

SENATE THIRD READING  
SB 663 (Allen, et al.)  
As Amended September 4, 2025  
2/3 vote. Urgency

## SUMMARY

Modifies various provisions of property tax relief for victims of certain disasters.

### Major Provisions

- 1) Extends by three years the existing five-year period to rebuild on the same site a property damaged or destroyed by the 2025 Palisades Fire, Eaton Fire, Hurst Fire, Lidia Fire, Sunset Fire, or Woodley Fire, or the 2024 Mountain Fire or Franklin Fire, for which the Governor proclaimed a state of emergency, if the property was damaged or destroyed on or after November 1, 2024, but before February 1, 2025.
- 2) Permits a county board of supervisors to authorize an assessor to determine the appropriate date of damage for the purposes of a reassessment under misfortune and calamity relief.
- 3) Extends to 24 months the eligible claim period, under misfortune and calamity relief, for properties damaged *or destroyed* by the 2025 Palisades Fire, Eaton Fire, Hurst Fire, Lidia Fire, Sunset Fire, or Woodley Fire, or the 2024 Mountain Fire or Franklin Fire, for which the Governor proclaimed a state of emergency.
- 4) Expands the type of misfortune or calamity qualifying for relief to include an emergency proclamation by the Governor.
- 5) Deems property to be used exclusively for an exempt purpose if that property received certain tax exemptions for the 2025 calendar year, that property can no longer be used for the exempt purpose due to the property being damaged *or destroyed* by specified fires for which the Governor proclaimed a state of emergency, and that property meets all of the following conditions:
  - a) *The property has not changed ownership since the commencement date of the applicable disaster;*
  - b) *The claimant demonstrates intent to reconstruct the property and resume the preexisting exempt purpose, as reflected in documented plans, permit submission, financial commitments, or other documentation that can be reviewed by the assessor to confirm project viability;*
  - c) *The claimant submits, along with any applicable annual filings required under existing law, documentation that the claimant is proceeding with the intent of reconstructing the property; and,*
  - d) *The claimant demonstrates they are in the course of beginning reconstruction of the property for the preexisting exempt purpose by December 31, 2033.*

This treatment of certain exempt properties remains operative only for lien dates on or before January 1, 2033, and is repealed as of December 31, 2033.

- 6) Deems property to be a disabled veteran's principal place of residence if the dwelling on the property was completely destroyed in a disaster for which the Governor proclaimed a state of emergency, and if the property satisfies certain requirements.

## COMMENTS

- 1) *2025 Los Angeles (LA) Fires*: Beginning in early January 2025, a series of fires began raging in LA County. Exacerbated by hurricane force gusts and drought conditions, these fires rapidly grew, expanding into outlying residential areas of the LA metropolitan area. As the month progressed, the conditions exacerbating these fires led to serious complications for these fires led to serious complications for first responders, and the conflagrations grew without containment. After containment of these fires, however, the true depth of destruction began to clarify. According to the UCLA Anderson Forecast, total property and capital losses could range from \$76 billion to \$131 billion, with a potential decline in county-level gross domestic product of \$4.6 billion. This loss from fire is unprecedented in the state. By comparison, the Camp Fire that destroyed the town of Paradise and was the most destructive fire in the state is estimated to have an associated loss of around \$17 billion, an order of magnitude less than the 2025 LA Fires.
- 2) *Executive Order (E.O.) N-13-25*: On January 20, 2025, the Governor signed E.O. N-13-25, which reiterated that the proclamation of a state of emergency related to certain fires in LA and Venture Counties remained effective, except as modified or withdrawn in subsequent E.O.s. That E.O. further describes suspension of various provisions of law, including those necessary to expedite debris removal and some related to stabilizing upland slopes or hillsides to address the risks of landslides and mudslides.
- 3) *Operation of property tax relief after disaster in existing law*: California law provides property owners with general protections against significant increases in property tax liability by establishing the taxable value of a property as its base year value, generally the full cash value of the property upon its purchase or transfer. This base year value may be upwardly adjusted for inflation at no more than 2% annually.

A base year value must also be reassessed when new construction occurs on the property. Often times, the current value of a reconstructed property is significantly higher than the value for which the property was acquired. Currently, when an owner's property is damaged or destroyed by a Governor-proclaimed disaster, that owner may rebuild their property on the same site within five years of the disaster, while still retaining the base year value of the property prior to the disaster. A property owner would receive a significant property tax increase absent the new construction exclusion for rebuilt property after a disaster.

Upon damage to a property by misfortune or calamity, an owner may apply for a reassessment of that damaged property within 12 months of the misfortune or calamity if the county has an implementing ordinance. Such reassessments very often lead to a downward adjustment in the assessed value of the property, thereby ensuring that owners do not pay property taxes on portions of their property that are damaged or destroyed.

- 4) *Property tax exemptions*: State constitutional and statutory provisions authorize various exemptions from property taxation for the use of certain property by certain organizations. Depending on the type of exemption, a property may qualify based only on its owner, only on its use, or on a combination of its use and the owner. For instance, property owned by a

local government is entirely exempt, regardless of its use. Meanwhile, certain property is only eligible for an exemption based on its use, like public school property. Finally, some property must be owned by certain entities, and used for the exempt purpose, such as property owned by certain nonprofit entities that is rented at affordable rates to low-income households.

- 5) *Homeowner's exemption and disabled veterans' exemption:* Existing law authorizes an exemption for all homeowners and an exemption for disabled veterans. The California Constitution prohibits any other exemption from applying to a property that has either the disabled veterans' exemption or homeowner's exemption. Thus, a property owner may not have both exemptions apply to the same property at the same time.

Despite their mutually exclusive application, the treatment of these exemptions operates differently post-disaster. If a property benefitting from the homeowner's exemption is damaged by misfortune or calamity or destroyed by disaster for which the Governor has proclaimed an emergency, then the person is deemed to occupy the dwelling as their principal place of residence, subject to certain restrictions. The disabled veterans' exemption provides no such consideration.

#### **According to the Author**

The January 2025 fires in Southern California were together the most destructive in California history, damaging or destroying over 18,000 structures and leaving thousands of families displaced. Lessons learned from prior disasters show that property tax relief and flexibility for victims will be needed. 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. Institutions damaged or destroyed by the fires are at risk of losing property tax exemptions since the property can no longer be used for the qualified purpose. This could create significant unanticipated financial liability for these organizations who are themselves struggling to recover after the disaster.

SB 663 will address these problems to provide immediate tax relief and ease the recovery and rebuild for wildfire victims.

#### **Arguments in Support**

None on file

#### **Arguments in Opposition**

None on file

### **FISCAL COMMENTS**

- 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).

- 2) 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).
- 3) Costs of an unknown amount to the LA 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).

## VOTES

### SENATE FLOOR: 39-0-1

**YES:** Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNeerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

**ABS, ABST OR NV:** Reyes

### ASM REVENUE AND TAXATION: 5-0-2

**YES:** Gipson, Bains, Carrillo, McKinnor, Quirk-Silva

**ABS, ABST OR NV:** Ta, DeMaio

### ASM APPROPRIATIONS: 15-0-0

**YES:** Wicks, Sanchez, Arambula, Calderon, Caloza, Dixon, Elhawary, Fong, Mark González, Ahrens, Pacheco, Pellerin, Solache, Ta, Tangipa

## UPDATED

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