
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1352 (Valladares) - Property taxation: newly constructed: reconstructed property

Version: April 28, 2026

Urgency: No

Hearing Date: May 11, 2026

Policy Vote: REV. & TAX. 5 - 0

Mandate: Yes

Consultant: Robert Ingenito

Bill Summary: SB 1352 would provide 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 percent of the size of the damaged or destroyed property.

Fiscal Impact:

- The Board of Equalization (BOE) indicates that this bill would reduce annual property tax revenues by an indeterminate amount, as the number and scope of future disasters is unknown. However, using average statewide construction costs, BOE estimates the revenue loss at \$820 per residential structure rebuilt to 110 percent (see Staff Comments).

Reductions in local property tax revenues, in turn, can increase General Fund Proposition 98 spending by up to roughly 50 percent (the exact amount depends on the specific amount of the annual Proposition 98 guarantee, which in turn depends upon a variety of economic, demographic and budgetary factors). BOE would incur minor administrative costs to implement the provisions of the bill.

- By changing the duties of local tax officials, this bill creates a state-mandated local program. To the extent the Commission on State Mandates determines that the provisions of this bill create a new program or impose a higher level of service on local agencies, local agencies could claim reimbursement of those costs. The magnitude is unknown (General Fund).

Background: Under Proposition 13, California generally assesses property taxes based on a property's purchase price, or fair market value at the time ownership changes, commonly referred to as the "base-year value." That value may increase annually by no more than 2 percent, regardless of changes in market value. Consequently, long-term property owners often pay taxes based on assessments that are significantly below current market prices. California law also permits certain taxpayers to transfer an existing base-year value to a replacement property under specified circumstances, allowing them to retain a lower property tax assessment instead of being reassessed at current market value.

One such circumstance arises following a major disaster. Proposition 50, approved by voters in 1986, authorizes taxpayers whose property is substantially damaged or destroyed in a Governor-declared disaster to transfer the property's existing base-year value to a replacement property if specified conditions are met. Among other requirements, the replacement property must generally be acquired or rebuilt within five years, located in the same county, comparable in function and use, and not exceed 120 percent of the pre-disaster market value of the original property. If the replacement property exceeds that threshold, only the excess value is newly assessed at market value.

Historically, taxpayers rebuilding on the original site also qualified for a reassessment exclusion for reconstruction that was "substantially equivalent" to the damaged property. However, because state law did not clearly define "substantially equivalent," county assessors applied varying standards, leading to inconsistent treatment across counties and even within individual properties. In some cases, portions of rebuilt homes exceeding the original structure were reassessed at current market value, resulting in mixed base-year values for the same property.

To address these inconsistencies, the Legislature enacted AB 2013 (Irwin, 2020), which aligned the treatment of onsite reconstruction with the more flexible standards governing offsite base-year value transfers under Proposition 50. Under AB 2013, rebuilt property may retain its prior assessment so long as the value of the reconstructed property does not exceed 120 percent of the pre-disaster value, regardless of increases in size. Any value above that threshold is reassessed at fair market value. The law applies when reconstruction is completed within five years of the disaster.

AB 2013's safe harbor is measured by value, not size. Recent wildfire recovery efforts have highlighted ongoing confusion between local rebuilding policies and property tax law. Following the 2025 Los Angeles County wildfires, local and state officials authorized expedited permitting for homes rebuilt up to 110 percent of their prior size. However, Los Angeles County Assessor Jeff Prang clarified that these land use allowances do not exempt additional square footage from reassessment for property tax purposes, underscoring the distinction between rebuilding approvals and Proposition 13 valuation rules.

Proposed Law: This bill, among other things, would do the following:

- Amend AB 2013 to provide an alternative to its 120 percent of value restriction to also provide that if the size of a reconstructed property does not exceed 110 percent 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.
- Apply to lien dates for fiscal years in 2026-27 through 2034-35.

Staff Comments: As mentioned previously, this bill would allow a comparable replacement property to exceed the original property in size by an additional 10 percent. BOE staff estimates the average assessed value of a home statewide currently is \$540,000; however, new construction values average approximately \$820,000. Thus,

the additional 10 percent of that cost would be \$82,000. As the basic one percent rate, the resulting property tax would be \$820 per home built at 10 percent larger than its prior size.

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