

**Introduced by Senator Stone**February 17, 2016

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An act to amend Section 51 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

## LEGISLATIVE COUNSEL'S DIGEST

SB 1126, as introduced, Stone. Property taxation: inflation factor: senior citizens.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value, as defined, of that property, and provides that the full cash value base may be adjusted each year by an inflationary rate not to exceed 2% for any given year. Existing property tax law implementing this constitutional authority provides that the taxable value of real property is the lesser of its base year value compounded annually by the inflation factor not to exceed 2%, as provided, or its full cash value.

This bill would provide that the inflation factor shall not apply to the principal place of residence of a "qualified taxpayer," defined by the bill to mean a taxpayer who is 65 years of age or older who meets specified requirements.

By changing the manner in which local tax officials calculate the taxable value of real property owned by senior citizens, this bill would impose a state-mandated local program.

Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state

shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

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, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

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

1 SECTION 1. Section 51 of the Revenue and Taxation Code is  
 2 amended to read:  
 3 51. (a) For purposes of subdivision (b) of Section 2 of Article  
 4 XIII A of the California Constitution, for each lien date after the  
 5 lien date in which the base year value is determined pursuant to  
 6 Section 110.1, the taxable value of real property shall, except as  
 7 otherwise provided in subdivision (b) or (c), be the lesser of:  
 8 (1) Its base year value, compounded annually since the base  
 9 year by an inflation factor, which shall be determined as follows:  
 10 (A) For any assessment year commencing prior to January 1,  
 11 1985, the inflation factor shall be the percentage change in the cost  
 12 of living, as defined in Section 2212.  
 13 (B) For any assessment year commencing after January 1, 1985,  
 14 and prior to January 1, 1998, the inflation factor shall be the  
 15 percentage change, rounded to the nearest one-thousandth of 1  
 16 percent, from December of the prior fiscal year to December of  
 17 the current fiscal year in the California Consumer Price Index for  
 18 all items, as determined by the California Department of Industrial  
 19 Relations.  
 20 (C) For any assessment year commencing on or after January  
 21 1, 1998, the inflation factor shall be the percentage change, rounded  
 22 to the nearest one-thousandth of 1 percent, from October of the  
 23 prior fiscal year to October of the current fiscal year in the  
 24 California Consumer Price Index for all items, as determined by  
 25 the California Department of Industrial Relations.

1 (D) ~~In no event shall the~~ *The* percentage increase for any  
2 assessment year determined pursuant to subparagraph (A), (B), or  
3 (C) *shall not* exceed 2 percent of the prior year's value.

4 (E) (i) *Notwithstanding any other law, for any assessment year*  
5 *commencing on or after January 1, 2017, the percentage increase*  
6 *for an assessment year determined pursuant to subparagraph (A),*  
7 *(B), or (C) shall not apply to the principal place of residence of a*  
8 *qualified taxpayer.*

9 (ii) *For purposes of this subparagraph, both of the following*  
10 *shall apply:*

11 (I) *“Qualified taxpayer” means a taxpayer who is 65 years of*  
12 *age or older and satisfies either of the following:*

13 (ia) *If the qualified taxpayer is single, his or her annual*  
14 *household income is twenty-five thousand dollars (\$25,000) or*  
15 *less.*

16 (ib) *If the qualified taxpayer is married, his or her combined*  
17 *annual household income is fifty thousand dollars (\$50,000) or*  
18 *less.*

19 (II) *A qualified taxpayer who is 65 years of age or older includes*  
20 *a married couple, one member of which is 65 years of age or older.*

21 (2) Its full cash value, as defined in Section 110, as of the lien  
22 date, taking into account reductions in value due to damage,  
23 destruction, depreciation, obsolescence, removal of property, or  
24 other factors causing a decline in value.

25 (b) If the real property was damaged or destroyed by disaster,  
26 misfortune, or calamity and the board of supervisors of the county  
27 in which the real property is located has not adopted an ordinance  
28 pursuant to Section 170, or any portion of the real property has  
29 been removed by voluntary action by the taxpayer, the taxable  
30 value of the property shall be the sum of the following:

31 (1) The lesser of its base year value of land determined under  
32 paragraph (1) of subdivision (a) or full cash value of land  
33 determined pursuant to paragraph (2) of subdivision (a).

34 (2) The lesser of its base year value of improvements determined  
35 pursuant to paragraph (1) of subdivision (a) or the full cash value  
36 of improvements determined pursuant to paragraph (2) of  
37 subdivision (a).

38 In applying this subdivision, the base year value of the subject  
39 real property does not include that portion of the previous base  
40 year value of that property that was attributable to any portion of

1 the property that has been destroyed or removed. The sum  
2 determined under this subdivision shall then become the base year  
3 value of the real property until that property is restored, repaired,  
4 or reconstructed or other provisions of law require establishment  
5 of a new base year value.

6 (c) If the real property was damaged or destroyed by disaster,  
7 misfortune or calamity and the board of supervisors in the county  
8 in which the real property is located has adopted an ordinance  
9 pursuant to Section 170, the taxable value of the real property shall  
10 be its assessed value as computed pursuant to Section 170.

11 (d) For purposes of this section, “real property” means that  
12 appraisal unit that persons in the marketplace commonly buy and  
13 sell as a unit, or that is normally valued separately.

14 (e) Nothing in this section shall be construed to require the  
15 assessor to make an annual reappraisal of all assessable property.  
16 However, for each lien date after the first lien date for which the  
17 taxable value of property is reduced pursuant to paragraph (2) of  
18 subdivision (a), the value of that property shall be annually  
19 reappraised at its full cash value as defined in Section 110 until  
20 that value exceeds the value determined pursuant to paragraph (1)  
21 of subdivision (a). In no event shall the assessor condition the  
22 implementation of the preceding sentence in any year upon the  
23 filing of an assessment appeal.

24 SEC. 2. Notwithstanding Section 2229 of the Revenue and  
25 Taxation Code, no appropriation is made by this act and the state  
26 shall not reimburse any local agency for any property tax revenues  
27 lost by it pursuant to this act.

28 SEC. 3. If the Commission on State Mandates determines that  
29 this act contains costs mandated by the state, reimbursement to  
30 local agencies and school districts for those costs shall be made  
31 pursuant to Part 7 (commencing with Section 17500) of Division  
32 4 of Title 2 of the Government Code.

33 SEC. 4. This act provides for a tax levy within the meaning of  
34 Article IV of the Constitution and shall go into immediate effect.