
UNFINISHED BUSINESS

Bill No: SB 863
Author: Committee on Revenue and Taxation
Amended: 6/27/25 in Assembly
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 4/23/25
AYES: McNerney, Valladares, Ashby, Grayson, Umberg

SENATE FLOOR: 37-0, 5/1/25 (Consent)
AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Alvarado-Gil, Reyes, Rubio

ASSEMBLY FLOOR: 77-0, 7/14/25 (Consent) - See last page for vote

SUBJECT: Taxation

SOURCE: California Association of County Treasurer-Tax Collectors; California Department of Tax & Fee Administration.

DIGEST: This bill makes four changes to improve tax administration suggested by the California Association of County Treasurer-Tax Collectors and the California Department of Tax & Fee Administration (CDTFA).

Assembly Amendments (1) clarify that the measure's deemed received date for property tax payments applies in absence of other dates mentioned in law, (2) add a provision to change the operative date of a new district tax ordinance to commence after the vote on the ordinance instead of the local agency's adoption of the ordinance, and (3) update references in one section of the Cigarette and Tobacco Products Law from the Board of Equalization (BOE) to CDTFA.

ANALYSIS:

Existing law:

- 1) Provides that property taxes are due in two installments, the first on November 1 and the second on February 1, with delinquency for the second installment occurring on April 10.
- 2) Requires county tax collectors to begin imposing penalties for nonpayment of property taxes for each amount due, plus administrative charges, once taxes become delinquent.
- 3) Deems mailed remittances received as of the date of the postmark on the envelope containing the remittance, or the date on the packing slip or air bill from an independent delivery service.
- 4) Permits tax collectors to also deem the remittance received if it can be proved that the mailing occurred on an earlier date.
- 5) Provides that if payments are made through the tax collector's authorized website or telephone number, the payment is deemed received on the date the taxpayer completes the electronic payment.
- 6) Deems all other electronic payments received on the date the tax collector actually receives the payment.
- 7) States that a property becomes tax defaulted if a property owner does not pay the property taxes due in the current fiscal year before June 30.
- 8) Allows the tax collector to sell a residential property that has been in default for five years, or a commercial property after three years in default, unless the Board of Supervisors sets a five-year period for commercial property.
- 9) Directs tax collectors to sell properties at public auction, but only when bids exceed the "minimum bid," which is equal to the total amount of outstanding taxes, assessments, penalties, and fees.
- 10) Requires tax collectors to obtain approval from the Board of Supervisors to reduce a minimum bid, unless a partial redemption or cancellation has been made.
- 11) Imposes the sales tax on every retailer engaged in business in this state that sells tangible personal property, and requires them to collect the appropriate

tax from the purchase and remit the amount to the California Department of Tax and Fee Administration.

- 12) States that taxes levied by local governments are either general taxes, subject to majority approval of its voters, or special taxes, subject to 2/3 vote (California Constitution, Article XIII C).
- 13) Allows cities, counties, and specified special districts, including the San Francisco Bay Area Rapid Transit District and the Santa Cruz County Metropolitan Transit District, to increase the sales and use tax applied within their jurisdictions, also known as district or transactions and use taxes, for either specific or general purposes pursuant to the California Constitution's voter approval requirements.
- 14) Precludes a district tax ordinance from becoming operative on other than the first day of a calendar quarter, or prior to the first day of the first calendar quarter, commencing more than 110 days after the adoption of the ordinance.
- 15) Enacts the California Cigarette and Tobacco Products Tax Law, which imposes a tax of \$2.87 per package of 20 cigarettes.
- 16) Enacts Taxpayer Transparency and Fairness Act of 2017, which created the CDTFA, and shifted all of the BOE's statutory tax administration functions to CDTFA (AB 102, Committee on Budget, Chapter 16, Statutes of 2017).

This bill:

- 1) Deems a property tax payment received as of the date of delivery if it does not contain an official postmark in the absence of any other date mentioned in law.
- 2) Allows the tax collector to reduce the minimum bid at a tax sale when defaulted taxes decrease due to the removal or reduction of a special assessment or a direct charge against the property.
- 3) Modifies the period that precludes a district tax ordinance from becoming operative to provide that it is measured from the date voters approve the ordinance at an election, not from the adoption of the ordinance.
- 4) Replace references in one section of the Cigarette and Tobacco Products Licensing Law from BOE to CDTFA.

Background

Minimum Bids. In addition to unpaid property taxes, outstanding taxes and assessments can include direct charges imposed by a county, city, or local agency, such as parcel taxes, benefit assessments, or taxes to repay outstanding bonds. When a local agency wants to cancel or reduce a direct charge, state law does not allow the tax collector to reduce the minimum bid without returning to the Board of Supervisors for approval. In this case, the tax sale must generally wait another year, and all the costs incurred to conduct a tax sale for that property are wasted.

District Tax Ordinances. Existing law provides that a district tax ordinance becomes operative no sooner than the first day of the first calendar quarter commencing more than 110 days after the ordinance's adoption. Historically, cities and counties have generally adopted district tax ordinances on the election date. This provision was intended to allow the CDTFA sufficient time to prepare to administer the new district tax. However, in recent years, more cities and counties have adopted ordinances at various times following voter approval.

These delayed adoptions have led to commensurate delays in administration of newly adopted district taxes. For example, the City of Grass Valley obtained voter approval for a district tax on March 5, 2024, and requested an operative date of July 1, 2024. However, the ordinance was not adopted until April 9, 2024, less time than was required by law for the tax to become operative on July 1. Accordingly, the CDTFA was forced to delay the operative date to October 1, 2024, delaying expected revenues.

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

Legislative Counsel keyed this bill non-fiscal.

SUPPORT: (Verified 7/16/25)

California Association of County Treasurer-Tax Collectors (co-sponsor)
California Department of Tax & Fee Administration (co-sponsor)

OPPOSITION: (Verified 7/16/25)

None received

ARGUMENTS IN SUPPORT: According to the California Association of County Treasurer-Tax Collectors, “SB 863 ... will provide tax collectors the ability to credit the remittance against any amount due as of the date the remittance is received, thereby offering greater clarity and ensuring a fair and transparent

process for taxpayers. CACTTC also supports SB 863 because it will authorize a tax collector to reduce the minimum price where the minimum necessary to redeem is decreased due to the removal or reduction of defaulted taxes resulting from the removal or reduction of a special assessment or a direct charge against the property. SB 863 provides tax collectors with a more practical approach to resolving tax-defaulted properties by offering much-needed flexibility in property tax auctions. This helps ensure that properties are sold at fair and reasonable prices, particularly in situations where a portion of the delinquency has been mitigated.”

ASSEMBLY FLOOR: 77-0, 7/14/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, 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, 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, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Ávila Farías, Schultz

Prepared by: Colin Grinnell / REV. & TAX. / (916) 651-4117
7/16/25 12:52:41

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