

## SENATE THIRD READING

SB 863 (Committee on Revenue and Taxation)

As Amended August 28, 2025

Majority vote

**SUMMARY**

Makes various technical and conforming changes to the Revenue and Taxation Code (R&TC) relating to the administration of property taxes, district tax ordinances, cigarette and tobacco products taxes, and motion picture credits under the Corporate Tax (CT) Law.

**Major Provisions**

- 1) Provides that a property tax remittance (payment) sent by mail is deemed to be received on the date it is received by the county treasurer-tax collector if there is no date shown on the post office cancellation mark stamp or packing slip attached to the outside of the envelope or package containing the remittance.
- 2) Authorizes a county tax collector, when selling a tax-defaulted property at public auction, to reduce the minimum price for the property below the price approved in the resolution by the county's Board of Supervisors when any of the following occur:
  - a) A partial redemption has been made under R&TC Section 4131;
  - b) A partial cancellation has been made under R&TC Section 4985 after that price was fixed by not more than the ratio that the delinquency on the portion so redeemed or canceled bears to the delinquency upon the whole; or,
  - c) The total amount necessary to redeem is decreased due to the removal or reduction of default taxes resulting from the removal or reduction of a special assessment or a direct charge against the property.
- 3) Changes the operative date of a new district ordinance from the first day of a calendar quarter commencing more than 110 days after the adoption of the ordinance to the first day of a calendar quarter commencing more than 110 days after the election where the ordinance proposing the tax was voted on.
- 4) Updates references under the Cigarette and Tobacco Products Tax Law from the "State Board of Equalization" or "board" to the "California Department of Tax and Fee Administration" or "department," as applicable, to reflect the transfer of the board's duties, powers, and responsibilities to the department.
- 5) Clarifies, for purposes of the Corporation Tax Law, that a motion picture credit 3.0 generated by a disregarded single member limited liability company is eligible for assignment to a corporation that, directly or indirectly, owns the disregarded single member limited liability company, or to an affiliated corporation of that corporation.

**COMMENTS**

- 1) *Postmarks*: This bill provides a clarification in situations where a mailed property tax payment does not have a postmark or packing slip, which has led to disputes between

taxpayers and tax collectors. By clarifying that payments that do not have a dated postmark or packing slip are considered received when they are actually received by the tax collector, this bill seeks to reduce disputes and ensure consistent application of the law for taxpayers.

- 2) *Tax-defaulted property sales*: Property becomes tax-defaulted land if the property taxes remain unpaid, typically as of 12:01 a.m. on July 1. Property that has become tax-defaulted after five years (or three years in the case of property that is also subject to a nuisance abatement lien) becomes subject to the county tax collector's power to sell in order to satisfy the defaulted property taxes. This process is commonly referred to as a "Chapter 7 Tax Sale".

The county tax collector must attempt to sell the property within four years of becoming subject to sale. The county tax collector may offer the property for sale at public auction, a sealed bid sale, or a negotiated sale to a public agency or qualified nonprofit organization. If no bids are received at a tax sale, an attempt must be made to sell the property at intervals of no more than six year, until it is sold.

Public auctions are the most common way of selling tax-defaulted property. The auction is conducted by the county tax collector, and the property is sold to the highest bidder.

Tax-defaulted properties rendered unusable by their size, location, or other condition, may be offered under a sealed bid to owners of contiguous properties or to holders of a predominant easement or right-of-way easement. After the tax collector notifies eligible bidders of a sealed bid, the bidders respond by mail with a bid price and the highest bidder purchases the property.

County tax collectors are required to notify the State Controller's Office "not less than 45 days nor more than 120 days before the proposed sale." Additionally, R&TC Section 3702 requires the tax collector to publish the intended sale three times in a newspaper of general circulation within the county, at least three weeks prior to the tax sale.

- 3) *District tax ordinance operative dates*: 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.

This bill changes the operative date of a new district ordinance from the first day of a calendar quarter commencing more than 110 days *after the adoption of the ordinance* to the first day of a calendar quarter commencing more than 110 days *after the election on the ordinance* proposing the tax.

- 4) *Taxpayer Transparency and Fairness Act of 2017*: AB 102 (Committee on Budget), Chapter 16, Statutes of 2017, shifted the responsibility of collecting and administering various excise taxes from the Board of Equalization to the newly created CDTFA, including the Cigarette and Tobacco Products taxes. This bill simply updates references from the "State Board of Equalization" or "board" to the "California Department of Tax and Fee Administration" or

"department," as applicable, to reflect the transfer of the board's duties, powers, and responsibilities to the department.

- 5) *Motion picture credit cleanup*: The Personal Income Tax Law and the CT Law allow various credits against the taxes imposed by those laws, including various motion picture credits, commonly referred to as motion picture credit 1.0, 2.0, 3.0, and 4.0, and the certified studio credit, to be allocated by the California Film Commission. Existing law allows a qualified taxpayer, if a motion picture credit exceeds the taxpayer's tax liability, to elect to assign a portion of the credit to one or more affiliated corporations for each taxable year in which the credit is allowed, as specified. AB 1138 (Chapter 27 of the Statutes of 2025), effective July 3, 2025, among other things, for purposes of the motion picture credit 3.0 and 4.0 and for purposes of the certified studio credit, expands the definition of a qualified taxpayer to include a single member limited liability company that is disregarded for tax purposes. AB 1138 prohibits a motion picture credit 1.0 and 2.0 or certified studio credit generated by a disregarded single member limited liability company from being ineligible for certain reasons for assignment to a corporation that, directly or indirectly, owns the disregarded single member limited liability company, or to an affiliated corporation of that corporation.

This bill would additionally prohibit a motion picture credit 3.0 generated by a disregarded single member limited liability company from being ineligible for those same reasons for assignment to a corporation that, directly or indirectly, owns the disregarded single member limited liability company, or to an affiliated corporation of that corporation.

### **According to the Author**

The Senate Committee on Revenue and Taxation has submitted the following statement in support of this bill:

This year, the Senate Committee on Revenue and Taxation introduced SB 863 to make technical, non-controversial changes to improve tax administration suggested by the California Department of Tax and Fee Administration (CDTFA) and the California Association of County Treasurers and Tax Collectors. SB 863 combines noncontroversial statutory changes into one single bill. Moving these proposals as separate bills, even if technical and noncontroversial, through the legislative process would be much less efficient than consolidating them into one measure. Committee staff distributed these proposals to affected parties to review each proposal before including it in the bill. Should anyone object to an item in the bill, it will be removed.

### **Arguments in Support**

Writing in support of this bill, the California Association of County Treasurers and Tax Collectors notes, in part:

CACTTC is proud to co-sponsor and support SB 863 because it 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.

**Arguments in Opposition**

None on file.

**FISCAL COMMENTS**

None.

**VOTES****SENATE FLOOR: 37-0-3**

**YES:** 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

**ABS, ABST OR NV:** Alvarado-Gil, Reyes, Rubio

**ASM REVENUE AND TAXATION: 7-0-0**

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

**ASSEMBLY FLOOR: 77-0-2**

**YES:** 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

**ABS, ABST OR NV:** Ávila Farías, Schultz

**UPDATED**

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