



[AB 245](#) (Gipson)

Date: Amended 03/10/25  
Program: Property Taxes  
Revenue and Taxation Code  
Sections 70.5 and 171.5  
Effective: January 1, 2026

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Analysis Date: April 2, 2025

**Summary:** This bill amends Revenue and Taxation Code (RTC) section 70.5 to allow victims of the 2025 Fires in Los Angeles County and Ventura County an additional three years to restore the base year value of a property that was substantially damaged or destroyed to a replacement property that is reconstructed on the same site. The three-year extension relates to the fire disasters in Palisades, Eaton, Hurst, Lidia, Sunset or Woodley, on or after January 7, 2025, but on or before February 1, 2025.

**Summary of Amendments:** The March 10, 2025 amendments add RTC section 171.5 which states that in the case of property impacted by the 2025 fire disasters in Palisades, Eaton, Hurst, Lidia, Sunset, or Woodley, the fair market value of that real property on January 1, 2025, takes into account any reduction in value to that property due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a decline in value.

**Fiscal Impact Summary:** AB 245 would reduce annual property tax revenues by an estimated \$184 million.

**Existing Law:** For property tax purposes, the law requires County Assessors to reassess real property from its Proposition 13 protected value ("base year value") to its current market value whenever a change in ownership occurs or upon completion of new construction<sup>1</sup>. Exceptions to this reassessment requirement have been enacted. The most relevant RTC sections related to this proposal are as follows:

Revenue and Taxation Code (RTC) section 70.5

RTC section 70.5 allows owners of property substantially damaged or destroyed in a Governor-proclaimed disaster to reconstruct "comparable" property onsite with a return to the former property's base year value if they elect to rebuild instead of purchasing replacement property.

To be comparable, the reconstructed property must be similar in size, utility, and function. Property is considered similar in "size and utility" if its full cash value doesn't exceed 120 percent of the full cash value of the property before damage or destruction. If the value does exceed 120 percent, partial relief is available. To qualify for relief under section 70.5, the reconstruction must be completed within five years of the date of the disaster.

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<sup>1</sup> Article XIII A, section 2 of the California Constitution.

Revenue and Taxation Code (RTC) Section 170

[Section 170](#) of the California Revenue and Taxation Code (“RTC”) provides potential property tax disaster relief to property owners impacted by fires or other disasters, if the county has adopted an ordinance allowing reassessment for property that is damaged or destroyed without the owner's fault. [Los Angeles County](#) and [Ventura County](#) adopted this disaster relief and county specific information can be accessed via their preceding links.

In accordance with RTC section 170, if a calamity such as fire, earthquake, or flooding damages or destroys property, any person liable for taxes on property that was damaged without any fault of that person may apply for reassessment of that property. In such case, the county assessor will reappraise the property to reflect its damaged condition. Additionally, when the property is rebuilt in a like or similar manner, it will retain its prior value for tax purposes. A supplemental refund will be issued based on the reduction amount, prorated from the disaster month to the end of the fiscal year or the completion of new construction. Property owners must continue to pay their regular tax bill, unless temporary relief is stipulated in a gubernatorial Executive Order.

Filing a claim and Eligibility: To qualify for property tax relief under RTC section 170, a claim must be filed with the county assessor within the time specified in the county ordinance, or 12 months from the date of damage or destruction, whichever is later. The loss estimate must be at least \$10,000 of current market value. The application process for reassessment varies by county, and property owners must contact their County Assessor for the appropriate forms. In some cases, the form may be available for download from the county's website. This property tax relief is available to owners of real property, business equipment and fixtures, orchards or other agricultural groves, and to owners of aircraft, boats, and certain manufactured homes – it is not available to property that is not assessable, such as state licensed manufactured homes or household furnishings.

**Proposed Law:** This bill would extend the five-year period under RTC section 70.5, by an additional three years, to restore the base year value of property substantially damaged or destroyed by a Governor-proclaimed disaster, to a replacement property that is reconstructed on the same site. The three-year extension would apply to property substantially damaged or destroyed by the 2025 Governor-proclaimed fire disasters in Palisades, Eaton, Hurst, Lidia, Sunset or Woodley, on or after January 7, 2025, but on or before February 1, 2025. This would apply to the determination of the base year values for the 2025-26 fiscal year and fiscal years thereafter.

This bill also adds RTC section 171.5 to define “qualified real property” as real property impacted by the 2025 fire disasters in Palisades, Eaton, Hurst, Lidia, Sunset, or Woodley, as proclaimed by the Governor, if the sum of the full cash values of the land, improvements, and personality before the damage or destruction exceeds the sum of the values after the damage by ten thousand dollars (\$10,000) or more, and if the property is not eligible for relief under RTC section 170. In determining the full cash value of a “qualified” property, its fair market value on January 1, 2025 shall be its full cash value accounting for any reduction in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a decline in value.

*This staff analysis is provided to address various administrative, cost, revenue, and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.*

**Effective Date.** January 1, 2026, as this bill is not designated as an urgency measure.

**In General: Disaster Relief.** California's system of property taxation under Article XIII A of the California Constitution (Proposition 13) values the property at its 1975 fair market value, with annual increases after that limited to the amount of inflation or 2 percent, whichever is less, until the property changes ownership or new construction occurs. Once a reassessable event occurs (i.e., a change in ownership or new construction), the property's value for tax purposes is redetermined based on its current market value. The value initially established, or redetermined where appropriate, is called the "base year value."

Because real estate values generally appreciate at a rate greater than 2 percent per year, when an event triggers a reassessment of property to its current market value, the reassessed value (i.e., its new base year value) will likely be substantially higher.

California property tax law provides for various situations where the base year value of a property is either: (1) retained, notwithstanding that new construction has taken place or that the property has changed ownership, or (2) transferred to another property, notwithstanding that the property has changed ownership. These special situations are provided pursuant to various constitutional amendments modifying the original Proposition 13 framework and serve to avoid the otherwise required reassessment of a property to its current market value.

For instance, related to the subject matter of this bill, RTC section 70(c) provides that where the property has been damaged or destroyed by misfortune or calamity, the property will retain its previous assessed value after its reconstruction as long as such reconstruction is substantially equivalent to the property before damage or destruction. Consequently, a rebuilt property after a fire will continue to be assessed at the same amount even though the property has been entirely newly constructed.

RTC section 70.5, summarized above, added a new provision specific to post-disaster reconstruction following a Governor-proclaimed disaster. These provisions allow a base year value to be reinstated for reconstructed improvements if those improvements are similar in function, size, utility, and within 120% of the pre-disaster full cash value. This section also states that if the reconstruction exceeds 120% of value, the amount that exceeds 120% is added to the factored base year value.

**Governor State of Emergency Proclamations.** The Government Code<sup>2</sup> authorizes the Governor to proclaim a state of emergency under specified circumstances, including:

- "State of war emergency" means the condition which exists immediately, with or without a proclamation thereof by the Governor, whenever this state or nation is attacked by an enemy of the United States or upon receipt by the state of a warning from the federal government indicating that such an enemy attack is probable or imminent.
- "State of emergency" means the duly proclaimed existence of disaster conditions or extreme peril to the safety of persons and property within the state.

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<sup>2</sup> Government Code (GC) sections [8558](#) and [8625](#).

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- "Local emergency" means the duly proclaimed existence of disaster or extreme peril to the safety of persons and property within the territorial limits of a county, city, and county or city.

**Commentary:**

1. **Amends RTC Section 70.5 Exclusively.** This bill amends RTC section 70.5 which applies only to property owners who reconstruct substantially damaged or destroyed improvements on the same site. It does not extend the base year value transfer period under RTC section 69 for property owners who elect to purchase a replacement property.
2. **Related Legislation.** [SB 663](#) (Allen, McNERney, and Pérez) is also contemplating property tax disaster relief under RTC sections 70.5, 170, and 214. [SB 603](#) (Niello) proposes to amend RTC section 69 and authorize the county board of supervisors of any county affected by a disaster declared by the Governor on or after January 1, 2025, to extend the five-year period to transfer a base year value by up to 3 years for properties located in that county.
3. **Emergency Proclamations.** On January 7, 2025, the Governor proclaimed a state of emergency to exist in Los Angeles and Ventura counties due to the Palisades fire and windstorm conditions. A total of nineteen [Executive Orders](#) were issued during the devastation period. According to Cal Fire, as of February 7, 2025, an estimated 23,707 acres burnt down in the Palisades Fire destroying 6,833 structures. In the Eaton Fire, an estimated 14,021 acres were affected, and 9,413 homes destroyed. This Cal Fire statistics is the basis for the revenue estimate below.
4. **Local Government Reimbursement.** Existing law requires the state to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation. This bill would provide that, notwithstanding those provisions, no appropriation is made, and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

**Costs:** The BOE would incur initial, one-time of cost of approximately \$11,990.

**Revenue Impact:**

According to CalFire data, an estimated 6,833 structures were destroyed in the Palisades fire, and 9,413 structures in the Eaton fire. "Structures" is defined to include homes, outbuildings (barns, garages, sheds, etc.) and commercial properties. In the report [Impact of 2025 Los Angeles Wildfires and Comparative Study](#) that was commissioned by the Southern California Leadership Council and produced by the Los Angeles County Economic Development Corporation, a detailed breakdown of the overall structures in the fire areas was provided, and the following breakdown is all of the structures fully destroyed:

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	<b>PALISADES FIRE</b>	<b>EATON FIRE</b>
<b>Residential Structures</b>	<b>Number of Structures</b>	<b>Number of Structures</b>
Single-Family Residences	5,058	6,003
Mobile Homes and Motor Homes	361	12
<b>Commercial Structures</b>		
Commercial Buildings	101	98
Mixed-Use Buildings	5	5
Multi-Family Residences	135	96
<b>Community and Public Structures</b>		
Churches	6	9
Schools	51	46
Hospitals	0	2
<b>Infrastructure, Utility, and Miscellaneous Structures</b>		
Infrastructure	1	10
Utility/Miscellaneous Structures	1,115	3,134
<b>TOTAL</b>	<b>6,833</b>	<b>9,415</b>

Single-Family Residences (SFR)

The estimated average assessed value of a SFR destroyed in Palisades was \$1.6 million and the market value was estimated to be around \$4 million. Therefore, where the relief is granted, the estimated assessed value difference per home is \$2.4 million (\$4 million - \$1.6 million). At the 1% property tax rate, the estimated annual revenue loss per SFR is estimated to be \$24,000 (1% × \$2.4 million).

Based on the assumption that the homeowners of the estimated 5,068 homes destroyed in the Palisades Fire would need additional time to reconstruct the property, the estimated annual revenue loss is \$122 million (5,068 homes × \$24,000).

The estimated average assessed value of a single-family residence (SFR) destroyed in non-Pacific Palisades areas was \$532,568 and the market value was estimated to be around \$1.4 million. Therefore, where the relief is granted, the estimated assessed value difference per home is \$867,432 (\$1.4 million - \$532,568). At the 1% property tax rate, the estimated revenue loss per SFR is estimated to be \$8,674 (1% × \$867,432).

Based on the assumption that the homeowners of the estimated 6,003 homes destroyed in the non-Palisades Fire would need additional time to reconstruct the property, the estimated annual revenue loss is \$52 million (6,003 homes × \$8,674).

AB 245 would reduce annual SFR property tax revenues by an estimated \$174 million (Palisades \$122 million + non-Palisades \$52 million).

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### Commercial Impact

According to CRE Daily, a digital media company covering the business of commercial real estate, the Palisades and Eaton fires affected commercial property worth an estimated \$1.9 billion. These properties, valued at \$1.9 billion before the disaster, include multifamily apartments, retail centers, and office buildings.

BOE conducts an annual study to determine the statewide and county-by-county ratio of assessed value to fair market value of locally assessed commercial real property in California through sales-assessment ratio studies of transferred commercial property. Based on the most recent study, the commercial sales ratio for Los Angeles County is 48.09%. This means the assessed value of commercial properties in Los Angeles County, on average, is 48.09% of market value.

Based on the 48.09% ratio, staff estimated assessed value to be \$914 million (48.09% × \$1.9 billion market value). The difference between the market and assessed value of \$986 million results in property tax revenue loss of \$9.9 million (1% × \$986 million).

Additionally, there will likely be a significant but indeterminable reduction in property tax revenue for the 2025 lien year based on a Proposition 8 decline in value available for properties near the disaster area - those that do not currently qualify for RTC section 170 relief but would potentially qualify under proposed RTC section 171.5.

### **Revenue Summary:**

AB 245 would reduce annual property tax revenues by an estimated \$184 million (SFR \$174 million, Commercial \$9.9 million).

### **Qualifying Remarks:**

- When preparing the revenue analysis, staff had no data or estimates or any research in general on the number of prospective homeowners who may need the additional three years to reconstruct. Therefore, this analysis assumes that all homeowners affected would seek an additional three years, to reflect the entire potential revenue impact.
- Another assumption made is that every fire victim who had a home damaged or destroyed will elect to rebuild on their property, instead of purchasing replacement property. Hence, this estimate should be viewed as the maximum annual revenue loss - as there will no doubt be a significant number of fire victims who decide to purchase a replacement property instead of rebuilding in place.
- In addition, [SB 603 \(Niello\)](#) is a similar bill. If passed, it may reduce the revenue impact of this bill, as some property owners may elect to buy replacement property instead of rebuilding improvements on an existing property.
- This analysis assumes that the destruction of the more than eleven thousand SFRs in the Palisades and Eaton fires has zeroed out the total value of both improvements and land. Determining post-disaster land value is complex, therefore residual land value has not been estimated in the above revenue projection.

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- At the time of preparing this estimate, staff did not have specific data in relation to the commercial value or commercial structures tied specifically to Los Angeles or Ventura County. The above commercial analysis is based on data that reflects Palisades and Eaton fires. To understand the impact, staff used the Los Angeles County commercial sales ratio.

This revenue estimate does not account for any changes in economic activity that may or may not result from the enactment of the proposed law.

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