

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 663 (Allen) – As Amended July 17, 2025

Policy Committee: Revenue and Taxation

Vote: 5 - 0

Urgency: Yes

State Mandated Local Program: Yes

Reimbursable: Yes

**SUMMARY:**

This bill extends the deadline for rebuilding property damaged or destroyed by the January 2025 Los Angeles-area wildfire disaster while retaining the original property's base-year value and provides that certain damaged property continues to be exempt from tax.

Specifically, this bill:

- 1) 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 or the 2024 Mountain Fire or Franklin Fire ("qualified fire") while retaining the original property's base-year value.
- 2) Allows a property owner to file an application for reassessment of property damaged by a qualified fire within the time specified in a county ordinance or within 24 months of the fire, whichever is later.
- 3) Deems property that qualified for the disabled veterans' property tax exemption continues to be a disabled veteran's principal place of residence if the dwelling was completely destroyed in a disaster for which the Governor proclaimed a state of emergency.
- 4) Deems property that qualified for a use-based property tax exemption continues to eligible for the exemption, for lien dates prior to January 1, 2033, if the property is no longer exclusively used for the exempt purpose due to damage from a qualified fire.

**FISCAL EFFECT:**

- 1) Annual property tax revenue loss of up to \$184 million by allowing additional base-year value transfers beyond the existing five-year time period. The State Board of Equalization (BOE) notes that this estimate may be high, as the estimate assumes all affected property owners will seek the three-year extension and elect to rebuild the property instead of purchasing a replacement property. However, this estimate does not account for the potential property tax revenue loss from this bill's other provisions, which may also be significant. 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).

- 1) Costs of approximately \$10,000 in the first year and \$6,500 ongoing for the next three years to BOE to issue guidance to impacted county assessors and update informational materials (GF).
- 2) Costs of an unknown amount to the Los Angeles and Ventura county assessors to process additional base year value transfers and follow specified assessment practices for properties damaged by a qualified fire, as well as to all county assessors to update assessment practices related to the disabled veteran's exemption. If the Commission on State Mandates determines the provisions of this bill create a new program or impose a higher level of service for which the state must reimburse local costs, counties could claim reimbursement from the state (GF).

#### COMMENTS:

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

As homeowners navigate the trauma of losing their homes and securing temporary housing, filing misfortune and calamity claims within the existing twelve-month deadline may be difficult for many. The current five-year timeline to rebuild and transfer the base tax year of the original home is also likely to be too short for many of the victims to utilize. Rebuilding after a disaster is a complex task, and residents must grapple with insurers, competition for contractors, and permitting. Current law also lacks flexibility for property tax relief for entities like churches and other nonprofits after a disaster...SB 663 will address these problems to provide immediate tax relief and ease the recovery and rebuild for Los Angeles wildfire victims.

This bill is supported by the California Assessors' Association, BOE, and taxpayer groups.

- 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.

This bill grants a property owner three more years to apply the base-year value of qualified property substantially damaged or destroyed by a qualified fire to a replacement property reconstructed on the site of the damaged or destroyed property. This bill does not provide a similar extension to base-year value transfers for a property owner electing to purchase a replacement property.

**Application for Reassessment.** Existing law authorizes a property owner to apply for reassessment of property damaged or destroyed by a misfortune or calamity if the county has an implementing ordinance. Existing law also authorizes an assessor to automatically

reassess a damaged or destroyed property, without application by the owner, when a county has not adopted an implementing ordinance. Such reassessments often lead to a downward adjustment in the assessed value of the property, thereby ensuring a property owner does not pay property tax on damaged or destroyed property. This bill allows a property owner to apply for reassessment of property damaged by a qualified fire within the time specified in the county's implementing ordinance or within 24 months of the fire, whichever is later.

***Property Tax Exemptions.*** Existing law provides a property tax exemption to a disabled veteran meeting certain criteria. This bill deems property qualified for this exemption as still occupied by a disabled veteran if the dwelling was completely destroyed in a disaster for which the Governor proclaimed a state of emergency, thus allowing the veteran to maintain the property tax benefit. Unlike other provisions of this bill, this provision applies to all states of emergency, not just ones proclaimed for a qualified fire. However, such coverage would align the disabled veterans' exemption with the homeowners' exemption, which provides such an accommodation when the residence is no longer inhabitable due to a misfortune or calamity.

The California Constitution provides that all property is taxable unless otherwise provided by the state constitution or federal law. Many of the state constitutional exemptions require that the property be used exclusively for certain purposes. This bill provides that a property receiving a use-based exemption for the 2025 calendar year is deemed to be used exclusively for that exempt purpose if the property is no longer exclusively used for the exempt purpose due to damage from a qualified fire. As noted in the Assembly Revenue and Taxation Committee's analysis of this bill, "While the courts have provided that use restrictions are not to be construed strictly, there is no doubt that the property must be subject to an exempt use, as applicable. Thus, this bill may be subject to legal challenge."

- 3) **Related Legislation.** AB 245 (Gipson) similarly extends the deadline to rebuild damaged or destroyed property, but relates to the January 2025 Los Angeles-area wildfire disaster only, and allows the assessor to automatically reassess property without an application process. 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 603 (Niello) 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. SB 603 is pending hearing by this committee.