

[Assembly Bill 2450](#) (Achadjian)

Date: 04/12/16

Program: Property Tax

Sponsor: California Assessors' Association (CAA)

Revenue and Taxation Code Sections 480 and 5091

Effective: January 1, 2017

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Summary: Requires the Board of Equalization (BOE)-prescribed change in ownership statement to request that a buyer state whether the property is subject to certain enforceable restrictions imposed by government or nonprofit organizations. Also, requires a public agency to notify the county assessor when it intends to acquire taxable property.

Purpose: According to the author, to notify the assessor whenever (1) a property that changes ownership is subject to certain enforceable restrictions that might impact the value the assessor sets for tax purposes and (2) a public agency is planning to acquire taxable property that will make it tax exempt.

Fiscal Impact Summary: No direct impact

Existing Law: Change in Ownership Statements: Enforceable Restrictions. When determining a property's fair market value, property tax law requires the assessor to consider the effect of legally enforceable restrictions on a property's use, such as zoning or environmental constraints.¹ Similarly, when determining land value, the law² requires the assessor to consider the effect of certain government-imposed restrictions on land use, certain nonprofit organization-imposed affordable housing restrictions, and certain easements granted to nonprofit organizations to preserve and protect land in its natural state. These land use restrictions can negatively impact property value.

The law requires the BOE to prescribe the form of the change in ownership statement (COS) and the preliminary change in ownership report (PCOR).³ Currently, both the COS and PCOR require the buyer to indicate if the property is subject to affordable housing restrictions.

Government Property Acquisitions. Most government owned property is exempt from the property tax. The law⁴ details the process for tax cancellation on newly acquired government-owned property. The law requires public entities to provide both the county assessor and county auditor with a copy of the instrument evidencing the public entity's property acquisition and request that the auditor cancel the taxes, as specified.⁵ However, prior to the actual acquisition, the law also requires a public entity *proposing* to acquire property that will become tax exempt to notify the county tax collector once funds to acquire the property are budgeted. The notice must specify the extent of the proposed project and the estimated time to acquire all the properties needed for the project.

Proposed Law: This bill requires the COS to request information from the buyer regarding any enforceable restriction placed upon the property pursuant to RTC Section 402.1.

This bill will additionally require the public agency to provide the county assessor with the required notice of intent to acquire.

¹ Revenue and Taxation Code (RTC) [Section 110\(a\)](#).

² RTC Section 402.1.

³ RTC [Section 480](#) (COS) and Sections [480.4](#) and [480.3](#).

⁴ Article 5 "Cancellation of Taxes on Exempt Property ([RTC Sections 5081-5091](#)). Article 5 was added by AB 135 (Stats.1979, Ch. 31) and primarily relates to eminent domain provisions.

⁵ RTC 5082.1

Commentary:

1. **Effect of this bill.** Requires property owners and public agencies to provide county assessors with specified information that impact property tax assessments. The CAA states it needs this information to properly assess property.
2. **Affordable housing issues.** This bill's COS-related provisions stem from homes purchased under an affordable housing program with restrictions that allow for reduced assessment of which the assessor has no knowledge.
3. **The BOE-prescribed COS already requests information about governmental-imposed enforceable restrictions for low-income housing.** The form, however, does not request information for all government-imposed restrictions nor does it request information about nonprofit organization-imposed restrictions added to the law last year by [AB 668 \(Gomez\)](#). Question N on both the [COS](#) (RTC Section 480), which this bill amends, and the [PCOR](#) (RTC Sections 480.4 and 480.3), which this bill does not amend, pose a question concerning purchases of low-income housing subject to government-imposed restrictions. The COS and PCOR asks the property buyer to check yes or no:
 - N. This is a transfer subject to subsidized low-income housing requirements with governmentally imposed restrictions.

The instructions relating to the question read:

- Check YES only if property is subject to subsidized low-income housing requirements with governmentally imposed restrictions; property may qualify for a restricted valuation method (i.e., may result in lower taxes).

Administrative Costs: BOE would incur absorbable costs to modify the change in ownership statement, publications, and website materials.

Revenue Impact: The bill has no direct impact.