



STATE BOARD OF EQUALIZATION
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No. 2026/039

October 19, 2026

To County Assessors:

Welfare Exemption: Delinquent Payments – Interest and Penalties

Effective January 1, 2025, [Assembly Bill 2353](#) (Stats. 2024, ch. 566) added section [4985.05](#) to the Revenue and Taxation Code¹, relating to the payment of delinquent ad valorem property taxes on property for which a claim for the Welfare Exemption has been filed. The relief provided by section 4985.05 applies to the property tax installments that are due and payable between December 10, 2025, and April 10, 2031.

Under the California Constitution, all property is taxable unless specifically exempted. Under [section 4, subdivision \(b\) of Article XIII of the California Constitution](#), the Legislature may exempt, 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 operating for those purposes. This exemption, known as the Welfare Exemption, is implemented under section [214](#). Further, property used exclusively as rental housing or related facilities owned and operated by another type of qualifying organization may qualify for an exemption under section 214(g). As explained further, the bill will allow an organization developing affordable housing to delay payment of property taxes on a project under construction without interest, penalty, or collections action while the application of the exemption is pending.

Existing law imposes various penalties, interest, and costs for the delinquent payment of property taxes. Before Assembly Bill 2353, an organization developing property intended to qualify for the Welfare Exemption was required to pay property taxes as they became due while its claim for the exemption was pending approval by the County Assessor. This is because the exemption cannot be granted until construction of the property is either complete or under construction pursuant to sections 214.1 and 214.2 and the County Assessor can determine if the use qualifies. If the exemption was later approved, the prior amounts were corrected, but the organization had already been liable for the higher, unreduced tax bills during construction of the property and could incur interest and penalties on any amounts not paid when due.

Assembly Bill 2353 adds section 4985.05 to address this situation for property during the course of construction. Under section 4985.05, a property owner is not liable for interest or penalties, and the tax collector shall not take or continue any collection action, with respect to ad valorem property taxes levied upon a property if the property owner satisfies all the following requirements annually while receiving the benefits of this section:

¹ All statutory references are to the Revenue and Taxation code, unless otherwise provided.

- The property owner has provided proof to the tax collector that the property owner has filed with the County Assessor an application for exemption pursuant to section 214(g), including, but not limited to, the information required under [section 254](#).
- The owner of the property provides evidence to the tax collector of having received from the California Tax Credit Allocation Committee a reservation of tax credits or from the Department of Housing and Community Development an award of funds, with a copy of the reservation letter or notice of award.
- The facilities are under construction as defined in [section 214.2](#).

The eligible property owner must establish eligibility with the tax collector each year. The tax collector shall transmit the list of eligible properties to the County Assessor. A bill, notice of deficiency, or other forms of communication sent to the taxpayer from the tax collector does not constitute a collection action under section 4985.05.

Relief provided by section 4985.05 is only available while the property is owned under the specified conditions, and the subject property ultimately qualifies for the Welfare Exemption. If the organization's property ultimately qualifies for the Welfare Exemption, the exemption would be granted, any taxes assessed would be reduced for the period during which the property was owned by the organization, and interest and penalties would not be added. If the organization does not qualify for the benefit of section 4985.05, the installments together with interest and penalties, if any, are payable. The benefit does not apply to:

- The prorated amount of any delinquent installments which may have been due with respect to any improvements not eligible for exemption or any residential units not reserved as affordable to low- and very low-income households pursuant to the reservation of tax credits or award of funds.
- Any late or delinquent installment for property that, after a four-year period from the date the claim for the Welfare Exemption for that property is filed with the County Assessor, was not developed in a manner in which it would be eligible for exemption under section 214(g).

Upon determining that an application is not eligible for exemption as described above, the County Assessor shall send the notice required under section 254.5(c)(2) and shall also send a copy of that notice to the tax collector as required upon receipt of the annual eligibility list.

A copy of section 4985.05 is enclosed. If you have any questions regarding these changes, please contact the County-Assessed Properties Division at 916-274-3350.

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
Property Tax Department

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Enclosure

SECTION 1. Section 4985.05 is added to the Revenue and Taxation Code, to read:

4985.05.

(a) Notwithstanding any other law, but except as provided in subdivision (b), a property owner shall not be liable for interest or penalties, nor shall the tax collector take or continue any collection action, with respect to any ad valorem property taxes levied upon a property if the property owner satisfies all of the following requirements annually while receiving the benefit:

- (1) The property owner supplies evidence to the tax collector that the property owner has submitted to the county assessor an application for an exemption pursuant to subdivision (g) of Section 214, including, but not limited to, the information required under Section 254.
- (2) The property owner supplies evidence to the tax collector that they received a reservation of tax credits from the California Tax Credit Allocation Committee or an award of funds from the Department of Housing and Community Development, including a copy of the reservation letter or notice of award.
- (3) Facilities are in the course of construction, as defined in Section 214.2 of the Revenue and Taxation Code.

(b) The treatment of delinquent installments of ad valorem property tax and associated penalties and interest under subdivision (a) shall not apply to any of the following:

- (1) The prorated portion of any delinquent installments of ad valorem property taxes that are related to improvements not eligible for an exemption or to residential units not restricted as affordable to lower and very low income households pursuant to the reservation of tax credits from the California Tax Credit Allocation Committee or the award of funds from the Department of Housing and Community Development.
- (2) Any late or delinquent installments of ad valorem property taxes related to property which the assessor, upon completion of its review of the application for exemption pursuant to subdivision (g) of Section 214, has deemed ineligible for exemption.
- (3) Any delinquent installment of ad valorem taxes for property that, after four years from the date the claim for the welfare exemption was filed with the assessor, has not been developed in a manner that would make the property eligible for exemption under subdivision (g) of Section 214.

(c) An eligible property owner who is not liable for penalties or interest under this section shall provide verification of eligibility to the tax collector annually. The tax collector shall provide the list of eligible properties to the assessor.

(d) If an assessor deems an application ineligible for exemption, as described in paragraph (2) of subdivision (b), they shall make the notice required in paragraph (2) of subdivision (c) of Section 254.5 and provide a copy of the notification to the tax collector upon receipt of the annual eligibility list.

(e) Any bill, notice of deficiency, or other routine communication sent to the taxpayer from the tax collector shall not constitute a collection action under this section.

(f) This section shall apply to property tax installments that are due and payable from December 10, 2025, to April 10, 2031.