
UNFINISHED BUSINESS

Bill No: SB 663
Author: Allen (D), McNerney (D) and Pérez (D), et al.
Amended: 9/4/25
Vote: 27 - Urgency

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 9/11/25
AYES: McNerney, Valladares, Ashby, Grayson, Umberg

ASSEMBLY FLOOR: 80-0, 9/9/25 - See last page for vote

SUBJECT: Winter Fires of 2025: real property tax: exemptions and
reassessment

SOURCE: Author

DIGEST: This bill makes four changes to property tax law under specified circumstances resulting from the 2025 Los Angeles and Ventura County Fires.

Assembly Amendments (1) add new provisions under the disabled veteran's exemption from property tax that deem property to be the principal place of residence of a veteran if a dwelling on the property was completely destroyed in a disaster for which the Governor proclaimed a state of emergency when specified conditions are met, (2) modify the definition of "qualified property" in the measure's welfare exemption, disaster relief, and base year value transfer provisions to also apply to property significantly damaged or destroyed in the 2024 Mountain Fire or Franklin Fire, (3) provide that the disaster relief ordinance may allow the assessor discretion to determine the date of damage for purposes of disaster reassessment, (4) move up the damaged or destroyed date from January 1, 2025 to November 1, 2024 in the base year value transfer deadline extension to ensure eligibility for properties affected by the 2024 Mountain and Franklin fires, (5) state that the measure's welfare exemption provisions only apply under specified circumstances, and (6) make technical and conforming changes.

ANALYSIS:

Existing law:

- 1) Provides that all property is taxable unless explicitly exempted by the Constitution or federal law (California Constitution, Article XIII, Section One).
- 2) Exempts at least \$7,000 in taxable value when the home is the principal place of residence of its owner, unless the taxpayer claims another exemption (California Constitution, Article XIII, Section Three).
- 3) Allows the Legislature to exempt property used exclusively for charitable purposes, so long as it is owned by non-profit entities organized and operated for charitable purposes, such as universities, hospitals, and libraries, commonly known as the welfare exemption (California Constitution, Article XIII, Section Four).
- 4) Allows the Legislature to partially or wholly exempt from property tax the value of a disabled veteran's (or their unmarried surviving spouse's) principal place of residence if the veteran has lost two or more limbs, is totally blind, or is totally disabled as a result of a service-connected disease or injury. The exemption applies instead of other real property exemptions, like the homeowners' exemption (California Constitution, Article XIII, Section Four).
- 5) Permits the Legislature to authorize local agencies to provide for the assessment or reassessment of taxable property "physically damaged or destroyed" for property tax purposes (California Constitution, Article XIII, Section 15).
- 6) Limits the maximum amount of any *ad valorem* tax on real property at 1% of full cash value, plus any locally-authorized bonded indebtedness, and caps a property's annual inflationary increase in taxable value to 2%. Provides that assessors reappraise property whenever it is purchased, newly constructed, or when ownership changes (California Constitution, Article XIII A, as added by Proposition 13, 1978).
- 7) Requires the Board of Equalization to verify that the organization is charitable, and the assessor to determine that the use of the property qualifies for an exemption, for a property owner to obtain a welfare exemption.
- 8) Allows a county board of supervisors to enact an ordinance allowing any taxpayer whose property was damaged or destroyed in a major misfortune or calamity, and not by the fault of the taxpayer, to apply for reassessment.

- 9) Requires taxpayers to file a claim with the county assessor within the time specified in its ordinance, or 12 months from the date of damage or destruction, whichever is later.
- 10) Directs the assessor to revalue the property to its disaster-affected value upon the taxpayer filing a claim.
- 11) Sets, generally, a property's value as its sales price when purchased or, when there is no sales price, at its fair market value when ownership changes (base year value).
- 12) Requires an annual inflation adjustment to that value that cannot exceed 2% (factored base year value).
- 13) Allows for base year value transfers in specified circumstances, which allow a taxpayer to continue paying property taxes at the factored base year value of their previous home (or other property types where the law allows) and not on the value of their newly purchased or constructed home.
- 14) Permits a taxpayer to transfer their base year value when their property is damaged by a major misfortune or calamity and located in an area the Governor declared or proclaimed to be in a state of disaster (Proposition 50, 1986).
- 15) Provides that any timely reconstruction of property damaged or destroyed by a misfortune or calamity was not reassessed, so long as the reconstruction is "substantially equivalent" to the property prior to damage or destruction. Assessors then value any newly constructed property that was not "substantially equivalent" at fair market value.
- 16) Directs assessors to not revalue a reconstructed structure that is larger in size if its value is within 120% of the value of the damaged or destroyed structure. Assessors only assess to fair market value that portion of value that exceeds 120% of its pre-disaster value (AB 2013, Irwin, Chapter 124, Statutes of 2020).
- 17) Requires taxpayers to complete reconstruction within five years to apply AB 2013's protections, with specified exceptions.
- 18) Provides that the homeowners' exemption does not apply to a second or vacation home, or when the dwelling is vacant, unless:

- a) The dwelling was totally destroyed in a disaster for which the Governor proclaimed a state of emergency, previously qualified for the exemption, and has not changed ownership, provided the person intends to reconstruct a dwelling on the property and occupy the dwelling as their principal place of residence when it is possible to do so.
 - b) The dwelling is damaged in a misfortune or calamity, the person's absence from the dwelling is temporary, and the person intends to return to the dwelling when possible to do so. However, if the dwelling is destroyed, the exemption is not applicable until the structure has been replaced and occupied as a dwelling.
- 19) Makes eligible for the disabled veteran's exemption disabled veteran taxpayers or their unmarried surviving spouses, so long as:
- a) The disabled veteran served in the United States Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard, and been discharged under conditions other than dishonorable, and
 - b) The U.S. Department of Veterans Affairs (USDVA) determines that the veteran's injury, disease, or death was service-connected.
- 20) Deems property to be the disabled veteran's principal place of residence, and therefore still eligible for the exemption, when the veteran is confined to a hospital or other care facility, if that property would be that veteran's principal place of residence were it not for their confinement to a hospital or other care facility, provided that the residence is not rented or leased to a third party.

This bill:

- 1) Directs the assessor to deem that a property that received a welfare exemption in 2025 continues to be used exclusively for its welfare exempt purposes if the property is no longer being used for its exempt purpose due to damage to the property by the 2025 Palisades Fire, the 2025 Eaton Fire, the 2025 Hughes Fire, and the 2025 Kenneth Fire, or the 2024 Mountain Fire or Franklin Fire. This provision is operative for lien dates until January 1, 2033, and applies so long as:
- 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

submissions, 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 this chapter, documentation that demonstrates that the claimant is proceeding with the intent of reconstructing the property.
 - d) The claimant demonstrates that they are in the course of beginning the process of reconstruction of the property for the preexisting exempt purpose by December 31, 2033.
- 2) Repeals the welfare exemption protection on December 31, 2033.
 - 3) Extends the deadline from 12 to 24 months for taxpayers to file a claim for disaster reassessment for property that was damaged or destroyed by the same fires named above, for which the Governor proclaimed a state of emergency.
 - 4) Lengthens the five-year deadline in AB 2013 by three years if the qualified property was substantially damaged or destroyed on or after November 1, 2024, but before February 1, 2025. Applies to the determination of base year values for the 2025–26 fiscal year and thereafter for property damaged or destroyed by the same fires named above, for which the Governor proclaimed a state of emergency.
 - 5) Allows a county’s disaster relief ordinance to specify that the assessor has the discretion to determine the appropriate date of damage for the purposes of applying disaster reassessment provisions.
 - 6) Provides that under the disabled veteran’s exemption from property tax, property shall continue to be deemed as the principal place of residence of the disabled veteran when a dwelling on the property was completely destroyed in a disaster for which the Governor proclaimed a state of emergency and all of the following apply:
 - a) The property qualified as the veteran’s principal place of residence prior to the commencement date of the disaster.
 - b) The property has not changed ownership since the commencement date of the disaster.
 - c) The veteran intends to reconstruct a dwelling on the property and occupy the dwelling as their principal place of residence when it is possible to do so.

- d) The veteran continues to comply with any applicable annual filing requirement.
- 7) Modifies the definition of “state of disaster” to refer to the Governor’s proclamation of a State of Emergency under the Emergency Services Act.
- 8) Makes technical and conforming changes.
- 9) Makes a legislative finding and declaration justifying the need for special legislation.
- 10) Provides that it takes effect immediately as an urgency statute.

Background

The National Weather Service held a conference call with Southern California fire and emergency management officials on Jan. 3, warning that a “truly historic event” was due in four days, with the possibility of fires that would spread with extraordinary speed. On January 7, 2025, a series of fires exploded in Los Angeles County, for which the Governor declared a state of emergency to exist in Los Angeles and Ventura counties. According to the California Department of Forestry and Fire Protection, the Palisades Fire burned 23,448 acres, destroyed 6,833 structures, and killed 12. The Eaton Fire burned 14,021 acres, destroyed 9,418 structures, and killed 18. The Kenneth Fire started two days later, and the Hughes Fire started on January 22nd; neither destroyed structures or resulted in loss of life. The UCLA Anderson School of Management estimates total property and capital losses could range between \$76 billion and \$131 billion, with insured losses estimated up to \$45 billion. The causes of all four fires remain under investigation.

The Mountain Fire began on November 6, 2024, near the City of Camarillo. The fire burned 19,904 acres and destroyed 126 structures according to the California Department of Forestry and Fire Protection, who identified the cause of the fire as equipment. The Franklin Fire began on December 9, 2024, in Malibu Canyon State Park. The fire destroyed 20 structures, and its cause remains under investigation. Neither fire resulted in loss of life.

When a wildfire destroys an exempt property, it is hard for a property to qualify as exempt in many cases. For example, a church must be used for religious worship to qualify for the exemption; however, if the church is destroyed or damaged so badly it cannot be used for services, the property no longer meets the requirement of being used for charitable purposes. In such a case, the assessor must generally revoke the property welfare exemption. SB 663 directs the assessor to deem that a property that received a welfare exemption in 2025 continues to be used

exclusively for its welfare exempt purposes if the property is no longer being used for its exempt purpose due to damage to the property by the Los Angeles or Ventura County fires.

AB 2013's reassessment protections only apply when taxpayers complete reconstruction within five years of the disaster, a deadline which can be difficult to meet. AB 2013 extends this period an additional three years, following a precedent set by the Legislature in the 2018 Camp Fire and Woolsey Fire disasters (AB 1500, Irwin, Chapter 583, Statutes of 2023).

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

According to the Assembly Appropriations Committee:

- 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).
- 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).
- 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).

SUPPORT: (Verified 9/11/25)

California Apartment Association
California Assessors' Association
California Democratic Party, Rural Caucus
California State Board of Equalization
California Taxpayers Association

OPPOSITION: (Verified 9/11/25)

None received.

ARGUMENTS IN SUPPORT: 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. For instance, only about one-third of the homes destroyed during the 2018 Woolsey fire have been rebuilt to date. 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.”

ASSEMBLY FLOOR: 80-0, 9/9/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca

Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta,
Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

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