percent."

In 2020, the Legislature enacted AB 2013 (Irwin) to ensure consistency between the standards that apply to owners who rebuild onsite, who previously were subject to "substantial equivalence," 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% 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% of its pre-disaster value. This treatment is applied only when taxpayers complete reconstruction within five years of the disaster. Additionally, AB 2013 only applies when a property is substantially damaged or

destroyed by a disaster, as declared by the Governor; substantial equivalence continues to apply to *non*-declared misfortunes and calamities.

AB 2013's safe harbor is measured by value, not *size*. After the 2025 wildfires in Los Angeles County, Los Angeles Mayor Karen Bass and Governor Newsom issued executive orders to expedite review and permitting for rebuilds within 110% of the size of the damaged or destroyed property. Noting this disconnect, on March 5, 2025, Los Angeles County Assessor Prang issued a statement clarifying that "city and county programs that allow property owners to rebuild to 110% do not exempt the additional square footage from property assessment and the accompanying property taxes."

Assessor Prang wants to modify AB 2013 to provide that for properties damaged or destroyed in a disaster declared by the Governor, a replacement property is allowed to inherit the base year value of the damaged or destroyed property, so long as the size of the replacement property does not exceed 110% of the size of the property damaged or destroyed.

Proposed Law

Senate Bill 1352 amends AB 2013 to provide an alternative to its 120% of value restriction to also provide that if the size of a reconstructed property does not exceed 110% of its size when damaged or destroyed, then the adjusted base year value of the property substantially damaged or destroyed is the base year value of the reconstructed property. The measure applies to lien dates for fiscal years commencing in 2026-27 until 2034-35, and sunsets on January 1, 2036.

State Revenue Impact

Pending.

Comments

1. Purpose of the bill. According to the author, "Senate Bill 1352 provides clarity for homeowners rebuilding property damaged or destroyed by a disaster. The bill defines the term "substantially equivalent" in the Revenue and Taxation Code to specify that a reconstructed improvement may be up to 110% of its original size and still qualify for exclusion from reassessment as "new construction." By allowing modest increases in size while maintaining eligibility for property tax base value retention, SB 1352 ensures that disaster survivors can rebuild without triggering reassessment, consistent with California's existing constitutional property tax limits."

2. Bigger and better. AB 2013 harmonized the ambiguous "substantial equivalence" standard for onsite rebuilds with the clearer Proposition 50 standard of offsite rebuilds, specifically requiring that the reconstructed property be comparable to the damaged property in size, utility, and function, as defined. AB 2013's consistency included allowing a taxpayer to apply the base year value of the damaged or destroyed property when the replacement property has a value of up to 120% of the damaged or destroyed property. The 120% standard protects taxpayers who have endured a disaster from a potentially costly reassessment, as rebuilding usually requires meeting more stringent building codes and using construction materials that have increased in price over the years, both of which drive value higher. However, SB 1352 allows taxpayers affected by a disaster a benefit Proposition 50 does not provide when they are building a larger replacement home where its value exceeds 120% of the value of the damaged or destroyed

property. As a result, the bill grants taxpayers who can afford to rebuild bigger and better post-disaster the same treatment as those who cannot. While many Los Angeles County residents have suffered damaged or destroyed homes, the Committee may wish to consider whether AB 1352 is consistent with the Constitution's charge to value property at the same percentage of its full market value.

3. Do it again. AB 2013's predecessor, AB 885 (Irwin, 2019), would have applied a safe harbor of 120% of size and applied to all misfortunes and calamities, not just Governor-declared emergencies. However, Governor Newsom vetoed the measure, stating:

> "This bill creates a bright-line test to determine whether new construction after a misfortune or calamity is substantially equivalent to the replaced structure, and therefore precluded from reassessment for property tax purposes.
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> When a disaster destroys a home or structure, current law appropriately prohibits the rebuilding cost of that destroyed property from increasing the assessed value for property tax purposes, as long as the rebuilt home is substantially equivalent to the replaced structure. While I understand the intent of this bill is to provide uniformity across counties and to address instances where code standards require updates that may increase the value of the property, AB 885 goes too far.
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> Ensuring home and other property owners are not faced with additional property tax burdens following a disaster is important. Providing uniformity in this matter is also a laudable goal. However, the proposed bright-line test in AB 885 should be narrowed to address these issues in a manner that minimizes negative impacts on local revenues."

4. Technical. Governors proclaim states of emergency under the Emergency Services Act, not disasters, where provisions of the California Disaster Assistance Act apply. Committee staff recommends replacing "as declared by the Governor" with "for which the Governor proclaimed a state of emergency" after "disaster" in the first sentence of Section 70.5.

5. Gift of public funds. Section Six of Article XVI of the California Constitution prohibits the Legislature from making a gift of public funds. Because its exclusion applies retroactively to the January 1, 2026 lien date, SB 1352 could be construed to constitute a gift of public funds; however, the bill includes provisions stating legislative intent that the bill does not constitute a gift because it is necessary by providing property tax relief to taxpayers whose property was damaged or destroyed by a destructive California wildfire

6. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because SB 1352 changes the way that 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 (4/16/26)

Support: Sally J. Lieber, Chair, Board of Equalization

California Apartment Association
California Assessors' Association
California Association of Realtors
California Taxpayers Association
City of Malibu
City of Pasadena
United Policyholders

Opposition: None received.

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