
CONSENT

Bill No: SB 1437
Author: Committee on Revenue and Taxation
Introduced: 3/11/26
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 4/22/26
AYES: McNerney, Alvarado-Gil, Ashby, Becker, Grayson

SUBJECT: Property taxation: intercounty pipeline: right-of-way assessment:
full cash value

SOURCE: State Board of Equalization

DIGEST: This bill extends the sunset dates for the specific valuation methodology for intercounty pipeline rights-of-way for five years, through the 2030-31 fiscal year.

ANALYSIS:

Existing law:

- 1) Provides that all property is taxable and shall be assessed at the same percentage of fair market value, unless explicitly exempted by the Constitution or federal law (California Constitution, Article XIII, Section One).
- 2) Requires that property be assessed in the county, city, or district in which it is situated (California Constitution, Article XIII, Section 14).
- 3) Establishes the Board of Equalization (BOE) to equalize rates and assessment practices among counties (California Constitution, Article XIII, Sections 17 and 18).
- 4) Directs BOE to value property owned by railways, companies selling gas and electricity, or telephone companies, as these companies own property that crosses county lines, and allows the Legislature to authorize BOE assessment of

property owned or used as “public utilities” (California Constitution, Article XIII, Section 19).

- 5) Enacts a specific valuation methodology for intercounty pipeline rights-of-way based on a tiered dollars-per-mile schedule, based on the property’s density classification, adjusted annually for inflation, which is entitled to the presumption of correctness.
- 6) Sunsets the methodology after the 2025-26 fiscal year.

This bill extends the specific valuation methodology for intercounty pipeline rights-of-way for five years, through the 2030-31 fiscal year.

Background

After years of litigation, an appellate court decision transferred the duty for assessing intercounty pipeline rights-of-way from the BOE to County Assessors in 1993 (*Southern Pacific Pipe Lines, Inc. v. State Board of Equalization*, 14 Cal.App.4th 42 (1993)). The decision directed BOE to refund its previously imposed assessments, while instead providing that county assessors were to levy escape assessments retroactively to the 1984-85 tax year based on their own determinations as to the value of those interests. To avoid additional litigation based on local valuations, assessors and pipeline owners negotiated an agreement, which the Legislature codified (AB 1286, Takasugi, Chapter 76, Statutes of 1996). The Legislature has extended the methodology four times, but it’s set to expire again on January 1, 2027 (AB 2612, Brewer, Chapter 607, Statutes of 2000; SB 1494, Committee on Revenue & Taxation, Chapter 654, Statutes of 2010; SB 803, Committee on Governance & Finance, Chapter 454, Statutes of 2015; SB 825, Committee on Governance & Finance, Chapter 433, Statutes of 2021). Without it, assessors will default to fair market valuation, which will increase workload and could result in significant variance in values across counties.

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

SUPPORT: (Verified 4/23/26)

California State Board of Equalization (source)

OPPOSITION: (Verified 4/23/26)

None received

ARGUMENTS IN SUPPORT: According to the BOE, “The BOE respectfully requests that the Committee support SB 1437 (Committee on Revenue and Taxation) to authorize another five-year extension for RTC 401.10. RTC Section 401.10 prescribes a valuation methodology for the local assessment of intercounty pipeline rights-of-way. The methodology, which involves a series of tiered dollars-per-mile schedules based on a property’s density classification, applies to assessments made for the 1984-85 through 2025-26 tax years. The law is currently scheduled to sunset on January 1, 2027. The pipeline rights-of-way value methodology was codified in 1996 after a settlement agreement between County Assessors and rights-of-way owners. The sunset date for the valuation methodology has been extended four times – for 10 years in 2000 and for 5 additional years in 2010, 2015, and 2021. If an extension is enacted, BOE staff will work with the County Assessors and interested parties to revisit whether the tiered system needs to be updated.”

Prepared by: Colin Grinnell / REV. & TAX. / (916) 651-4117
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