

Property Tax Incentives

California State Board of Equalization
July 27, 2022, Board Meeting
Sacramento, CA

Property Tax Exemption

- Article XIII, sec. 1 of the California Constitution subjects all property to taxation.
- Article XIII, sec. 2 authorizes the Legislature to exempt all forms of tangible personal property from taxation.
- It does not generally authorize the Legislature to exempt real property from taxation.
- Therefore, all real property exemptions must have a Constitutional basis.

Welfare Exemption

The Legislature has Constitutional authority to exempt property (1) owned by a qualifying organization, and (2) used for a qualifying purpose.

Welfare Exemption

Specific Provisions Related to Housing

Revenue and Taxation Code sections:

- 214(a) is a general exemption for charitable activities.
- 214(f) exempts property used exclusively for housing for elderly and handicapped families.
- 214(g) exempts property used exclusively for low-income rental housing.
- 214(h) exempts property used exclusively for emergency or temporary shelter.

Welfare Exemption

Revenue and Taxation Code section 214.15 provides that the holding of real property by a nonprofit corporation for the future construction of affordable housing is a charitable purpose.

Low-Income Rental Housing

Revenue and Taxation Code section 236 provides exemption for low-income rental housing property that is leased for a term of 35 years or more, where the lessor does not otherwise qualify for a tax exemption pursuant to the welfare exemption of section 214.

Other Property Tax Incentives

Revenue and Taxation Code section 402.1 requires certain enforceable restrictions be taken into consideration when determining the assessable value of taxable property.

Enforceable Restrictions on Use

Revenue and Taxation Code section 402.1(a)(10) requires County Assessors to consider restrictions when assessing properties intended to be sold to low-income families who participate in a special no-interest loan program.

Enforceable Restrictions on Use

Revenue and Taxation Code section 402.1(a)(11) requires County Assessors to consider use restrictions on Community Land Trust housing.

Homeowners' Exemption

The California Constitution provides a \$7,000 reduction in the taxable value for a qualifying owner-occupied home.

Veterans' Exemption

The Veterans' Exemption provides exemption of property not to exceed \$4,000 for qualified veterans who own limited property.

Disabled Veterans' Exemption

There are two levels of the Disabled Veterans' Exemption:

- Basic – Available to all qualifying claimants
- Low-Income – available to qualifying claimants whose annual household income does not exceed a specified income limit

Pending Legislation

Assembly Bill 1206, Affordable Housing

Proposed law allows Community Land Trusts to continue to utilize the welfare exemption if lower income household occupants increase their income up to 140% of area median income.

Pending Legislation

Assembly Bill 1933, Property Taxation: Welfare Exemption

Proposed law explicitly includes properties to be sold to first-time homebuyers in Welfare Exemption.

Pending Legislation

Assembly Bill 2651, Property Taxation: Welfare Exemption

Extends the sunset date for the property tax welfare exemption for Community Land Trusts that qualify under the exemption granted under Revenue and Taxation Code section 214.18 for an additional two years from January 1, 2025, to January 1, 2027.

Pending Legislation

Senate Bill 1357, Exemption: Disabled Veteran Homeowners

This bill adds Revenue and Taxation Code section 205.5.1 which would provide a new disabled veterans' property tax exemption in lieu of the current disabled veterans' property tax exemption that is authorized under section 205.5.

Pending Legislation

Senate Bill 1456, Welfare Exemption: Low-Income Housing

This bill eliminates the statewide cap on the value of a property under the welfare exemption from property tax for non-publicly financed affordable housing.

Questions?
