



SALLY J. LIEBER

CHAIR

CALIFORNIA STATE BOARD OF EQUALIZATION

Date: February 15, 2026

To: Ted Gaines, Vice Chair, Board Member, First District
Antonio Vazquez, Board Member, Third District
Mike Schaefer, Board Member, Fourth District
Malia M. Cohen, California State Controller

From: Sally J. Lieber, Chair, Board Member, Second District

Re: **Report on the Board's January 28, 2026, Informational Hearing
on the Legal Entity Ownership Program (LEOP).**

As a follow-up to the Board of Equalization's Informational Hearing on the Legal Entity Ownership Program (LEOP) that took place on January 28, 2026, I am submitting the following report to the Board.

This hearing raised important and necessary questions that go to our commitment to treat all taxpayers with transparency, fairness, and efficiency, and fulfill our role of oversight in a comprehensive and diligent manner. This is why the Board and our state government must focus on the growing and shocking discrepancies we find as residential property owners now pay over 70 percent of the property tax burden, as corporations and legal entities are often not experiencing or reporting a 50 percent change in ownership. Corporate tax loopholes, dependence on self-reporting, and the unfair burden our homeowners are now paying in property taxes are proving the current system to be insufficient and unfair.

I want to thank the Board of Equalization staff for their detailed presentation on the current operations of LEOP. The staff presentation highlighted the important role LEOP plays as they

process incoming information and forms and maintain complementary relationships between the BOE, the Franchise Tax Board (FTB), and our 58 elected County Assessors. We heard many good things about staff's diligence on LEOP. We also heard a clear need for staffing sufficient to improve turnaround times.

The discovery of changes in ownership for commercial property, owned by corporations, partnerships, and limited liability companies (LLCs), relies heavily on the collection of self-reported data from property owners regarding potential changes in ownership, and by investigation of potential changes in ownership by County Assessors upon receipt of data collected by the BOE. County Assessors may also conduct their own investigations into potential changes in ownership and refer that information to the BOE to determine if an entity should be sent a request to file a change in ownership.

Although BOE and County Assessors' staff work diligently to discover and enroll reassessments based on change-in-ownership or change-in-control, our Hearing found a need for additional education and outreach to stakeholders and legal entities.

Our Informational Hearing included data compiled by the BOE indicating that of 10,583 changes in ownership or changes in control files between 2020 and 2025 only 58 percent were filed within the statutorily mandated 90-day period.

Failure to file timely results in penalties applied by County Assessors. Although BOE, FTB and County Assessors' staff work diligently to discover and enroll reassessments based upon changes in ownership of commercial property, the data regarding failures to file timely indicate that the current approach would also be benefitted by further public information.

To this end, participants at the Informational Hearing offered useful observations and suggestions that should be considered and pursued.

Among various technical suggestions offered, the Los Angeles County Assessor's Office opined that BOE Form 502-D (Change in Ownership Statement—Death of a Real Property Owner) should also contain a line referencing BOE Form 100-B (Statement of Change in Control and Ownership of Legal Entities) to better capture changes in ownership for entities owned by deceased individuals; that names of subsidiaries be included in BOE Form 100-B; and that the filing period be extended from 90 days to 150 days to provide more time for filing changes in ownership, and presumably reducing the amount of changes in ownership subject to downstream penalties and appeals.

Kirk Stark, the Barrall Family Professor of Tax Law and Policy, University of California, Los Angeles, provided a useful description of the arcane ways the law can be used to shield changes in ownership through the creation of entities that purportedly result in under 50 percent changes in ownership for commercial property.

Regarding LEOP policy suggestions, Lenny Goldberg, Policy Director, California Tax Reform Association, opined that the intent of Proposition 13 would be fulfilled if LEOP could capture true changes in ownership based upon a rebuttable presumption that there is a 50 percent change in ownership interest, including stock ownership, every five years.

Reflective of the testimony we received, recommendations on LEOP improvement and reform are the following:

- The BOE Executive Director should review the technical suggestions for improving the operation of LEOP (such as those made by the Los Angeles County Assessor's Office), and report back to the Board with her recommendations for administrative or statutory changes.
- To address the issue of late filings, the BOE Executive Director should examine the effectiveness of the FTB/BOE processing of entity changes processed through taxpayer self-reported documents and provide any recommendations for administrative or statutory changes.
- To increase the efficiency of tracking changes in ownership, the BOE Executive Director should examine discovery techniques used by Assessors (and the BOE) to track entity changes, particularly regarding subsidiaries with different names than the primary filer and entities located outside California.
- To support improved discoveries of changes in ownership, the Executive Director of the BOE should investigate the utility of using artificial intelligence (AI) to track sales of entities that could indicate a change in ownership has occurred.
- To fully support the intent of Proposition 13, and to ensure that true changes in ownership are properly enrolled, statutory changes are needed. The Board and staff should engage in legislation, when introduced.

As I stated when I requested this Informational Hearing, the current LEOP process is essential to ensuring our property tax system functions efficiently, accurate property valuations are recorded based on true changes in ownership, correct taxes are paid, and accurate revenues are received by our schools, counties, cities, and special districts.

Implementing these suggestions to improve and reform LEOP will help ensure that we are executing our mandate to provide for fair, effective, and efficient tax administration.

Sincerely,

A handwritten signature in blue ink that reads "Sally J. Lieber". The signature is fluid and cursive, with the first name "Sally" being the most prominent part.

Sally J. Lieber, Chair

cc:

Douglas Winslow, Chief Deputy, Office of Chair Sally Lieber
Matt Cox, Chief Deputy, Office of Vice Chair Ted Gaines
Juan Flores, Chief Deputy, Office of Member Antonio Vazquez
Cody Petterson, Chief Deputy, Office of Member Mike Schaefer
Hasib Emran, Deputy State Controller

LEOP presentation: <https://boe.ca.gov/meetings/pdf/2026/202601-IH-LEOP-BOE.pdf>

LEOP Hearing video: https://www.youtube.com/watch?v=s_Mculq7l0I