



Legislative Bill Analysis

[Assembly Bill 1485](#) (Macedo)

Date: April 24, 2025 (Amended)

Program: Property Taxes

Revenue and Taxation Code secs 214.03 and 11930.5

Effective: Immediately – Tax Levy

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Summary: AB 1485 adds Revenue and Taxation Code (RTC) section 214.03 to allow a federally recognized Indian tribe, or a wholly owned subsidiary of a tribe, to qualify for the welfare exemption if the land is used for the preservation of resources or open space land, as defined.

This bill also adds RTC section 11930.5 and defines a “tribal land return transaction” and exempts these transactions from any documentary transfer tax. As documentary transfer tax is not subject to the State Board of Equalization’s (BOE) jurisdiction, commentary on this item is limited.

These new provisions, unless extended or repealed, would sunset on January 1, 2031.

Fiscal Impact Summary: Based on current land available and earmarked for this proposed exemption method, staff estimates a potential annual property tax revenue loss of \$4.7 million from repurchasing and repurposing land for an open space exemption.

Existing Law: Under the California Constitution, all property is taxable unless otherwise provided for by the State Constitution or the laws of the United States.¹ The Legislature may exempt from property taxation in whole or in part property used exclusively for religious, hospital, scientific, or charitable purposes and owned or held in trust by nonprofit corporations or other entities if specific criteria are met.²

This exemption is known as the “welfare exemption” and is implemented according to RTC section [214](#). RTC section 214 generally exempts from taxation, subject to certain conditions and qualifications, property (1) owned by nonprofit organizations organized and operated for charitable purposes and (2) used exclusively for those purposes.

RTC section 214 also provides that the welfare exemption applies when property: 1) is used exclusively for the preservation of native plants or animals, biotic communities, geological or geographical formations of scientific or educational interest, or open-space lands used solely for recreation and for the enjoyment of scenic beauty; 2) is open to the general public subject to reasonable restrictions concerning the needs of the land, and is owned and operated by a scientific or charitable fund, foundation, limited liability company, or corporation, the primary interest of which is to preserve those natural areas; and 3) meets all the requirements of RTC section 214.

However, section 214.02 does not apply to any property of an organization that owns in the aggregate 30,000 acres or more in one county that were exempt under this section prior to March 1, 1983, or that are proposed to be exempt, unless the nonprofit organization that holds the property is fully independent of the owner of any taxable real property that is adjacent to the

¹ Cal. Const., [art. XIII, section 1](#).

² Cal. Const., [art. XIII, section 4\(b\)](#).

property otherwise qualifying for tax exemption under this section. Under 214.02, the nonprofit organization that holds the property shall be considered fully independent if the exempt property is not used or operated by that organization or by any other person so as to benefit any officer, trustee, director, shareholder, member, employee, contributor or bondholder of the exempt organization or operator, or the owner of any adjacent property, or any other person, through the distribution of profits, payment of excessive charges or compensations, or the more advantageous pursuit of their business or profession.

RTC section 214.02 also prohibits any future development of any land granted an open space exemption and establishes standards and protections to ensure the land is used for the actual operation of the exempt activity, including a prohibition of generating unrelated business income.

Organizational Certificate Process. The BOE and 58 County Assessors jointly administer the welfare exemption. The BOE is responsible for determining whether an organization is organized and operating for exempt purposes, which qualifies the organization for either an Organizational Clearance Certificate (OCC) or a Supplemental Clearance Certificate (SCC). The County Assessor is responsible for determining whether using a qualifying organization's property is eligible for the welfare exemption. The County Assessor shall not grant the welfare exemption for an organization's property unless the organization holds either a valid OCC or SCC issued by the BOE. However, the County Assessor may deny a welfare exemption claim based on non-qualifying use of the property, notwithstanding that the BOE has issued the organization an OCC or SCC. The BOE tracks [eligible nonprofit organizations and limited liability companies](#) that hold valid OCCs and SCCs and monitors those organizations for continued eligibility.

Once the BOE issues an OCC or an SCC to a qualified organization, the organization must file a form BOE-267 Claim for the Welfare Exemption with the County Assessor where the property is located. The County Assessor is responsible for evaluating the claim, determining whether the use of the property meets the statutory requirements for receiving the welfare exemption, and ultimately granting or denying the exemption to claimants.

Proposed Law:

Expands the Definition of Open Space Exemption. This bill adds RTC sections 214.03 to expand the definition of the preservation of natural resources or open-space land to include a federally recognized tribe (or its wholly owned subsidiary).

Exempts Documentary Transfer Tax. Adds RTC section 11930.5 to deem any “tribal land return transaction” to a federally recognized tribe as “fee simple” and exempts these transactions from any corresponding documentary transfer tax requirements.

The bill would sunset these provisions on January 1, 2031, as long as RTC section 214.02 remains in effect.

Data Collection and Reporting. The bill adds data collection requirements for determining whether the proposed exemptions are meeting the specific goals, purposes, and objectives – mirroring requirements in RTC section 41 applicable to other tax code sections outside of property tax statutes. It also requires BOE, on or before March 1 of each year, to publish, and make available to the relevant committees of the Legislature, an annual report summarizing the total acreage of land exempted pursuant to this legislation that is owned and operated by federally recognized Indian tribes or their wholly owned subsidiaries.

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.

Costs: The BOE would incur costs of approximately \$8,512 for fiscal year 2025-26, \$18,062 for fiscal year 2026-27, \$17,868 for fiscal year 2027-28, \$6,000 for fiscal year 2028-29, and \$6000 for fiscal year 2029-30.

In General: Under section 4(b) of article XIII of the California Constitution, the Legislature is authorized to exempt from taxation, in whole or in part:

Property used exclusively for religious, hospital, or charitable purposes and owned or held in trust by corporations or other entities (1) that are organized and operated for those purposes, (2) that are nonprofit, and (3) no part of whose net earnings inures to the benefit of any private shareholder or individual.

In exercising the above constitutional authorization, the Legislature enacted RTC section 214, reiterating the constitutional authorization, outlining numerous conditions and qualifications for receiving the exemption, and adding scientific as the fourth qualifying purpose. RTC section 214 provides that property used exclusively for charitable purposes owned and operated by entities organized and operated for charitable purposes is exempt from taxation if the entities are not owned and operated for profit, and the property is used for the actual operation of the exempt activity.

Charitable Purposes. An organization's primary purpose must be either religious, hospital, scientific, or charitable. Whether its operations are for one of these purposes is determined by its activities. The California Supreme Court has broadly construed the charitable purpose aspect of the welfare exemption to include a wide range of activities that benefit the general public.³ The term "charitable" is not confined to the relief of poverty but includes all kinds of humanitarian activities, rendered at cost or less, the object of which is the care of the physical and mental well-being of the recipients.

Exclusive Use. The RTC does not specifically define the term *used exclusively*; however, the courts have done so in a series of decisions. The California Supreme Court has stated that the phrase "exclusively used" may not be given a literal interpretation to mean that the property exempted must be used solely for the purposes communicated to the total exclusion of any other use. The Supreme Court held that *used exclusively* for exempt purposes includes any property which is used exclusively for any activity which is incidental to and reasonably necessary for the accomplishment of the exempt purpose.⁴ Courts have applied this precedent to mean that a qualified organization's primary use of its property must be for exempt purposes, and any other uses of property must be related to and reasonably necessary for the accomplishment of the exempt purpose.⁵

Revenue Impact: In preparing this estimate, staff assumes that the intent of this bill is to exempt the ongoing return of land to the tribes by California Natural Resources Agency (CNRA) under the Tribal Nature-Based Solutions Program.

CNRA, in partnership with the California Department of Forestry and Fire Protection and the Ocean Protection Council, announced the award of \$107.7 million to fund 33 projects and support the return of approximately 38,950 acres of land to California Native American tribes

³ *Stockton Civic Theatre v. Board of Supervisors* (1967) 66 Cal.2d 13.

⁴ *Cedars of Lebanon v. County of Los Angeles* (1950) 35 Cal.2d 729, 736.

⁵ *Honeywell Information Systems, Inc. v. County of Sonoma* (1974) 44 Cal.App.3d 23; *YMCA v. County of Los Angeles* (1950) 35 Cal.2d 760; *St. Germain Foundation v. County of Siskiyou* (1963) 212 Cal.App.2d 911; *Greek Theatre Association v. County of Los Angeles* (1978) 76 Cal.App.3d 768.

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through the Tribal Nature-Based Solutions grant program. In our conversations with CNRA, the agency indicated that approximately 12,000 acres have already been closed, and an additional 20,000 to 25,000 acres are in the process of closing. Factoring in both closing stages, the basis of this estimate is 35,000 acres.

The United States Department of Agriculture (USDA) 2024 data indicates \$13,400 as the average California farm real estate value per acre. Assuming that this would reflect the land buy back transactions, total market value is estimated at \$469 million ($\$13,400 \times 35,000$ acres). Total annual revenue impact is estimated at \$4.7 million ($\469 million value \times 1% property tax rate).

Qualifying Remark:

The merit of the above revenue estimate is based on the assumption that all land buy back under the Tribal Nature-Based Solutions grant program would qualify for the exemption. The revenue estimate may be overstated if there are cases where the Tribes may not qualify. The welfare exemption requires that, in order for a property to qualify, that property must meet certain criteria, including that the property be used exclusively for the exempt purpose, that the property is owned by a qualifying nonprofit, and that no private benefit inure to any person.

This estimate does not account for any property bought back that may already be subject to an open space exemption via conservancy or land trust, that might reduce the revenue estimate.

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