

[Senate Bill 765](#) (Galgiani)

Date: April 11, 2019 (Amended)

Program: Property Taxes

Sponsor: Author

Revenue and Taxation Code Section 20827

Effective: January 1, 2020

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**Summary:** This bill requires the State Board of Equalization (BOE) to hold a public hearing to review and make recommendations to the Legislature regarding the County Deferred Property Tax Program for Senior Citizens and Disabled Citizens.<sup>1</sup>

**Fiscal Impact Summary:** No revenue impact.

**Existing Law:** Existing law<sup>2</sup> allows counties the option to participate in the County Deferred Property Tax Program for Senior Citizens and Disabled Citizens. This program allows a participating county to defer property taxes on the claimant's residential dwelling due and owing for that fiscal year if the claimant is eligible, timely files an application, and there are sufficient funds in the county's Property Tax Deferral Fund.

**Proposed Law:** This bill requires the BOE to hold a public hearing to review the County Deferred Property Tax Program for Senior Citizens and Disabled Citizens and make recommendations to the Legislature regarding this program.

**In General:** The State of California has two programs, the Homeowner Assistance Program and the Property Tax Postponement Program, that provide property tax assistance to senior citizens or blind or disabled persons on limited income.

- The Senior Citizens Property Tax Assistance Program, administered by the Franchise Tax Board, provided reimbursement of a portion of the property taxes assessed on the homeowner's home. The state has not funded this program since the 2007-08 fiscal year.
- The Property Tax Postponement Program, administered by the State Controller's Office, allowed eligible homeowners to postpone payment of part or all of the property taxes on their home. This program was suspended from February 20, 2009 to September 28, 2014.

Effective January 1, 2012, [AB 1090](#) (Stats. 2011, ch. 369) created the optional County Deferred Property Tax Program for Senior Citizens and Disabled Citizens. Counties may elect to participate in and administer the program by adopting a resolution indicating the county's intention to participate in the program. Eligible claimants in participating counties could apply for deferment on a form created by the participating county, which the county tax collector reviewed to ensure that the claimant meets eligibility criteria. Participating counties were to establish a Property Tax Deferral Fund within its Treasury, which was used solely to make subvention payments and pay administrative costs. Santa Cruz County was the only county to implement this program and suspended its program when the State Controller's Postponement Program was reinstated.

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<sup>1</sup> Revenue and Taxation Code (RTC) sections [20800 – 20825](#).

<sup>2</sup> RTC section [20810](#).

Effective September 28, 2014, [AB 2231](#) (Stats. 2014, ch. 703) reinstated the State Controller's Property Tax Postponement Program and allows the State Controller to pay property taxes to county tax collectors on behalf of qualifying individuals who are over the age of 62 or disabled. The State Controller began accepting applications on September 1, 2016. This reinstated program is more restrictive than the previous program as a claimant must have an annual income of \$35,500 or less and at least 40 percent equity in their home.<sup>3</sup>

**Background:** In 1976, the voters approved Proposition 13, which authorized the Legislature to "provide by law for the manner in which a person of low and moderate income, age 62 or older may postpone ad valorem property taxes" on his or her principal dwelling. In 1984, voters approved Proposition 33, which provided for the deferral of property tax payments by people who are blind or disabled. The Property Tax Postponement Program, administered by the State Controller's Office, was created to implement these provisions. The program continued until 2009, when the program was suspended for budgetary reasons. Effective February 20, 2009, [SBX3-8](#) (Stats. 2009, ch. 4) prohibits (1) the filing of claims for property tax postponement, and (2) the Controller from accepting applications.

**County Property Tax Deferment Program.** After suspending the Property Tax Postponement Program, AB 1090 authorized participating counties to operate county property tax deferment programs with county funds. In establishing these programs, counties had to use similar eligibility requirements and rules as the Property Tax Postponement Program in effect at that time. Based on this authority, Santa Cruz County established a property tax deferment program and began making repayments for participants in 2012-13. Santa Cruz County operated its own deferment program through 2015-16, and suspended it after the state reinstated the State Controller's Property Tax Postponement Program.

**Property Tax Assistance Program.** The Senior Citizens Property Tax Assistance Program (PTAP), administered by the Franchise Tax Board (FTB), was a direct grant program to income-eligible senior citizens. In contrast to the Property Tax Postponement Program, which is a loan program, PTAP provided recipients with direct cash payments. The FTB distributed payments and validated applicants' eligibility using information from their annual tax filings. The state has not funded PTAP since the 2007-08 Budget, so the state has not paid claims more recently than those made in 2007.<sup>4</sup>

**Board of Equalization.** The BOE consists of five elected members: four members are elected from legislatively defined districts, while the fifth member, the State Controller, is elected at-large and serves in an *ex officio* capacity. The BOE was established in 1879 by a constitutional amendment, and was initially charged with responsibility for ensuring that county property tax assessment practices were equal and uniform throughout the state. The BOE is also responsible for setting the values for railroads and public utilities and for hearing appeals of those values.

Currently the tax programs administered by the BOE are concentrated in three general areas:

- Alcoholic Beverage Tax
- Property Tax
- Tax on Insurers

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<sup>3</sup> See Letter To Assessors No. [2014/066](#).

<sup>4</sup> [Evaluation of the Property Tax Postponement Program](#), Legislative Analyst's Office, October 8, 2018, page 8.

The BOE also hears various appeals in the following areas:

- Alcoholic Beverage Tax
- Tax on Insurers
- Section 11 Property (taxable property owned by government that is located outside its boundaries)
- State Assessed Property
- Welfare Exemption

In addition to administering these programs, the BOE adopts rules to govern county assessors when assessing property and assessment appeals boards when equalizing property values. The BOE acts in an oversight capacity to ensure compliance by county assessors with property tax laws, regulations, and assessment issues. To perform the oversight functions, the BOE's Property Tax Department conducts periodic compliance audits (surveys) of the 58 county assessors' programs, and develops property tax assessment policies and informational materials to guide county assessors and local assessment appeals boards.

The BOE administers the State-Assessed property program and sets market values for public utilities and railroads. These values are allocated to local jurisdictions for levy and collection of local property taxes.

**State Controller's Office.** Related to this bill, the State Controller's Office assists and advises local government officials in effective and uniform tax collecting procedures.<sup>5</sup>

### Commentary:

- 1. Optional Program.** The County Deferred Property Tax Program for Senior Citizens and Disabled Citizens is an optional program. Counties elect to participate in the program by adopting a resolution indicating the county's intention to participate in the program. According to the Legislative Analyst's Office Report<sup>6</sup> and the California Association of Treasurers and Tax Collectors, Santa Cruz County is the only county that participated in the program. This program was suspended when the State Controller's Postponement Program was reinstated. Santa Cruz County's program was in effect from 2012-13 through 2015-16.
- 2. Public Hearing.** This bill requires the BOE to hold a public meeting for the purpose of reviewing and making recommendations to the Legislature regarding the County Deferred Property Tax Program for Senior Citizens and Disabled Citizens. The BOE holds monthly public hearings, during which this issue could be handled.
- 3. Agency Responsibilities.** The BOE acts in an oversight capacity to ensure compliance by county assessors with property tax laws, regulations, and assessment issues. The State Controller instructs and advises county tax collectors on the collection of property taxes. Is the BOE the proper agency to advise the Legislature on a program implemented by county tax collectors?

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<sup>5</sup> Government Code section 30300.

<sup>6</sup> [Evaluation of the Property Tax Postponement Program](#), Legislative Analyst's Office, October 8, 2018, page 8.

**4. Related Legislation:**

- [AB 133](#) (Quirk-Silva), which relates to the State Controller's Property Tax Postponement Program, revises income limits to instead provide that a claimant's household income cannot exceed \$45,000 or the "low income" limit for a 2-person household for the county in which the household is located, as annually published by the California Department of Housing and Community Development (HCD), whichever is greater.
- [AB 492](#) (Nazarian), which relates to the Franchise Tax Board's Property Tax Assistance Program, until December 1, 2025, removes the age/disability requirement and decreases the claimant's maximum household income from \$35,250 to \$30,000 and provides for annual adjustments based on the percentage change in the California Consumer Price Index from June to June.
- [SB 770](#) (Galgiani), which relates to the State Controller's Property Tax Postponement Program, decreases the equity requirement from 40 percent of the full value of the property at the time of claim filing to 20 percent.

**Costs:** The BOE would incur minor absorbable costs as this could be incorporated into one of the BOE's monthly public hearings.

**Revenue Impact:** This bill has no direct impact on state revenue.