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UNFINISHED BUSINESS

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Bill No: SB 863  
Author: Committee on Revenue and Taxation  
Amended: 8/28/25  
Vote: 21

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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: 78-0, 9/4/25 - See last page for vote

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**SUBJECT:** Taxation

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

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**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), among others.

*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, (3) update references in one section of the Cigarette and Tobacco Products Law from the Board of Equalization (BOE) to CDTFA, and (4) add references to Motion Picture and Television Production Credit 3.0 to a section of

the Corporation Tax Law to clarify credit assignments made by single member limited liability companies disregarded for federal purposes.

### **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 CDTFA.
- 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) Under federal law, provides that a Limited Liability Company (LLC) can either be "disregarded" and considered inseparable from its owner, with income and expenses integrated into its owner's returns, or be treated as a corporation, and taxed separately.
- 16) Conforms to federal tax treatment of LLCs, but requires entities to make the same election for state purposes as they did for federal, file a tax return, and pay an annual minimum tax of \$800 despite their disregarded status.
- 17) Limits the value of credits attributable to a disregarded entity.
- 18) Enacts "Motion Picture and Television Production Tax Credit 1.0," which directs the California Film Commission (CFC) to annually allocate \$100 million in credits until the 2012-13 fiscal year (SB 15 X3, Calderon, Chapter 17, Statutes of 2009-10 Third Extraordinary Session and AB 15 X3, Krekorian, Chapter 10, Statutes of the 2009-10 Third Extraordinary Session).
- 19) Enacts "Motion Picture and Television Production Tax Credit 2.0," which increased the amount of credit to \$330 million each fiscal year through 2019-20, among other changes (AB 1839, Gatto, Chapter 413, Statutes of 2020).
- 20) Enacts "Motion Picture and Television Production Tax Credit 3.0" which authorizes CFC to allocate \$330 million in tax credits each fiscal year from 2020-21 to 2024-25, among other changes (SB 878, Committee on Budget &

Fiscal Review, Chapter 456, Statutes of 2018), subsequently amended to also allow a credit for qualified motion pictures produced at a certified studio construction project (SB 144, Portantino, Chapter 114, Statutes of 2021).

- 21) Enacts “Motion Picture and Television Production Tax Credit 4.0” extending the CFC authorization from 2025-26 and continuing through 2029-30 (SB 132 Committee on Budget & Fiscal Review, Chapter 56, Statutes of 2023).
- 22) Defines a “qualified taxpayer” as a taxpayer who has paid or incurred qualified expenditures, participated in the Career Readiness requirement, and has been issued a credit certificate by the California Film Commission.
- 23) Permits corporation taxpayers to assign the credit to one or more affiliated corporations within their unitary groups, so long as the value of the credit exceeds the qualified taxpayer’s liability. Taxpayers may assign credits notwithstanding limits placed on credits generated by disregarded entities. Defines “affiliated corporation” as one in the same unitary group for Corporation Tax purposes, where 100% of the voting stock is owned, directly or indirectly, by members of the unitary group and the unitary group is engaged in the same general line of business.
- 24) Enacts several provisions to clarify the ability of Single Member LLCs (SMLLCs) disregarded for tax purposes to assign Motion Picture and Television Production Tax Credits to affiliated corporations (AB 1138, Zbur, Chapter 27, Statutes of 2025), among other provisions amending and expanding Motion Picture and Television Production Tax Credit, including to:
  - a) Amend the Corporations Tax Law sections for the Motion Picture and Television Production Tax 3.0 and 4.0 Credit programs to:
    - i) Add to the definition of “qualified taxpayer” a disregarded SMLLC.
    - ii) Provide that a SMLLC disregarded for tax purposes may elect to assign any portion of the credit allowed to one or more affiliated corporations if such single member limited liability company made the federal election to be classified as an association taxable as a corporation.
    - iii) Disconnect the requirement that, for a qualified taxpayer to assign a credit, the amount of credit must exceed the taxpayer’s liability.
  - b) Enact a new section of the Corporation Tax Law to provide that under the Motion Picture and Television Production Tax 1.0 and 2.0 Credit programs, so long as credits were assigned and claimed on a timely filed tax return

with the FTB on or before January 1, 2025, credits generated by a SMLLC disregarded for tax purposes shall not be ineligible for assignment to either a corporation that owns the SMLLC or to its affiliate based on:

- i) The SMLLC not being considered a qualified taxpayer.
- ii) The amount of credit not exceeding the SMLLC's tax liability.

- 25) Enacts the California Cigarette and Tobacco Products Tax Law, which imposes a tax of \$2.87 per package of 20 cigarettes.
- 26) Enacts Taxpayer Transparency and Fairness Act of 2017, which created the CDTFA, and shifted all of 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) Adds references to the Corporation Tax Law section for Motion Picture and Production Tax Credit 3.0, as it read on January 1, 2025, into AB 1138's new section of the Corporation Tax Law that clarifies SMLLC assignment of tax credits under the Motion Picture and Television Production Tax 1.0 and 2.0 Credit programs, and makes conforming changes.
- 5) Replaces 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, leaving 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.

*AB 1138 Clarification.* AB 1138 sought to prospectively and retroactively clarify the ability of a Single-Member Limited Liability Company (SMLLC) disregarded for federal tax purposes to assign tax credits to affiliated corporations, and to do so without the limitation imposed on disregarded entities. Credit assignment had been part of the Film and Television Production Credit since its enactment in 2009, but the statute didn't clearly identify SMLLCs as entities that could generate tax credits, or whether the limit applied.

Specifically, AB 1138 made two changes to clarify assignments and ensure consistent treatment across all four credit statutes in the Corporation Tax. First, it amended film and television production tax credit 3.0 and 4.0 statutes in the Corporation Tax. Second, AB 1138 enacted a new stand-alone section in the Corporation Tax to make these same clarifications under the 1.0 and 2.0 film and television production tax credits.

However, AB 1138's changes to the 3.0 statute did not contain an explicit effective date, so it's unclear whether AB 1138's clarification applies to 3.0 credits claimed before the 2025 taxable year. As a result, they will not likely be treated in the same way as other credits claimed in the 2025 taxable year and after, contrary to the intent of the program and AB 1138. As amended, this bill provides further clarification by adding references to AB 1138's changes to the 3.0 statute into its standalone section, and make conforming changes, which ensures 3.0 credits are treated the same regardless of the taxable year in which they're claimed.

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

**SUPPORT:** (Verified 9/2/25)

California Association of County Treasurer-Tax Collectors (Co-Source)

California Department of Tax & Fee Administration (Co-Source)

**OPPOSITION:** (Verified 9/2/25)

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:** 78-0, 9/4/25

**AYES:** Addis, Aguiar-Curry, 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, 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

**NO VOTE RECORDED:** Ahrens

**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  
9/6/25 10:40:17

\*\*\*\* END \*\*\*\*