

CHANGES WITHOUT REGULATORY EFFECT UNDER CALIFORNIA CODE OF REGULATIONS, TITLE 1, SECTION 100

Statement of Explanation

California Code of Regulations, Title 18. Public Revenues

Division 1, State Board of Equalization – Property Tax

Chapter 2, *Assessment*, Article 3. Exemptions and Immunities

Section 140, *Welfare Exemption Requirements for Low-Income Housing Properties*

California Code of Regulations, title 18, section (Rule) 140, *Welfare Exemption Requirements for Low-Income Housing Properties*, sets forth definitions which govern the construction of Revenue and Taxation Code (RTC) section 214, subdivision (g) regarding the property tax welfare exemption for low-income housing properties. Specifically, subdivision (a)(2) of Rule 140 lists the different forms of “government financing” allowed under RTC section 214. Rule 140 also sets forth the requirements for claimants to qualify for the welfare exemption for low-income housing properties.

Assembly Bill No. 84, which was signed by the Governor and went into effect on October 11, 2023, amended RTC section 214 to expand the partial exemption on rental housing and related facilities for organizations which have a “welfare exemption” to properties “acquired, rehabilitated, developed, or operated, or any combination of these factors, with financing from qualified 501(c)(3) bonds.” Currently Rule 140, subdivision (a)(2) which lists the different forms of government financing allowed under RTC 214 does not include “qualified 501(c)(3) bonds”.

The proposed amendments to Rule 140 adds the phrase “qualified 501(c)(3) bonds, as that term is defined in Section 145 of Title 26 of the United States Code” to the forms of government financing listed in subdivision (a)(2) of the rule and renumbers the remaining items listed to account for the addition of qualified 501(c)(3) bonds to the list. The addition of the full text is necessary to clarify the meaning of “qualified 501(c)(3) bonds” in the Rule. The amendments also include one grammatical correction changing “an” to “any” in subdivision (b)(2) to return the sentence to its original and intended meaning.

The State Board of Equalization has determined that the changes to Rule 140 are appropriate for processing under California Code of Regulations, title 1, section 100 because the changes make “a regulatory provision consistent with a changed California statute” where “the regulatory provision is inconsistent with and superseded by the changed statute” and the Board has “no discretion to adopt a change that differs in substance from the one chosen.” (Cal. Code Regs., tit. 1, § 100, subd. (a)(6).) Furthermore, the changes are merely reflective of existing law and therefore, they do “not materially alter any requirement, right, responsibility, condition, prescription or other regulatory element of any California Code of Regulations provision.” (Cal.

Code Regs., tit. 1, § 100, subd. (a).) Finally, the amendments include renumbering elements of a regulatory provision (*Id.* at subd. (a)(1)) and a revision to grammar. (*Id.* at subd. (a)(4).)