

AMENDED IN ASSEMBLY MAY 19, 2014

AMENDED IN ASSEMBLY APRIL 1, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 2372

**Introduced by Assembly Member ~~Members~~ Ammiano and
Bocanegra**

February 21, 2014

An act to amend Sections 64, 480.1, 480.2, and 482 of, and to add Sections 480.9, 486, 486.5, and 488 to, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2372, as amended, Ammiano. Property taxation: change in ownership.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, "full cash value" is defined as the assessor's valuation of real property as shown on the 1975–76 tax bill under "full cash value" or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred. ~~Existing~~ *Existing property tax law provides that any corporate reorganization, where all of the corporations involved are members of an affiliated group, that qualifies as a reorganization under a specified provision of the Internal Revenue Code and that is accepted as a nontaxable event by similar California laws; or any transfer of real property among members of an affiliated group, or any reorganization of farm credit institutions, as specified, is not a change of ownership. Existing property tax law defines "affiliated group" to mean one or more chains of*

corporations connected through stock ownership with a common parent corporation if certain conditions are met, including, among others, that the common parent corporation owns, directly, 100% of the voting stock of at least one of the other corporations.

This bill would lower the percentage of voting stock of at least one of the other corporations required to be directly owned by the common parent corporation from 100% to 90%.

Existing property tax law specifies those circumstances in which the transfer of ownership interests in a corporation, partnership, limited liability company, or other legal entity results in a change in ownership of the real property owned by that entity, and generally provides that a change in ownership as so described occurs if a legal entity or other person obtains a controlling or majority ownership interest in the legal entity. Existing law also specifies other circumstances in which certain transfers of ownership interests in legal entities result in a change in ownership of the real property owned by those legal entities. Existing law requires the Franchise Tax Board to include a question on returns for partnerships, banks, and corporations to assist in the determination of whether a change of ownership under the circumstances described above has occurred.

*This bill would instead specify that if ~~100%~~ 90% or more of the ownership interests in a *nonaffiliated* legal entity, ~~as defined~~, are sold or transferred in a single transaction, ~~as specified~~ *defined*, the real property owned by that legal entity has changed ownership, whether or not any one legal entity or person that is a party to the transaction acquires more than 50% of the ownership interests. *This bill would require the person or legal entity acquiring ownership of the corporation, partnership, limited liability company, or other legal entity as so described to answer the question included on returns by the Franchise Tax Board.* The bill would require the State Board of Equalization to notify assessors if a change in ownership as so described occurs.*

Existing law requires, upon a change in control or change in ownership of a legal entity that owns an interest in real property in this state, or when requested by the State Board of Equalization, that the person or legal entity acquiring ownership *or* control, or the legal entity that has undergone a change in ownership, file a change in ownership statement with the board, as specified. Existing law requires a penalty of 10% of the taxes applicable to the new base year value, as specified, or 10% of the current year's taxes on the property, as specified, to be added to the

assessment made on the roll if a person or legal entity required to file a change in ownership statement fails to do so.

This bill would eliminate the requirement that a change in ownership statement be filed upon a change in control of a legal entity that owns an interest in real property in this state. This bill would require a person or legal entity acquiring ownership interests in a legal entity, if ~~100%~~ *90% or more* of the ownership interests in the legal entity are sold or transferred, as described above, to file a change in ownership statement signed under penalty of perjury with the State Board of Equalization. This bill would increase the penalties for failure to file a change in ownership statement, as described above, from 10% to ~~20%~~ *15%*.

This bill would also require a person or legal entity that acquires the ownership interest of a legal entity to report the change in ownership interests to the State Board of Equalization if any change in the ownership interests in a legal entity holding an interest in real property in this state occurs, as provided. This bill would require a legal entity to report subsequent changes in the ownership interests of the legal entity to the county assessor if a specified transfer between an individual or individuals and a legal entity or between legal entities occurs, as provided.

This bill would also require a deed to be recorded with the county recorder by the owner of the real property, even if the owner of the real property does not change, if a change of an ownership interest in a legal entity holding an interest in real property occurs.

By expanding the crime of perjury and by imposing new duties upon local county officials with respect to changes in ownership, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that with regard to certain mandates no reimbursement is required by this act for a specified reason.

With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of $\frac{2}{3}$ of the membership of each house of the Legislature.

This bill would take effect immediately as a tax levy.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. (a) The Legislature finds and declares all of the
2 following:

3 (1) The system for determining a change in ownership for the
4 purpose of assessment of commercial property is complex and
5 difficult to administer.

6 ~~(2) Property owners use ownership~~ *may include* complex legal
7 maneuvers and methods of dividing up, or obscuring, ownership
8 patterns, in order to avoid reassessment *up ownership* when
9 changes of ownership actually occur.

10 (3) There are ~~many~~ circumstances in which changes of
11 ownership have legally taken place that ~~are often~~ *may not be* known
12 to the assessor because they are deliberately obscured, for example,
13 if the property is kept in the name of the old property owner even
14 when a company is purchased.

15 (4) Deeds are filed that describe ownership patterns of such
16 complexity that it is difficult for the legal powers of the counties,
17 and the enforcement powers of the assessor, to be exercised.

18 (5) Transactions occur that should be identified as changes of
19 ownership, for example, a ~~100-percent~~ *90 percent or more* purchase
20 of a company, that ~~avoid reassessment~~ *are not reassessed* because
21 of the ~~ability to divide~~ *division of* ownership shares.

22 ~~(6) Penalties for obscuring or failing to report transactions are~~
23 ~~insufficient to provide incentives to purchasers to self-report,~~
24 ~~making the job of identifying these transactions by the assessor~~
25 ~~and the State Board of Equalization more difficult.~~

26 ~~(7) Changes in ownership may not trigger reassessment because~~
27 ~~of leasehold interests that are not transparent to the assessor.~~

28 (b) Therefore, it is the intent of the Legislature to provide all of
29 the following:

30 (1) Greater clarity with regard to those circumstances in which
31 a change in ownership has occurred.

32 (2) Greater transparency in ownership patterns with respect to
33 the filing of deeds and with respect to other real property and
34 financial transactions.

1 (3) Improved reporting and stronger enforcement.

2 (c) It is further the intent of the Legislature that changes in
3 ownership in which ~~100~~ 90 percent *or more* of the ownership of
4 a business, whether through mergers, private equity buyouts,
5 transfer of ownership from one financial institution to another,
6 transfers of shares of limited liability companies or trusts, transfers
7 of partnership shares, or other changes by which ~~100~~ 90 percent
8 *or more* is transferred shall constitute a change of ownership
9 subject to reassessment.

10 SEC. 2. Section 64 of the Revenue and Taxation Code is
11 amended to read:

12 64. (a) Except as provided in subdivision (i) of Section 61 and
13 subdivisions (c) and (d), the purchase or transfer of ownership
14 interests in legal entities, such as corporate stock or partnership or
15 limited liability company interests, does not constitute a transfer
16 of the real property of the legal entity. This subdivision applies to
17 the purchase or transfer of ownership interests in a partnership
18 without regard to whether it is a continuing or a dissolved
19 partnership.

20 (b) Any corporate reorganization, where all of the corporations
21 involved are members of an affiliated group, and that qualifies as
22 a reorganization under Section 368 of the United States Internal
23 Revenue Code and that is accepted as a nontaxable event by similar
24 California statutes, or any transfer of real property among members
25 of an affiliated group, or any reorganization of farm credit
26 institutions pursuant to the federal Farm Credit Act of 1971 (Public
27 Law 92-181), as amended, shall not be a change of ownership.
28 The taxpayer shall furnish proof, under penalty of perjury, to the
29 assessor that the transfer meets the requirements of this subdivision.

30 For purposes of this subdivision, “affiliated group” means one
31 or more chains of corporations connected through stock ownership
32 with a common parent corporation if both of the following
33 conditions are met:

34 (1) One hundred percent of the voting stock, exclusive of any
35 share owned by directors, of each of the corporations, except the
36 parent corporation, is owned by one or more of the other
37 corporations.

38 (2) The common parent corporation owns, directly, ~~100~~ 90
39 percent *or more* of the voting stock, exclusive of any shares owned
40 by directors, of at least one of the other corporations.

1 (c) (1) (A) When a corporation, partnership, limited liability
2 company, other legal entity, or any other person obtains control
3 through direct or indirect ownership or control of more than 50
4 percent of the voting stock of any corporation, or obtains a majority
5 ownership interest in any partnership, limited liability company,
6 or other legal entity through the purchase or transfer of corporate
7 stock, partnership, or limited liability company interest, or
8 ownership interests in other legal entities, including any purchase
9 or transfer of 50 percent or less of the ownership interest through
10 which control or a majority ownership interest is obtained, the
11 purchase or transfer of that stock or other interest shall be a change
12 of ownership of the real property owned by the corporation,
13 partnership, limited liability company, or other legal entity in which
14 the controlling interest is obtained.

15 (B) (i) When ~~100~~ 90 percent *or more* of the ownership interests
16 in a *nonaffiliated* legal entity are sold or transferred in a single
17 transaction to a *nonaffiliated* legal entity or person, whether by
18 merger, acquisition, private equity buyout, transfer of partnership
19 shares, or any other means by which a *nonaffiliated* legal entity
20 or person acquires the ownership interests of another legal entity,
21 including the subsidiaries or affiliates of the legal entity and the
22 property owned by those subsidiaries or affiliates, the purchase or
23 transfer of the ownership interests is a change of ownership of the
24 real property owned by the legal entity, whether or not any one
25 legal entity or person that is a party to the transaction acquires
26 more than 50 percent of the ownership interests.

27 (ii) For purposes of this subparagraph:

28 (I) “Legal entity” means a corporation, partnership, limited
29 liability company, or other legal entity.

30 (II) “*Original transaction*” means a transaction that occurs on
31 or after the effective date of the act adding this subclause.

32 ~~(H)~~

33 (III) “Ownership interests” means corporate voting stock,
34 partnership capital and profits interests, limited liability company
35 membership interests, and other ownership interests in legal
36 entities.

37 ~~(HH)~~

38 (IV) “Single transaction” means a transaction in which 100
39 percent of the ownership interests are sold or transferred in either
40 one calendar year or within a three-year period beginning on the

1 date of the original transaction when any percentage of ownership
2 interests are sold or transferred.

3 (V) *“Sold or transferred” does not include a sale of stock or*
4 *interests of a publicly traded corporation or a publicly traded*
5 *partnership in the regular course of a trading activity on a*
6 *recognized stock exchange unless shares are acquired as part of*
7 *a merger, acquisition, private equity buyout, transfer of partnership*
8 *shares, or any other means by which a change of ownership would*
9 *otherwise occur pursuant to this subparagraph.*

10 (2) On or after January 1, 1996, when an owner of a majority
11 ownership interest in any partnership obtains all of the remaining
12 ownership interests in that partnership or otherwise becomes the
13 sole partner, the purchase or transfer of the minority interests,
14 subject to the appropriate application of the step-transaction
15 doctrine, shall not be a change in ownership of the real property
16 owned by the partnership.

17 (d) If property is transferred on or after March 1, 1975, to a
18 legal entity in a transaction excluded from change in ownership
19 by paragraph (2) of subdivision (a) of Section 62, then the persons
20 holding ownership interests in that legal entity immediately after
21 the transfer shall be considered the “original coowners.” Whenever
22 shares or other ownership interests representing cumulatively more
23 than 50 percent of the total interests in the entity are transferred
24 by any of the original coowners in one or more transactions, a
25 change in ownership of that real property owned by the legal entity
26 shall have occurred, and the property that was previously excluded
27 from change in ownership under the provisions of paragraph (2)
28 of subdivision (a) of Section 62 shall be reappraised.

29 The date of reappraisal shall be the date of the transfer of the
30 ownership interest representing individually or cumulatively more
31 than 50 percent of the interests in the entity.

32 A transfer of shares or other ownership interests that results in
33 a change in control of a corporation, partnership, limited liability
34 company, or any other legal entity is subject to reappraisal as
35 provided in subdivision (c) rather than this subdivision.

36 (e) (I) To assist in the determination of whether a change of
37 ownership has occurred under subdivisions (c) and (d), the
38 Franchise Tax Board shall include a question in substantially the
39 following form on returns for partnerships, banks, and corporations
40 (except tax-exempt organizations):

1 If the corporation (or partnership or limited liability company)
2 owns real property in California, has cumulatively more than 50
3 percent of the voting stock (or more than 50 percent of total interest
4 in both partnership or limited liability company capital and
5 partnership or limited liability company profits) (1) been transferred
6 by the corporation (or partnership or limited liability company)
7 since March 1, 1975, or (2) been acquired by another legal entity
8 or person during the year? (See instructions.)

9 If the entity answers “yes” to (1) or (2) in the above question,
10 then the Franchise Tax Board shall furnish the names and addresses
11 of that entity and of the stock or partnership or limited liability
12 company ownership interest transferees to the State Board of
13 Equalization.

14 *(2) Whenever there is a change in ownership pursuant to*
15 *subparagraph (B) of paragraph (1) of subdivision (c), the question*
16 *included on returns pursuant to this subdivision shall be answered*
17 *by the person or legal entity acquiring ownership of the*
18 *corporation, partnership, limited liability company, or other legal*
19 *entity.*

20 (f) The board may prescribe regulations as may be necessary
21 to carry out the purposes of the act adding this subdivision.

22 SEC. 3. Section 480.1 of the Revenue and Taxation Code is
23 amended to read:

24 480.1. (a) ~~Whenever there is a change in control or~~ a change
25 in ownership of any corporation, partnership, limited liability
26 company, or other legal entity, as defined in subdivision (c) of
27 Section 64, a signed change in ownership statement as provided
28 for in subdivision (b), shall be filed by the person or legal entity
29 acquiring ownership of the corporation, partnership, limited
30 liability company, or other legal entity with the board at its office
31 in Sacramento within 90 days from the date of ~~the change in control~~
32 ~~or~~ the change in ownership of the corporation, partnership, limited
33 liability company, or other legal entity. The statement shall list all
34 counties in which the corporation, partnership, limited liability
35 company, or legal entity owns real property.

36 (b) The change in ownership statement as required pursuant to
37 subdivision (a), shall be declared to be true under penalty of perjury
38 and shall give such information relative to the ownership
39 acquisition transaction as the board shall prescribe after
40 consultation with the California Assessors’ Association. The

1 information shall include, but not be limited to, a description of
2 the property owned by the corporation, partnership, limited liability
3 company, or other legal entity, the parties to the transaction, and
4 the date of the ownership acquisition. The change in ownership
5 statement shall not include any question which is not germane to
6 the assessment function. The statement shall contain a notice that
7 is printed, with the title in at least 12-point boldface type and the
8 body in at least 8-point boldface type, in the following form:

9
10
11 “Important Notice”
12

13 “The law requires any person or legal entity acquiring ownership
14 in any corporation, partnership, limited liability company, or other
15 legal entity owning real property in California subject to local
16 property taxation to complete and file a change in ownership
17 statement with the State Board of Equalization at its office in
18 Sacramento. The change in ownership statement must be filed
19 within 90 days from the date of ~~the change in control~~ or the change
20 in ownership of a corporation, partnership, limited liability
21 company, or other legal entity. The law further requires that a
22 change in ownership statement be completed and filed whenever
23 a written request is made therefor by the State Board of
24 Equalization, regardless of whether a change in control or a change
25 in ownership of the legal entity has occurred. The failure to file a
26 change in ownership statement within 90 days from the earlier of
27 the date of ~~the change in control~~ or a change in ownership of the
28 corporation, partnership, limited liability company, or other legal
29 entity, or the date of a written request by the State Board of
30 Equalization, results in a penalty of ~~20~~ 15 percent of the taxes
31 applicable to the new base year value reflecting the change in
32 control or the change in ownership of the real property owned by
33 the corporation, partnership, limited liability company, or legal
34 entity (or ~~20~~ 15 percent of the current year’s taxes on that property
35 if no change in control or change in ownership occurred). This
36 penalty will be added to the assessment roll and shall be collected
37 like any other delinquent property taxes, and be subject to the same
38 penalties for nonpayment.”
39

1 (c) In the case of a corporation, the change in ownership
2 statement shall be signed either by an officer of the corporation or
3 an employee or agent who has been designated in writing by the
4 board of directors to sign such statements on behalf of the
5 corporation. In the case of a partnership, limited liability company,
6 or other legal entity, the statement shall be signed by an officer,
7 partner, manager, or an employee or agent who has been designated
8 in writing by the partnership, limited liability company, or legal
9 entity.

10 (d) No person or entity acting for or on behalf of the parties to
11 a transfer of real property shall incur liability for the consequences
12 of assistance rendered to the transferee in preparation of any change
13 in ownership statement, and no action may be brought or
14 maintained against any person or entity as a result of that
15 assistance.

16 Nothing in this section shall create a duty, either directly or by
17 implication, that such assistance be rendered by any person or
18 entity acting for or on behalf of parties to a transfer of real property.

19 (e) The board or assessors may inspect any and all records and
20 documents of a corporation, partnership, limited liability company,
21 or legal entity to ascertain whether a change in control or a change
22 in ownership as defined in subdivision (c) of Section 64 has
23 occurred. The corporation, partnership, limited liability company,
24 or legal entity shall, upon request, make those documents available
25 to the board during normal business hours.

26 SEC. 4. Section 480.2 of the Revenue and Taxation Code is
27 amended to read:

28 480.2. (a) Whenever there is a change in ownership of any
29 corporation, partnership, limited liability company, or other legal
30 entity, as defined in subdivision (d) of Section 64, a signed change
31 in ownership statement as provided in subdivision (b) shall be filed
32 by the corporation, partnership, limited liability company, or other
33 legal entity with the board at its office in Sacramento within 90
34 days from the date of the change in ownership of the corporation,
35 partnership, limited liability company, or other legal entity. The
36 statement shall list all counties in which the corporation,
37 partnership, limited liability company, or legal entity owns real
38 property.

39 (b) The change in ownership statement required pursuant to
40 subdivision (a) shall be declared to be true under penalty of perjury

1 and shall give that information relative to the ownership interest
2 acquisition transaction as the board shall prescribe after
3 consultation with the California Assessors' Association. The
4 information shall include, but not be limited to, a description of
5 the property owned by the corporation, partnership, limited liability
6 company, or other legal entity, the parties to the transaction, the
7 date of the ownership interest acquisition, and a listing of the
8 "original coowners" of the corporation, partnership, limited liability
9 company, or other legal entity prior to the transaction. The change
10 in ownership statement shall not include any question which is not
11 germane to the assessment function. The statement shall contain
12 a notice that is printed, with the title in at least 12-point boldface
13 type and the body in at least 8-point boldface type, in the following
14 form:

15
16 "Important Notice"

17
18 "The law requires any corporation, partnership, limited liability
19 company, or other legal entity owning real property in California
20 subject to local property taxation and transferring shares or other
21 ownership interest in such legal entity that constitute a change in
22 ownership pursuant to subdivision (d) of Section 64 of the Revenue
23 and Taxation Code to complete and file a change in ownership
24 statement with the State Board of Equalization at its office in
25 Sacramento. The change in ownership statement must be filed
26 within 90 days from the date that shares or other ownership
27 interests representing cumulatively more than 50 percent of the
28 total control or ownership interests in the entity are transferred by
29 any of the original coowners in one or more transactions. The law
30 further requires that a change in ownership statement be completed
31 and filed whenever a written request is made therefor by the State
32 Board of Equalization, regardless of whether a change in ownership
33 of the legal entity has occurred. The failure to file a change in
34 ownership statement within 90 days from the earlier of the date of
35 the change in ownership of the corporation, partnership, limited
36 liability company, or other legal entity, or the date of a written
37 request by the State Board of Equalization, results in a penalty of
38 ~~20~~ 15 percent of the taxes applicable to the new base year value
39 reflecting the change in ownership of the real property owned by
40 the corporation, partnership, limited liability company, or legal

1 entity (or 15 percent of the current year’s taxes on that real
 2 property if no change in ownership occurred). This penalty will
 3 be added to the assessment roll and shall be collected like any
 4 other delinquent property taxes, and be subject to the same
 5 penalties for nonpayment.”

6 (c) In the case of a corporation, the change in ownership
 7 statement shall be signed either by an officer of the corporation or
 8 an employee or agent who has been designated in writing by the
 9 board of directors to sign such statements on behalf of the
 10 corporation. In the case of a partnership, limited liability company,
 11 or other legal entity, the statement shall be signed by an officer,
 12 partner, manager, or an employee or agent who has been designated
 13 in writing by the partnership, limited liability company, or legal
 14 entity.

15 (d) No person or entity acting for or on behalf of the parties to
 16 a transfer of real property shall incur liability for the consequences
 17 of assistance rendered to the transferee in preparation of any change
 18 in ownership statement, and no action may be brought or
 19 maintained against any person or entity as a result of that
 20 assistance.

21 Nothing in this section shall create a duty, either directly or by
 22 implication, that such assistance be rendered by any person or
 23 entity acting for or on behalf of parties to a transfer of real property.

24 (e) The board or assessors may inspect any and all records and
 25 documents of a corporation, partnership, limited liability company,
 26 or legal entity to ascertain whether a change in ownership as
 27 defined in subdivision (d) of Section 64 has occurred. The
 28 corporation, partnership, limited liability company, or legal entity
 29 shall upon request, make those documents available to the board
 30 during normal business hours.

31 SEC. 5. Section 480.9 is added to the Revenue and Taxation
 32 Code, to read:

33 480.9. The board shall notify assessors if a change in ownership
 34 described in subparagraph (B) of paragraph (1) of subdivision (c)
 35 of Section 64 has occurred.

36 SEC. 6. Section 482 of the Revenue and Taxation Code is
 37 amended to read:

38 482. (a) (1) If a person or legal entity required to file a
 39 statement described in Section 480 fails to do so within 90 days
 40 from the date a written request is mailed by the assessor, a penalty

1 of either: (A) one hundred dollars (\$100), or (B) 10 percent of the
2 taxes applicable to the new base year value reflecting the change
3 in ownership of the real property or manufactured home, whichever
4 is greater, but not to exceed five thousand dollars (\$5,000) if the
5 property is eligible for the homeowners' exemption or twenty
6 thousand dollars (\$20,000) if the property is not eligible for the
7 homeowners' exemption if the failure to file was not willful, shall,
8 except as otherwise provided in this section, be added to the
9 assessment made on the roll. The penalty shall apply for failure to
10 file a complete change in ownership statement notwithstanding
11 the fact that the assessor determines that no change in ownership
12 has occurred as defined in Chapter 2 (commencing with Section
13 60) of Part 0.5. The penalty may also be applied if after a request
14 the transferee files an incomplete statement and does not supply
15 the missing information upon a second request.

16 (2) The assessor shall mail the written request specified in
17 paragraph (1) to the mailing address of the transferee as provided
18 by subdivision (f).

19 (b) If a person or legal entity required to file a statement
20 described in Section 480.1 or 480.2 fails to do so within 90 days
21 from the earlier of (1) the date of ~~the change in control~~ or the
22 change in ownership of the corporation, partnership, limited
23 liability company, or other legal entity, or (2) the date of a written
24 request by the State Board of Equalization, a penalty of ~~20~~ 15
25 percent of the taxes applicable to the new base year value reflecting
26 the change in control or change in ownership of the real property
27 owned by the corporation, partnership, or legal entity, or ~~20~~ 15
28 percent of the current year's taxes on that property if no change
29 in control or change in ownership occurred, shall be added by the
30 county assessor to the assessment made on the roll. The penalty
31 shall apply for failure to file a complete statement with the board
32 notwithstanding the fact that the board determines that no change
33 in control or change in ownership has occurred as defined in
34 subdivision (c) or (d) of Section 64. The penalty may also be
35 applied if after a request the person or legal entity files an
36 incomplete statement and does not supply the missing information
37 upon that second request to complete the statement. That penalty
38 shall be in lieu of the penalty provisions of subdivision (a).

39 (c) The penalty for failure to file a timely statement pursuant to
40 Sections 480, 480.1, and 480.2 for any one transfer may be imposed

1 only one time, even though the assessor may initiate a request as
2 often as he or she deems necessary.

3 (d) The penalty shall be added to the roll in the same manner
4 as a special assessment and treated, collected, and subject to the
5 same penalties for the delinquency as all other taxes on the roll in
6 which it is entered.

7 (1) When the transfer to be reported under this section is of a
8 portion of a property or parcel appearing on the roll during the
9 fiscal year in which the 90-day period expires, the current year's
10 taxes shall be prorated so the penalty will be computed on the
11 proportion of property which has transferred.

12 (2) Any penalty added to the roll pursuant to this section
13 between January 1 and June 30 may be entered either on the
14 unsecured roll or the roll being prepared. After January 1, the
15 penalty may be added to the current roll only with the approval of
16 the tax collector.

17 (3) If the property is transferred or conveyed to a bona fide
18 purchaser for value or becomes subject to a lien of a bona fide
19 encumbrancer for value after the transfer of ownership resulting
20 in the imposition of the penalty and before the enrollment of the
21 penalty, the penalty shall be entered on the unsecured roll in the
22 name of the transferee whose failure to file the change in ownership
23 statement resulted in the imposition of the penalty.

24 (e) When a penalty imposed pursuant to this section is entered
25 on the unsecured roll, the tax collector may immediately file a
26 certificate authorized by Section 2191.3.

27 (f) Notice of any penalty added to either the secured or
28 unsecured roll pursuant to this section, which shall identify the
29 parcel or parcels for which the penalty is assessed, and the written
30 request to file a statement specified in subdivision (a), which shall
31 identify the real property or manufactured home for which the
32 statement is required to be filed, shall be mailed by the assessor
33 to the transferee at his or her address contained in any recorded
34 instrument or document evidencing a transfer of an interest in real
35 property or manufactured home or the address specified for mailing
36 tax information contained in the preliminary change in ownership
37 report. If the transferee has subsequently notified the assessor of
38 a change in address for mailing tax information, the assessor shall
39 mail the notice of any penalty, or the written request to file a
40 statement specified in subdivision (a), to this address. If there is

1 no address specified for mailing tax information on either the
2 recorded instrument, the document evidencing a transfer of an
3 interest in real property or manufactured home, or on the filed
4 preliminary change in ownership report, and the transferee has not
5 provided an address for purposes of mailing tax information, the
6 assessor shall mail the notice of any penalty, or the written request
7 to file a statement specified in subdivision (a), to the transferee at
8 any address reasonably known to the assessor.

9 SEC. 7. Section 486 is added to the Revenue and Taxation
10 Code, to read:

11 486. (a) Whenever there occurs a change in the ownership
12 interests, including a leasehold interest, of a legal entity holding
13 an interest in real property in this state, whether by merger,
14 acquisition, private equity buyout, transfer of partnership shares,
15 large stock transfer subject to the filing requirements of the United
16 States Securities and Exchange Commission, or any other means
17 by which a legal entity or person acquires an ownership interest
18 of another legal entity, the person or legal entity acquiring the
19 ownership interests shall report to the board the change in the
20 ownership interests, in the form and manner as specified by the
21 board, within 90 days of the date of the change in the ownership
22 interests.

23 (b) For purposes of this section, “legal entity” and “ownership
24 interests” have the same meaning as defined in Section 64.

25 SEC. 8. Section 486.5 is added to the Revenue and Taxation
26 Code, to read:

27 486.5. (a) Whenever there occurs a transfer between an
28 individual or individuals and a legal entity or between legal entities
29 as described in paragraph (2) of subdivision (a) of Section 62, the
30 legal entity shall report any subsequent changes in the ownership
31 interests of the legal entity to the county assessor, in the form and
32 manner as specified by the county assessor, within 90 days of the
33 date of the change in the ownership interests.

34 (b) For purposes of this section, “legal entity” and “ownership
35 interests” have the same meanings as defined in Section 64.

36 SEC. 9. Section 488 is added to the Revenue and Taxation
37 Code, to read:

38 488. (a) Whenever there occurs a change of an ownership
39 interest in a legal entity holding an interest in real property in this
40 state, a deed shall be recorded with the county recorder by the

1 owner of the real property, even if the owner of the real property
2 does not change.

3 (b) For purposes of this section, “legal entity” and “ownership
4 interest” have the same meanings as defined in Section 64.

5 SEC. 10. No reimbursement is required by this act pursuant to
6 Section 6 of Article XIII B of the California Constitution for certain
7 costs that may be incurred by a local agency or school district
8 because, in that regard, this act creates a new crime or infraction,
9 eliminates a crime or infraction, or changes the penalty for a crime
10 or infraction, within the meaning of Section 17556 of the
11 Government Code, or changes the definition of a crime within the
12 meaning of Section 6 of Article XIII B of the California
13 Constitution.

14 However, if the Commission on State Mandates determines that
15 this act contains other costs mandated by the state, reimbursement
16 to local agencies and school districts for those costs shall be made
17 pursuant to Part 7 (commencing with Section 17500) of Division
18 4 of Title 2 of the Government Code.

19 SEC. 11. This act provides for a tax levy within the meaning
20 of Article IV of the Constitution and shall go into immediate effect.