



## Legislative Bill Analysis

### Assembly Bill (AB) 1668 (Pellerin)

Date: Amended 04/20/26 and 05/22/26  
Program: Property Taxes  
Revenue and Taxation Code secs 214.02  
Effective: Immediately – Tax Levy

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Analysis Date: June 8, 2026

**Summary:** Extends the current Welfare Exemption statute for properties dedicated to and used exclusively for the preservation of natural resources and open-space lands until the 2032 lien date and extends the repeal date to January 1, 2033. Revenue and Taxation Code (RTC) section 214.02 would otherwise sunset on January 1, 2028.

### May 22 amendments

1. Change “eliminate” to “reduce” in the first bullet from the 4/20 amendments summarized below.
2. Remove the final bullet below stating “The rate of year-over-year growth in the total acreage of land on properties that qualify for this bill which are preserved by nonprofit conservation organizations.”
3. Make other technical clarifying and renumbering changes in Section 2 of the bill.

### April 20 amendments

#### Add Sec 2 to the bill and require the following:

1. Provides that it is the intent of the Legislature to apply the requirements of RTC section 41 to this proposal. This bill’s stated goals, purposes, and objectives are:
  - To eliminate financial barriers that inhibit nonprofit land conservation organizations from preserving California’s natural resources
  - To promote environmental preservation by enabling nonprofit organizations to hold and maintain land in its natural state without incurring additional tax burdens
  - Provides detailed performance indicators for the Legislature to use in determining whether this bill meets its stated goals, including:
    - The total number of properties that qualify for this bill’s exemption.
    - The total assessed value of qualifying properties preserved by nonprofit land conservation organizations.
    - The total acreage of land on qualifying properties preserved by nonprofit land conservation organizations.
    - The rate of year-over-year growth in the total acreage of land on properties that qualify for this bill which are preserved by nonprofit conservation organizations.
2. Requires the State Board of Equalization (BOE), on or before January 1 of each year prior to January 1, 2034, to publish and submit to the relevant committees of the Legislature a summary of the annual total acreage and annual total assessed value of the properties exempt pursuant to this bill, to the extent that data is available.

**Fiscal Impact Summary:** Total revenue loss is estimated at \$6.5 million annually.

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**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.<sup>1</sup> 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.<sup>2</sup>

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 214.02 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; 3) 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 4) meets all the requirements of RTC section 214.

Under section 214.02, the nonprofit organization that holds the property shall be considered fully independent from the owner of any taxable real property that is adjacent to the property otherwise qualifying for tax exemption under this section 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.

The exemption under section 214.02 does not apply to property that is reserved for future development. RTC section 214.02 also prohibits generating unrelated business income.

Organizational Clearance 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 the use of a qualifying organization's property is eligible for the Welfare Exemption.

The County Assessor will not grant the Welfare Exemption for the property of an organization unless it holds a valid OCC or SCC issued by the BOE. Additionally, a County Assessor may deny a Welfare Exemption claim based on non-qualifying use of the property, notwithstanding the BOE's issuance of a valid OCC or SCC. The BOE tracks [eligible nonprofit organizations and legal](#) entities that hold valid OCCs and SCCs. The BOE also monitors those organizations for continued eligibility.

Once the BOE issues an OCC or SCC to a qualified organization, the organization must file a *Claim for the Welfare Exemption* (BOE-267) with the County Assessor where the property is located. The County Assessor is responsible for evaluating the claim, determining whether the

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<sup>1</sup> Cal. Const., [art. XIII, section 1](#).

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

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use of the property meets the statutory requirements for receiving the Welfare Exemption, and ultimately granting or denying the exemption to claimants.

**Proposed Law:**

AB 1668 amends RTC section 214.02 to extend the Welfare Exemption for properties dedicated to and used exclusively for the preservation of natural resources and open-space lands to the 2032 lien date. AB 1668 also extends the repeal date to January 1, 2033.

The bill would sunset these provisions on January 1, 2033, as long as RTC section 214.02 remains in effect.

This bill includes a new reporting requirement for the State Board of Equalization (BOE).

**Costs:** The BOE would incur costs of approximately \$3,000 in 2026/27, \$7,000 in 2027/28, and \$6,000 annually thereafter to track and compile required data.

**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 generally 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.

**Program Background/Legislative History:** In 1971, the Legislature extended these provisions to exempt property used exclusively for the preservation of specified natural resources or open space lands under specified criteria by adding section 214.02 to the RTC. Subsequently, a sunset date was added, and the sunset date has been extended six times, as follows:

- 1982 – AB 2308, Stats. 1982, ch. 1485
- 1986 – AB 2890, Stats. 1986, ch. 1457
- 1992 – AB 2442, Stats. 1992, ch. 786
- 2001 – SB 198, Stats. 2001, ch. 533
- 2011 – AB 703, Stats. 2011, ch. 202
- 2021 – SB 825, Stats. 2021, ch. 433

**Revenue Impact:**

In a 2010 data analysis of organizations receiving the Welfare Exemption, BOE staff estimated that the exempt value of qualified properties under RTC section 214.02 was \$304 million. The methodology included identifying organizations with *conservancy* and *land trust* in their names.

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According to [Land Trust Alliance](#), a land trust conservation advocate, an estimated 1.7 million under-easement acres of land was protected by land trusts in California in 2020 (compared to 921,000 acres in 2010, an 89% increase). The Land Trust Alliance defines a conservation easement, “as a voluntary, legal agreement between a landowner and a land trust or government agency that permanently limits uses of the land in order to protect its conservation values.”

To gain an understanding of the current exempt value, staff increased the 2010 basis (\$304 million) by 89% growth to account for 2020 numbers, as noted above, then applied an annual inflation factor of 2%. As such, total exempt value is estimated to be \$647 million. Annual revenue loss (foregone by the exemption) at the basic 1% property tax rate amounts to an estimated \$6.5 million (1% × \$647 million exemption value).

**Qualifying Remark:**

In relation to the initial 2010 BOE data, staff acknowledges the possibility that additional organizations may have since qualified under RTC section 214.02; however, identifying all such organizations is difficult due to limitations on what is reported from each county. Hence, the above revenue loss estimate may be understated.

At the time of preparing this analysis, staff had knowledge that 126 organizations with an OCC that includes *conservancy* or *land trust* in their names were registered with BOE. However, the assessed values associated with the 126 organizations were not available, hence a limitation in developing a revenue estimate.

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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