

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 603 (Niello) – As Amended July 16, 2025

Policy Committee: Revenue and Taxation

Vote: 7 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill extends, by three years, the five-year deadline to transfer the base-year value of a damaged or destroyed property to a comparable replacement property in the same county, if the county board of supervisors adopts an authorizing ordinance.

Specifically, this bill:

- 1) Authorizes the board of supervisors of a county proclaimed by the Governor to be in a state of emergency, or otherwise determined by the Governor to be in a state of disaster, on or after January 1, 2025, but before January 1, 2030, to enact an ordinance extending, by three years, the five-year deadline to transfer the base-year value of a damaged or destroyed property to a comparable replacement property purchased or newly constructed in the same county.
- 2) Applies the extension to a base-year value for lien dates occurring on or after January 1, 2025, and before January 1, 2030.

FISCAL EFFECT:

- 1) Annual property tax revenue loss of an unknown, but likely significant amount, in excess of \$300,000. The State Board of Equalization (BOE) notes that this bill is not related to one specific disaster or jurisdiction, so it is difficult to determine a revenue impact that is based on the location, nature, and severity of future disasters, as well as the number and assessed value of impacted properties. Although this bill specifies that the state is prohibited from reimbursing any local agency for lost property tax revenues and property tax is a local government revenue source, reductions in property tax revenues increase Proposition 98 General Fund (GF) spending by up to roughly 50% (the exact amount depends on the specific amount of the annual Proposition 98 guarantee).
- 2) One-time costs of approximately \$10,000 to BOE to update related guidance to county assessors and informational materials (GF).

COMMENTS:

- 1) **Purpose.** According to the author:

Recent fire events have shown that [five] years is proving to be a difficult time line to get replacement property built. In recognition of

this dilemma, the Legislature has extended the [five-] year period numerous times for disaster specific events to accommodate a longer period...SB 603 creates a more logical option for local governments to use going forward. Allowing board of supervisors to use their local authority to push the amount of years for property tax base value transfers is more efficient than requiring legislation every time there is a disaster.

This bill is supported by the California Assessors' Association and real estate associations.

- 2) **Background. *Base-year Value Transfer.*** Existing law provides several exceptions to the required reassessment of real property from its base-year value to its current market value when a change in ownership or new construction occurs. For example, the base-year value of a property substantially damaged or destroyed by a Governor-proclaimed disaster may be transferred to a comparable replacement property in the same county or to a reconstructed property on the same site within five years. All property types (residential, commercial, agricultural, or industrial) are eligible for such base-year value transfers. Since Proposition 13 capped the annual growth of a property's assessed value and set the tax rate at 1% of assessed value, this exception allows the property owner to maintain significantly lower property tax bills.

Over the years, various legislation has been enacted to extend, by three years, the base-year value transfer deadline for property damaged or destroyed by specific disasters. This bill allows a county under a proclaimed state of emergency to enact an ordinance granting a property owner three more years to apply the base-year value of property substantially damaged or destroyed by a disaster to a comparable replacement property purchased or newly constructed in the same county. This bill does not provide a similar extension to base-year value transfers for a property owner electing to rebuild on the site of a damaged or destroyed property.

State of Emergency. The Emergency Services Act gives the Governor authority to proclaim a state of emergency in an area affected, or likely to be affected, when conditions of disaster or extreme peril exist. Examples of such conditions include air pollution, fire, flood, storm, epidemic, riot, drought, cyberterrorism, sudden and severe energy shortage, plant or animal infestation or disease, or an earthquake. Although this bill's applicability is limited to a state of emergency proclaimed within a certain five-year period and corresponding lien dates, this bill may allow the base-year value transfer extension to apply to more types of disasters than prior extensions allowed.

- 3) **Related Legislation.** AB 245 (Gipson) extends, by three years, the existing five-year deadline to rebuild qualified property damaged or destroyed by the January 2025 Los Angeles-area wildfire disaster while retaining the original property's base-year value. AB 245 is pending hearing by the Senate Appropriations Committee.

SB 293 (Perez) extends the timeframe within which a claim for an intergenerational base year value transfer property tax exclusion must be deemed timely filed for certain properties impacted by the January 2025 Los Angeles-area wildfire disaster. SB 293 is pending hearing by this committee.

SB 663 (Allen) is similar to AB 245, but also extends the deadline for rebuilding property damaged or destroyed by certain 2024 fires and provides that certain damaged property continues to be exempt from tax. SB 663 is pending hearing by this committee.

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