



California State  
Board *of* Equalization

# The State Board of Equalization's Legal Entity Ownership Program Overview

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LEOP Modernization and Streamlining

# Background

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## **Proposition 13 (1978)**

Prohibits reassessment of real property except upon: (a) Change in ownership, or (b) Completion of new construction.

## **Assembly Bill 152 (1983)**

Made substantive and technical changes to provisions of the property tax law dealing with changes in ownership.

## **Reassessment of Legal Entity Interests RTC 64(a)**

Transfer of legal entity interests does not cause a reassessment of property owned by the legal entity, unless:

- a. *Change in Control* RTC 64(c)(1)**
  - >50% owned by one person or entity.
- b. *Change in Ownership* RTC 64(d); 62(a)(2)**
  - >50% transfer of “original co-owner” shares;
  - “Original co-ownership” is established if 62(a)(2) exclusion previously granted.



# Legal Entity Ownership Program (LEOP)

LEOP is administered by the County-Assessed Properties Division (CAPD) since the enactment of AB 152 in 1983.

- RTC 480.1 requires legal entities to file with BOE a [Statement of Change in Control and Ownership of Legal Entities \(BOE-100-B\)](#) if a change in control under section 64(c) occurs.
- RTC 480.2 requires entities to file with BOE if a change in ownership under section 64(d) occurs.



# LEOP ROLES

## *BOE:*

- Responsible for discovering **changes in control** and **changes of ownership** of legal entities statewide.
- Reviews form BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities*, to determine if the transaction is subject to reassessment or is otherwise excluded based on certain provisions of law.
- Reports those entities that are subject to a penalty for failure to file timely.
- Furnishes information on entities experiencing such changes to County Assessors each month.

## *Assessors:*

- The County Assessors are responsible for reassessing the entity's real property as of the date of change, or in the case where an exclusion applies, noting the excluded transfer in their real property records, and for applying the penalty, if applicable.

# “Legal Entity” Defined

- A “legal entity” is any business organization that is legally permitted to enter into a contract, including a contract for the purchase, sale, or lease of real property.
- Legal entity interests may be owned individually, owned by another legal entity, or held in trust.
- Legal entities holding title to real property in California can include:
  - Corporations
  - Partnerships
  - Limited liability companies
  - Joint ventures
  - Massachusetts business trusts
  - Real estate investment trusts

# Legal Entity Interest Transfers

Analysis is separated into whether the transfer involved is of a real property interest (e.g., fee, leasehold), or a transfer of a legal entity interest (e.g., corporate voting stock, partnership, or limited liability company capital and profits interests).

- Real Property Interest Transfers: RTC § 61(j), RTC § 62(a)(2), Property Tax Rule 462.001 and 462.180
- Legal Entity Interest Transfers: RTC § 64 and Rule 462.180

# Legal Entities with Real Property in California

Transfers of corporate voting stock, partnership ownership interests, LLC membership interests, or ownership interests in other legal entities are not changes in ownership of the real property owned by the entity unless the following occurs:

- A transfer of an ownership interest in a legal entity that results in a *change in control* of that entity is a change in ownership of the real property owned by the entity.
- A transfer of an ownership interest in a legal entity by an *original co-owner* that results in a cumulative transfer of more than 50 percent of all the interests held by original co-owners is a change in ownership of the real property held by the entity at the time the threshold of that more than 50% cumulative transfer occurs.

# Change in Control - RTC 64(c)



**A change in control occurs when a person or entity either:**

- (1) acquires more than 50 percent of the voting stock of a corporation; or
- (2) acquires a majority (more than 50%) ownership interest in any partnership or LLC capital and profits; or
- (3) acquires more than 50 percent of the total ownership interest in any other entity.



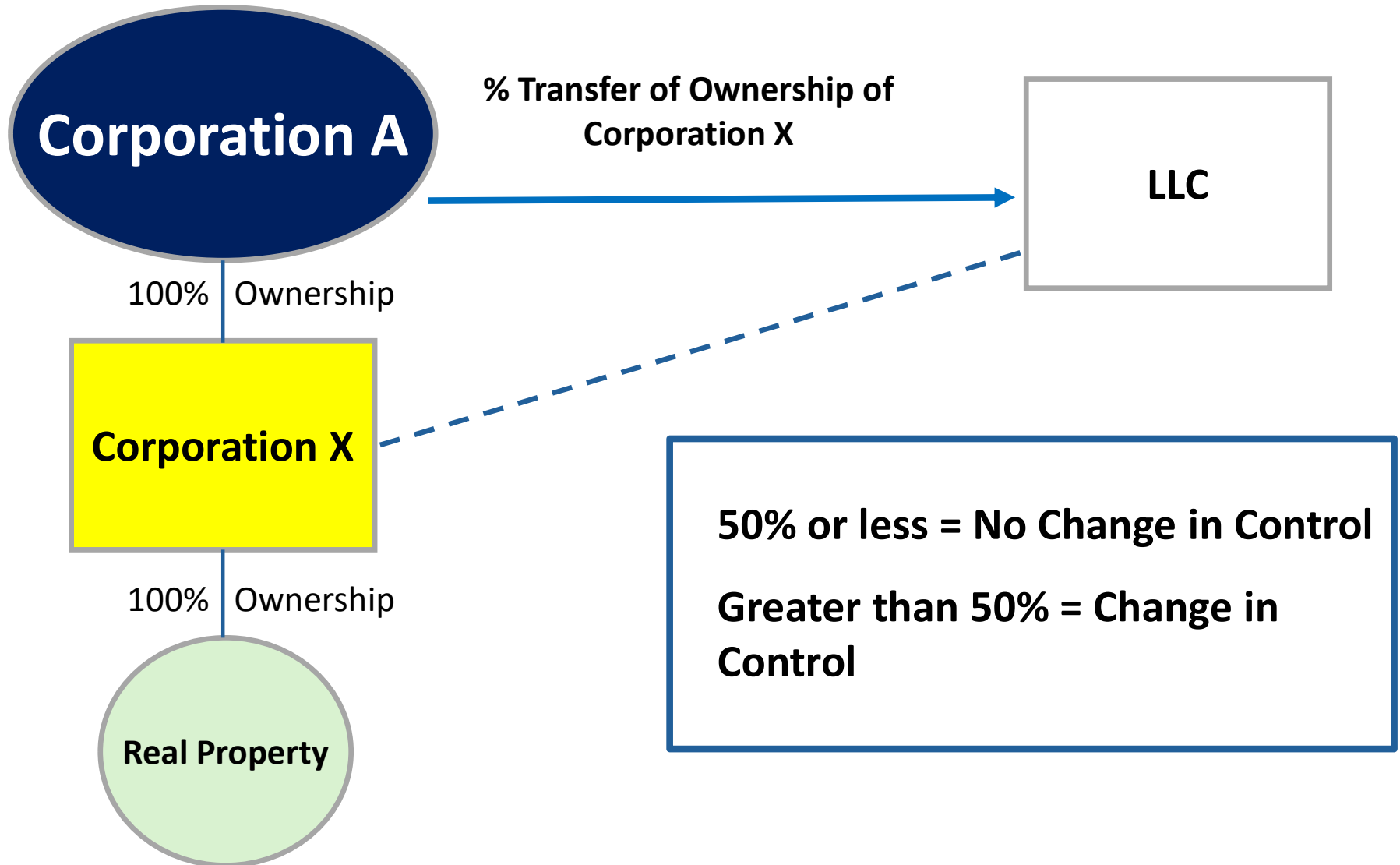
**Result:**

All California real property owned by the acquired entity or entities under its control is subject to reassessment.

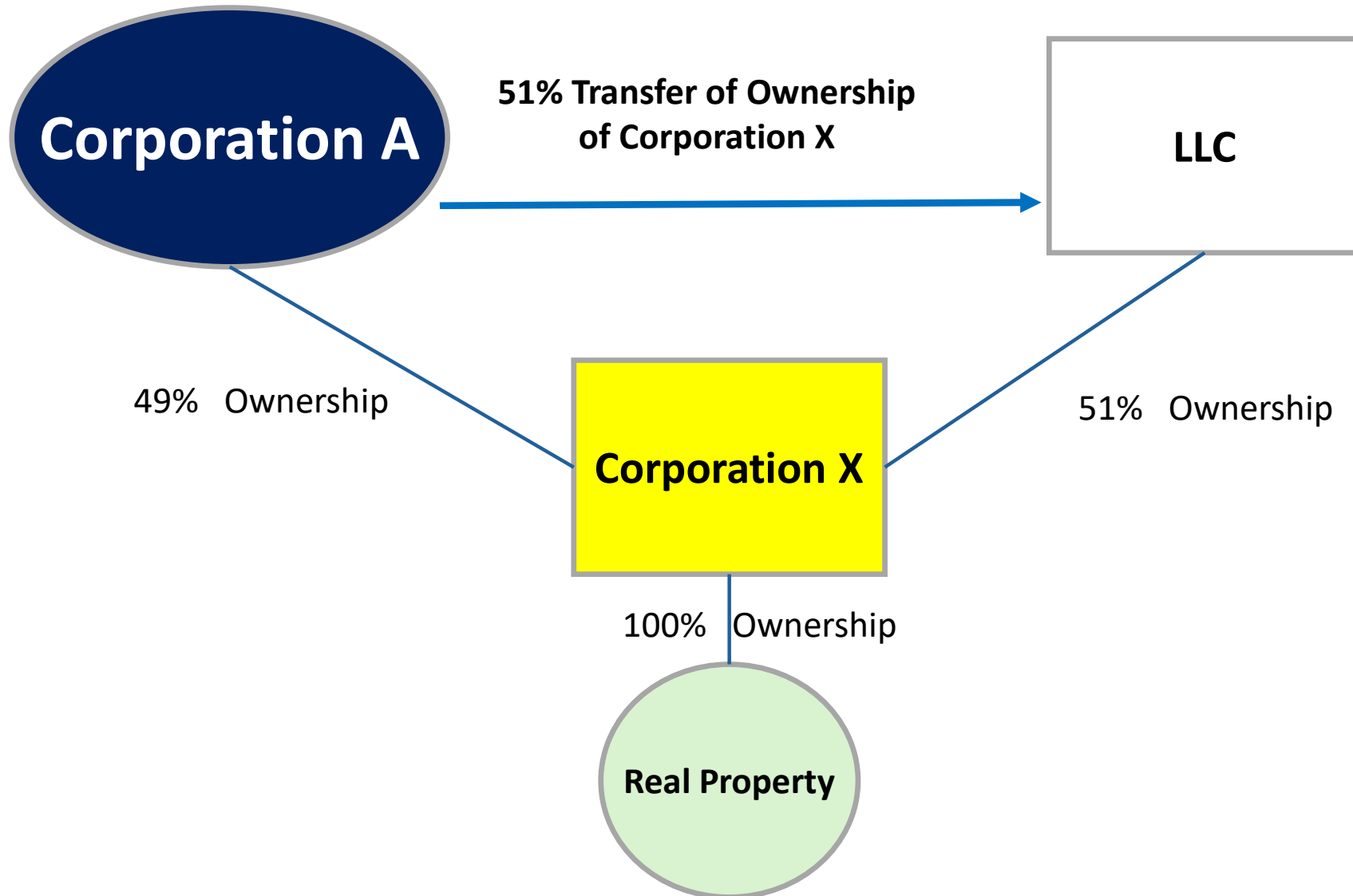
Applies to property leased from a government entity for any term or a long-term lease with 35 years+ remaining.

# Change in Control

*RTC 64(c)(1)*

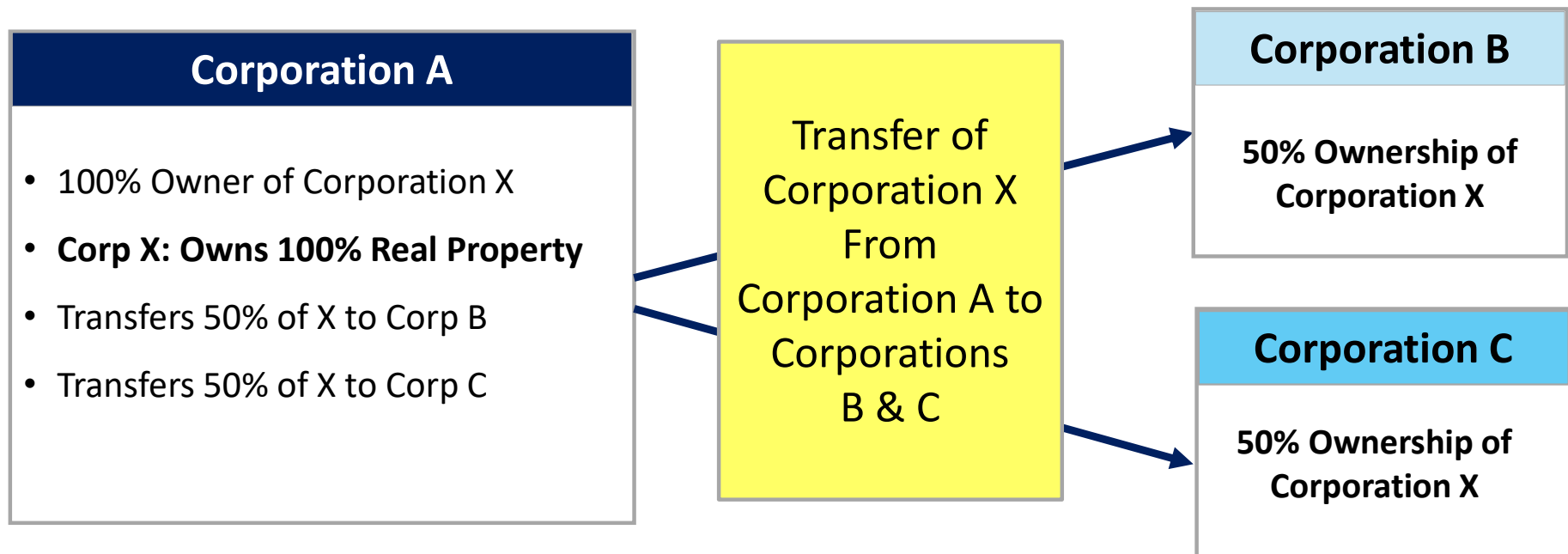


# Example 1: Change in Control



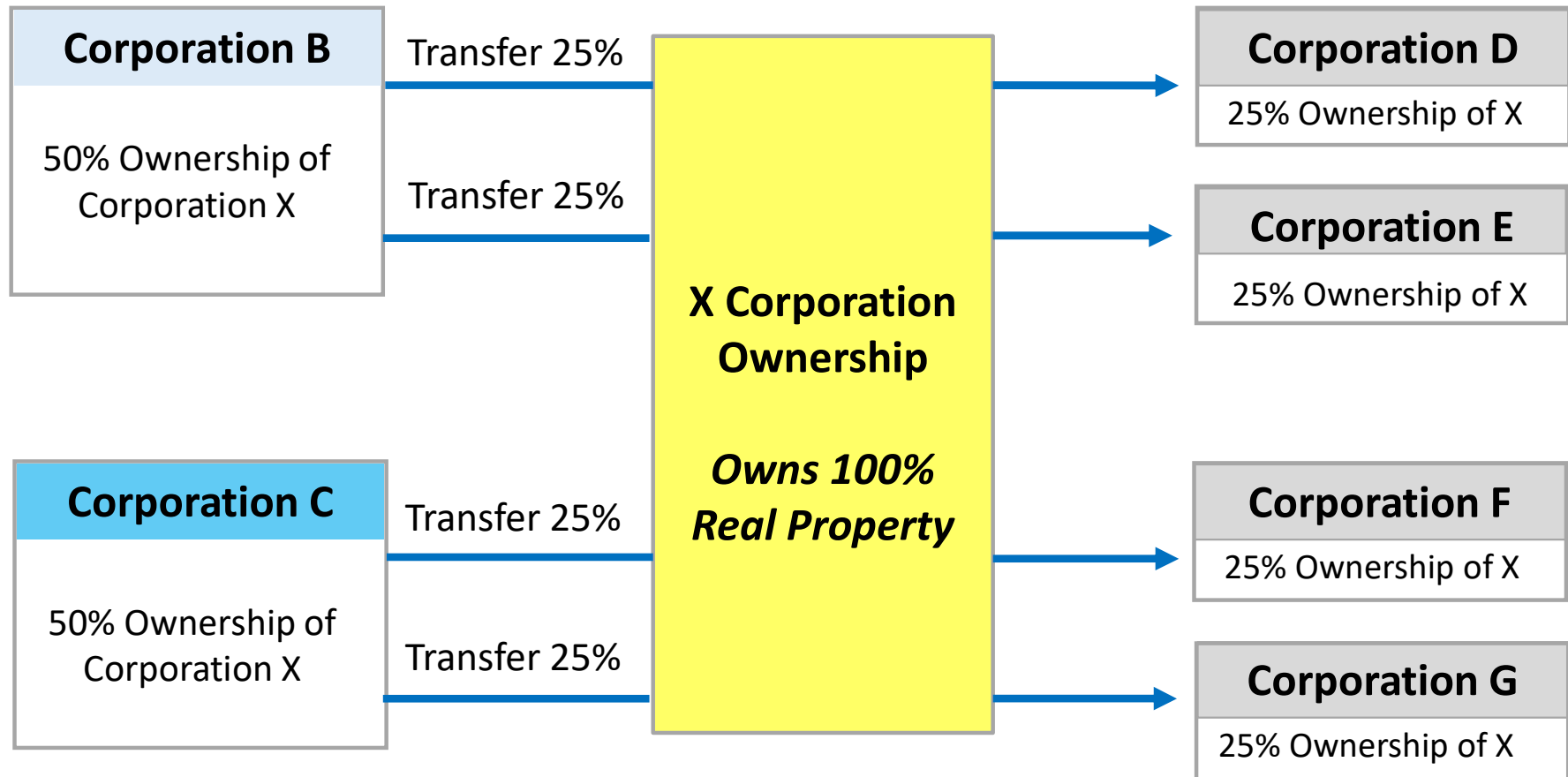
Conclusion: Results in a change in control of Corporation X under RTC section 64(c), warranting a reassessment of the real property.

# Example 2: No Change in Control



**Conclusion: Results in no real property reassessment.**


# Example 3: No Change in Control



**Conclusion: Results in no real property reassessment.**

# Change in Ownership - RTC 64(d)

**A change in ownership** occurs when cumulatively more than 50% of the “original co-owners” interests has been transferred since real property held by the entity received a 62(a)(2) exclusion.



**Result** - The real property previously excluded is subject to reassessment.

*Note: A change in control under RTC section 64(c) takes precedence over a change in ownership per RTC 64(d)*



# Proportional Ownership Interest Transfers

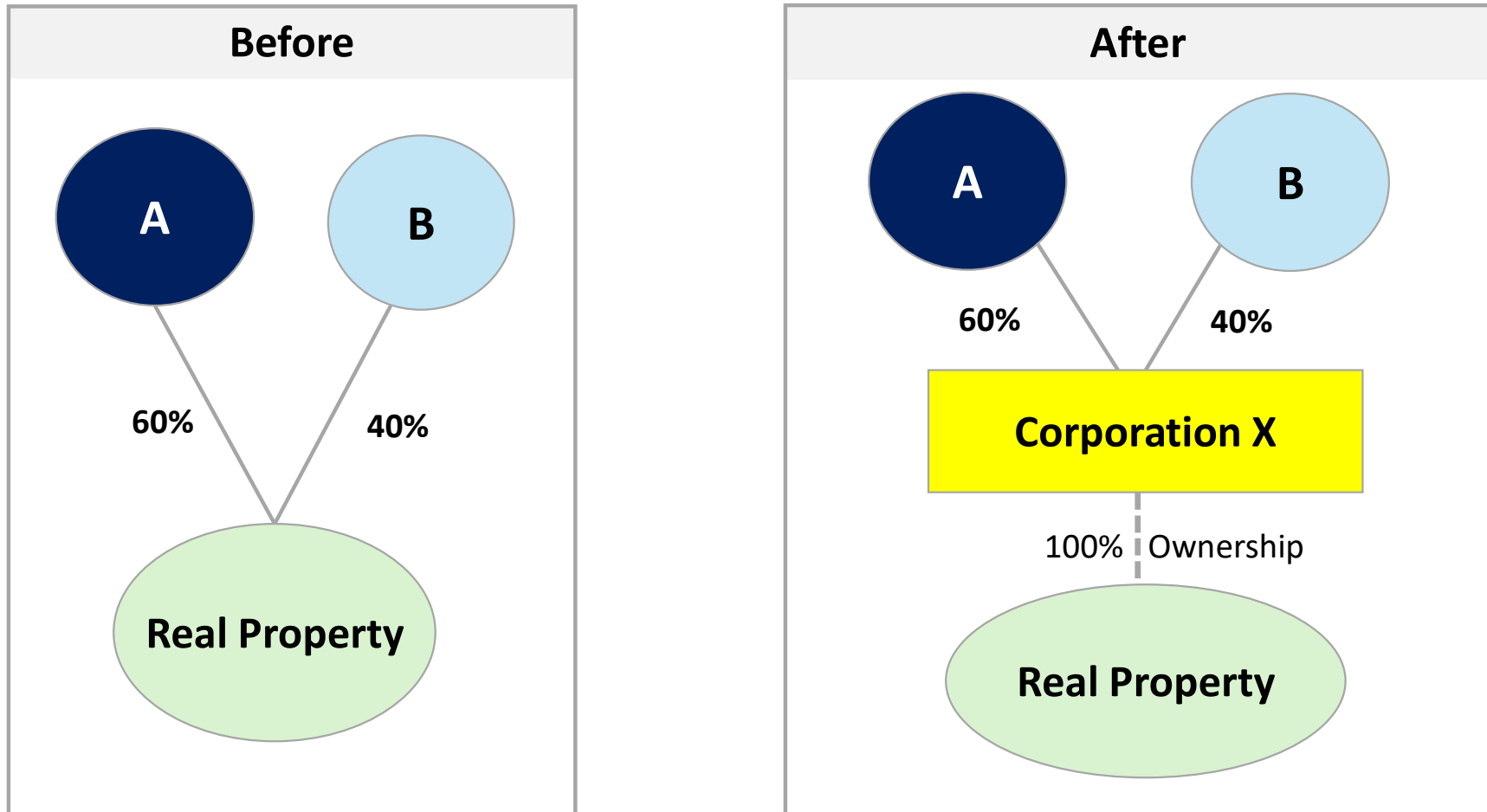
*Rev. & Tax. Code § 62(a)(2)*

*“...Change in ownership shall not include...Any transfer between an individual or individuals and a legal entity or between legal entities, such as a cotenancy to a partnership, a partnership to a corporation, or a trust to a cotenancy, **that results solely in a change in the method of holding title to the real property and in which proportional ownership interests of the transferors and transferees, whether represented by stock, partnership interest, or otherwise, in each and every piece of real property transferred, remain the same after the transfer.** The provisions of this paragraph shall not apply to transfers also excluded from a change in ownership under the provisions of subdivision (b) of Section 64...”*

## Common Issues:

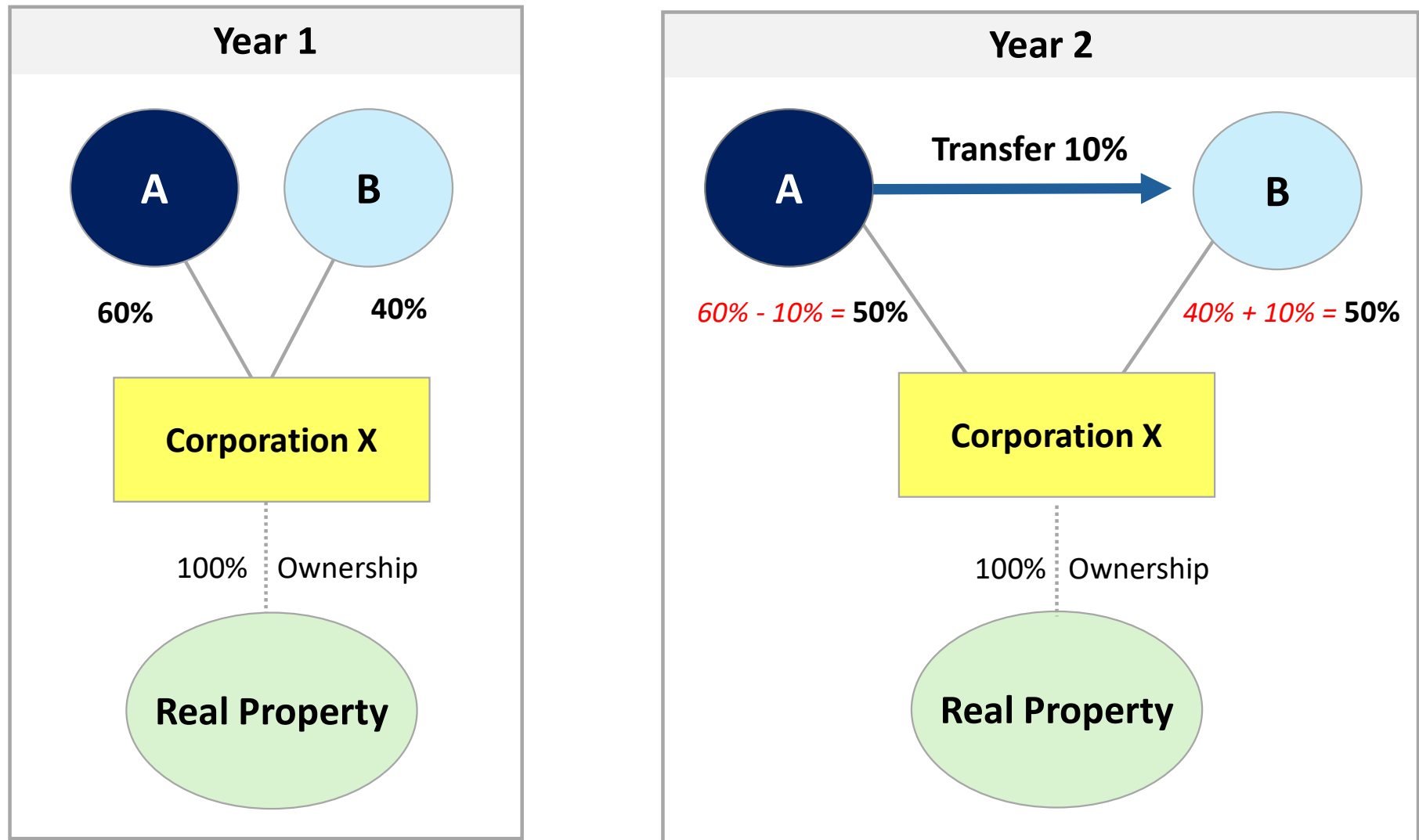
1. Measurement of proportional ownership NOT of value;
2. Proportionality must be EXACT, and
3. Proportionality must be in EACH and EVERY piece of real property transferred.

# Example 1: Change in Ownership Original Co-owners



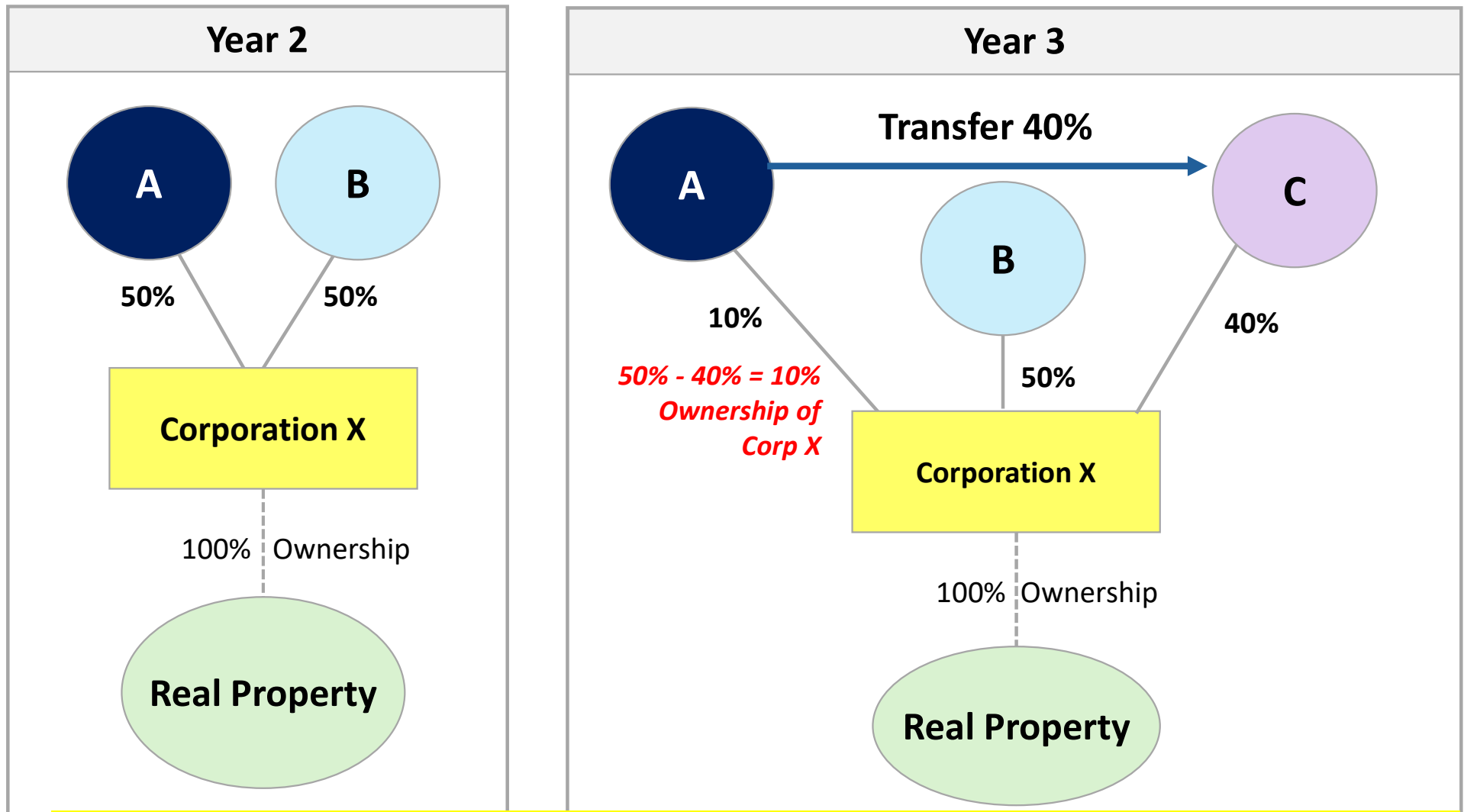
**Conclusion: Qualifies as a proportional transfer pursuant to 62(a)(2). A & B are "original co-owners" and no reassessment of the real property.**

## Example 2: Change in Ownership Original Co-owners



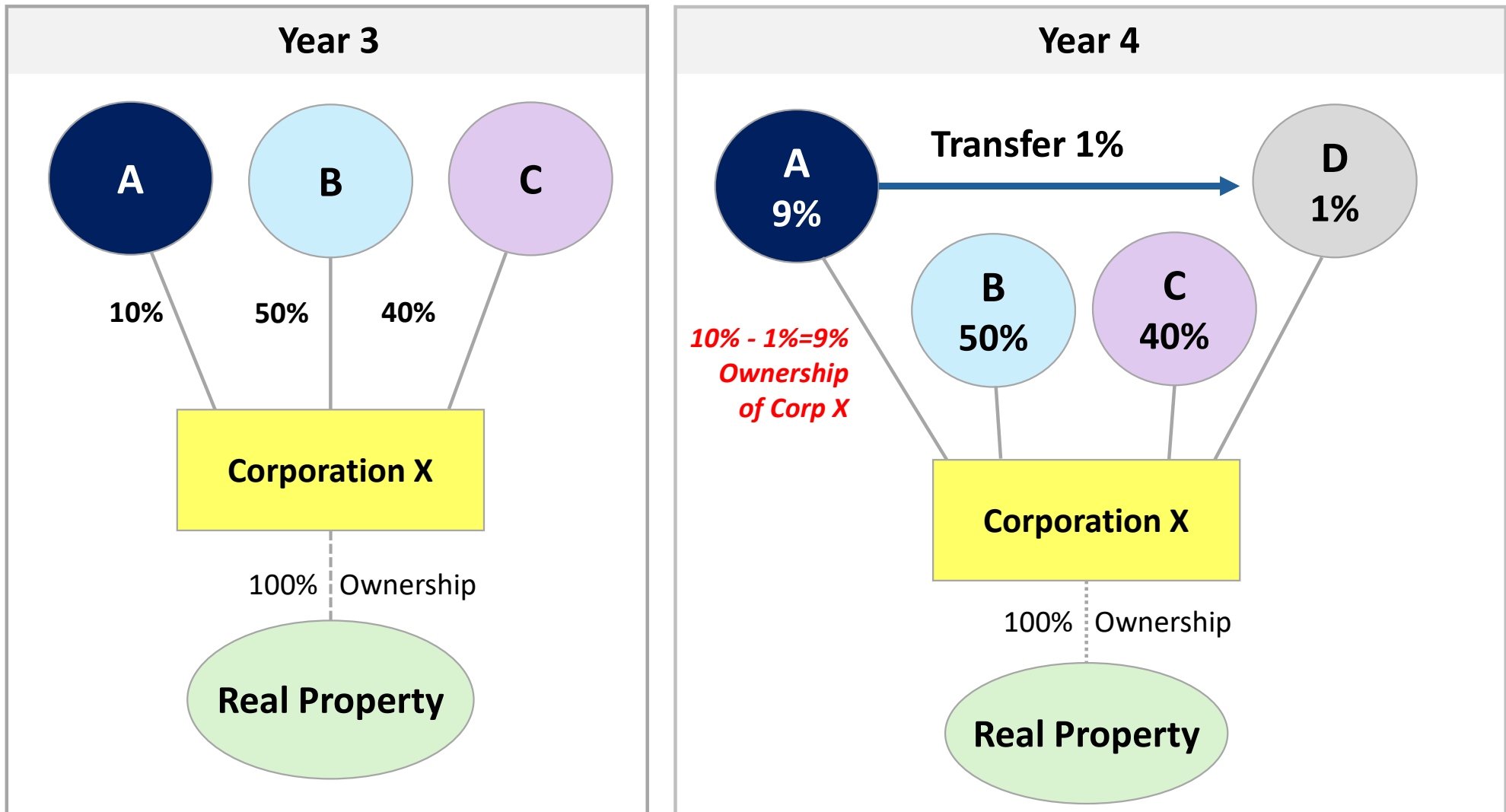
**Conclusion: No change in ownership under 64(d). Less than 50% of the original co-owners' interests has transferred.**

# Example 3: Change in Ownership



**Conclusion: No change in ownership pursuant to 64(d). A cumulative transfer of more than 50% of the original co-owners' interests has not transferred.**

# Example 4: Change in Ownership



**Conclusion: Due to a cumulative transfer of more than 50% of the original co-owners' interests, a change in ownership pursuant to 64(d) occurred, and the real property previously excluded under 62(a)(2) is subject to reassessment.**

# Exclusions for LEOP Transfers

- ✓ **Proportional Ownership Interest Transfer -**  
RTC section 62(a)(2)
- ✓ **Interspousal -** RTC section 63
- ✓ **Registered Domestic Partner -** RTC section 62(p)
- ✓ **Affiliated Group, Nontaxable  
Reorganization -** RTC section 64(b)



# LEOP Statistics

YEAR	BOE-100-B'S PROCESSED	CIC/CIO	PARCELS REAPPRAISED	CIC/CIO EXCLUDED	PARCELS EXCLUDED
2020	1,174	1,026	5,213	284	698
2021	1,586	1,346	4,713	414	1,490
2022	2,803	1,407	20,111	541	1,967
2023	4,128	2,225	14,387	718	4,485
2024	4,008	2,193	10,741	665	6,482
2025	4,500	2,386	8,591	974	4,605
<b>Total</b>	<b>18,199</b>	<b>10,583</b>	<b>63,756</b>	<b>3,596</b>	<b>19,727</b>

CIC – Change in Control

CIO – Change in Ownership



# BOE-100-B Filing Requirements for Change in Control / Change in Ownership

*RTC section 480.1 & RTC section 480.2*

Effective January 1, 2012, whenever there is a **change in control or change in ownership** of a corporation, partnership, limited liability company, or other legal entity, the person or legal entity acquiring ownership control must file a [Form 100-B](#) with BOE within **90** days from the date of the change.



# Penalty Provisions

## *RTC 482(b)*

### Failure to File Penalties:

- 10 percent of the taxes applicable to the new base year value of the real property (e.g. land, improvements, and fixtures) reassessed if a change in control or change in ownership *has* occurred, **or**
- 10 percent of the current year's taxes on the real property as of the date the due date period expired if a change in control or change in ownership *has not* occurred.

### Penalty Abatement:

- A person or legal entity seeking abatement of the penalty is required to file an application for abatement of penalty with the county board of supervisors within 60 days of being notified by the Assessor and has filed a statement with the Board of Equalization.



# LEOP Penalty Statistics

Year	CIC/CIO Filed	Percentage Filed Late	Percentage Filed Timely
2020	1,026	47%	53%
2021	1,346	29%	71%
2022	1,407	41%	59%
2023	2,225	45%	55%
2024	2,193	49%	51%
2025	2,386	42%	58%
<b>Total / Average</b>	<b>10,583</b>	<b>42%</b>	<b>58%</b>

CIC – Change in Control

CIO – Change in Ownership

# Discovering Change in Control & Change in Ownership

## *Sources of Information:*

**Self-reported by the entity to BOE**

**BOE discovery and request of entity to file**

- Franchise Tax Board - Information from FTB Tax Returns
- County Assessor Referrals to BOE



# Self-Reporting By Entity

- The law requires the filing of form BOE-100-B within 90 days of a **change in control** or **change in ownership**.
- Historically, legal entities did not self-report changes, and most filings were the result of BOE requests to file.
- This changed after January 1, 2010, when penalty provisions in RTC section 482 were amended.

# Franchise Tax Board Filings

The Franchise Tax Board (FTB) is required by law under RTC 64(e) to assist the BOE in determining whether an entity has experienced a **change in control** or a **change in ownership**.

FTB includes a three-part question on tax returns to inquire about involvement in an acquisition of an ownership interest during the period covered by the tax return.

In 2024, the BOE made revisions to the questions posed on the FTB returns to improve and increase the effectiveness of this discovery mechanism.

## Corporations

(Form 100 and Form 100W, question C, or Form 100S, question B)

## Partnerships

(Form 565 question J)

## Limited Liability Companies

(Form 568 question J)

# Self-Reported vs FTB Requested Filings

Year	Self-Reported By Entity	Self-Reported Determined CIC/CIO	Self-Reported Change Percentage of Total	FTB Information Provided to BOE	FTB Determined CIC/CIO	FTB Discovered Change Percentage of Total
<b>2023</b>	2,564	1,328	52%	1,518	20	1%
<b>2024</b>	2,016	1,110	55%	1,933	117	6%
<b>2025</b>	1,989	1,067	54%	2,469	81	3%
<b>Total</b>	<b>6,569</b>	<b>3,505</b>	<b>53%</b>	<b>5,920</b>	<b>218</b>	<b>4%</b>

CIC – Change in Control  
CIO – Change in Ownership

# Board Requested Filings due to County Referrals

- County Assessors' Offices may become aware of a potential change in control or change in ownership due to various sources of information.
- BOE's LEOP Team will investigate the information and determine if sending the entity a request to file is warranted.





# BOE's Responsibility to County Assessors

## Generate and Distribute Monthly Legal Entity Ownership Program Notice of Finding Reports to County Assessors, Identifying:

- Legal entities that have undergone a change in control or change in ownership, and if an exclusion applies.
- Mergers that are property transfers under RTC section 61(j) .
- If a legal entity is subject to a penalty under 482(b).

## Generate Annual Non-Response Filing Report

- Listing of all those entities that have failed to respond to a Board request.



# BOE Notice of Findings Reports Sent to County Assessors

## Notice of Findings Reports (Monthly)

- *Cover letter*
- *Copy of BOE-100-B filings*
- *Report of entities with a change in control or a change in ownership subject to reassessment*
- *Report of entities with excluded change in control or change in ownership*
- *Amended and Corrected Report*
- *Merger Summary and PDFs*

## Non-Response Filing Report (Annually)

- *Listing of all those entities that have failed to respond to a Board request*



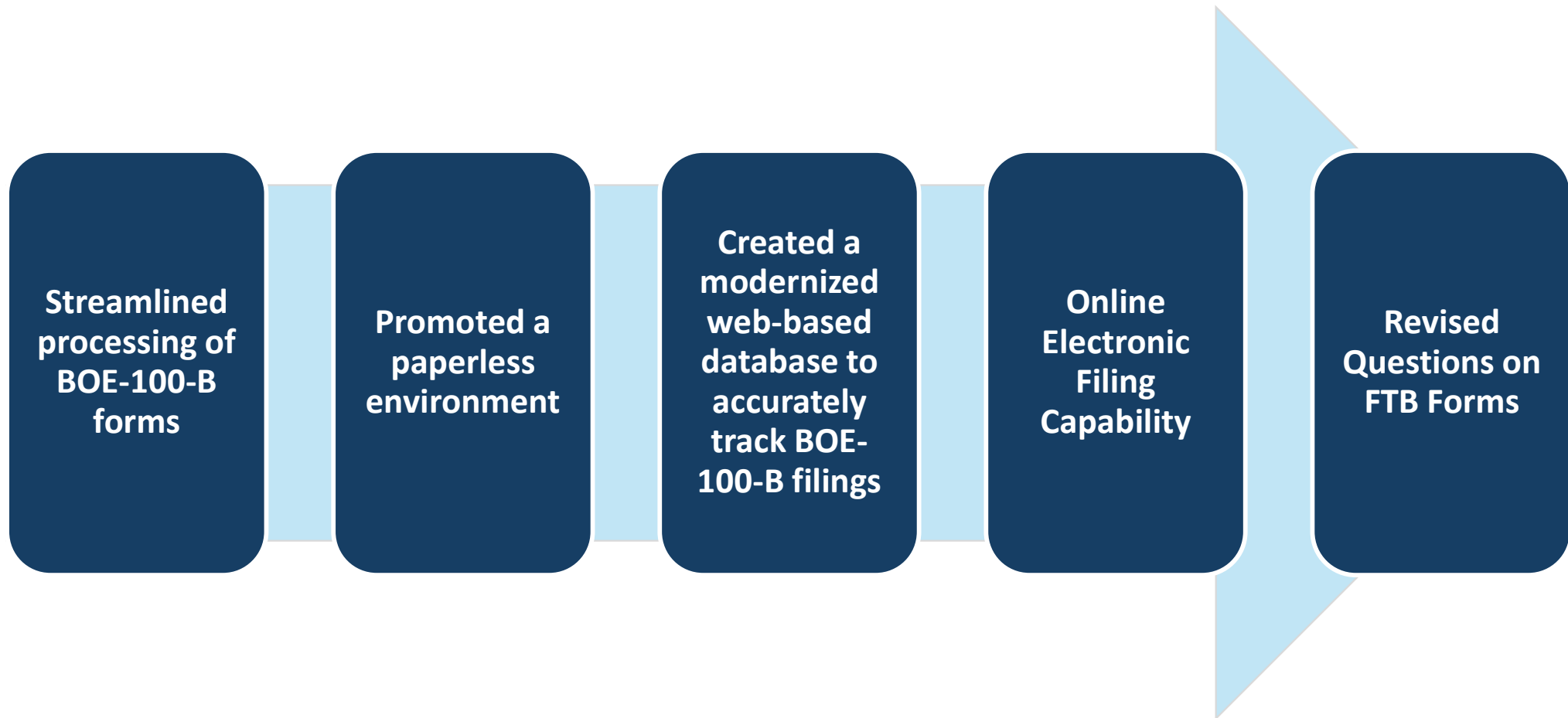
# Assessors' Role and Responsibilities

- Review monthly LEOP reports from the BOE
- Identify real property in the county that is subject to reassessment
- Reassess property
- Apply applicable penalties
- Notify entities of reassessment and any penalties
- Enroll reassessments and penalties



# LEOP Process Improvement Activities 2019 to 2025

Results: Modernization and Streamlining of LEOP





# Contact Information & Resources:

- For direct contact with LEOP via email and phone:  
Email: [LEOP@boe.ca.gov](mailto:LEOP@boe.ca.gov) Phone: 1-916-274-3410
- Chapter 6, Legal Entities, [Assessors' Handbook Section 401](#)
- [Property Tax Rule 462.180](#)
- Self-Study: [Legal Entity Ownership Program](#)
- LEOP website and forms: [www.boe.ca.gov/proptaxes/leop.htm](http://www.boe.ca.gov/proptaxes/leop.htm)