



CALIFORNIA STATE
BOARD OF EQUALIZATION

A nighttime photograph of the San Francisco Tower Bridge, illuminated with warm yellow lights. The bridge's two towers and suspension cables are clearly visible against a dark blue twilight sky. In the foreground, there are lush green trees and a bed of colorful pink and purple flowers. The bridge spans across a body of water, with city lights visible in the background.

2022-23 Annual Report



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LETTER *from the* EXECUTIVE DIRECTOR

The Honorable Gavin Newsom
Governor of California
April 2024

Dear Governor Newsom:

On behalf of the Board Members, the Executive Management Team, and our dedicated employees, I am pleased to present the *Annual Report* of the California State Board of Equalization (BOE) for the fiscal year (FY) that ended June 30, 2023.

The BOE is committed to fulfilling its constitutional and statutory duties and is focused on our mission: to serve the public through fair, effective, and efficient tax administration in support of state and local governments.

The BOE oversees the assessment practices for the 58 County Assessors, who are charged with valuing over 13 million assessments each year. In FY 2022-23, the net statewide assessed value was \$8.1 trillion, resulting in \$89 billion of property tax levies. Those property tax levies contributed \$47.6 billion to schools and \$41.4 billion to local government.

In 2023, the BOE set the values of state-assessed properties, primarily privately-owned public utilities and railroads, at \$143.2 billion for the 2023-24 roll. This was a \$9.3 billion increase from 2022-23 values. State-assessed properties produced \$2.3 billion in local property tax revenues for the state's 58 counties in 2023-24.

The BOE is also responsible for administering the Alcoholic Beverage Tax Program, which produced \$423 million, and co-administering the Tax on Insurers Program, which added \$3 billion to the state.

We are proud to serve this great State of California and will continue to do our part to provide essential revenues for the state and local governments.

Sincerely,



Yvette M. Stowers
Executive Director



BOARD MEMBERS



Created in 1879 by a constitutional amendment, the [California State Board of Equalization \(BOE\)](#) was initially responsible for ensuring that county property tax assessment practices are equal and uniform throughout California.

The BOE administers three tax programs that produce revenue essential to our state. The Board hears appeals from public utility assessments and serves a significant role in the assessment and administration of property taxes by issuing rules and regulations, establishing the tax values of railroads and certain privately-held public utilities, and overseeing the assessment practices of the state's 58 County Assessors.

Public Board meetings offer taxpayers and other interested parties the opportunity to participate in the formulation of rules and regulations adopted by the Board and to interact with the Members as they carry out their official duties. The Board meets monthly.

The Board consists of five Members who serve concurrent four-year terms. One Member is elected from each of California's four equalization districts. The State Controller, elected at large, serves as the Board's fifth Member. Each of the four elected Board Members represents approximately 9.5 million constituents in their respective districts.

This *Annual Report* represents the BOE's services and accomplishments for FY 2022-23. The elected Board is comprised of Board Members Ted Gaines, First District; Sally J. Lieber, Second District; Antonio Vazquez, Third District; Mike Schaefer, Fourth District; and Malia M. Cohen, State Controller. The Board is committed to fulfilling its constitutional duties and contributing to California's success.

MISSION, VISION, *and* CORE ORGANIZATIONAL VALUES

MISSION

Our mission is to serve Californians through fair, effective, and efficient tax administration in support of state and local governments.

VISION

To rebuild, revitalize, and modernize the BOE, to enrich its employees, and strengthen its organizational capabilities to deliver gold-standard services.

CORE ORGANIZATIONAL VALUES

- Perform public service with integrity
- Put people first
- Commit to excellence
- Keep getting better





PROFILE *of the* BOE

BOE PROGRAMS

Property Tax Programs

Introduction to Property Taxes

Property taxes are one of the primary sources of revenue for California's counties, cities, schools, and special districts. While the state does not rely on property taxes as a source of revenue, there are revenue implications for the state if there are any incorrect assessments of real property. State law annually guarantees California schools a minimum amount of funding, and the state is responsible for backfilling shortfalls in education funding under Proposition 98.

General Property Taxes

Proposition 13, passed by California voters in 1978, imposed a property tax rate of one percent of the property's full cash value, with limited exceptions. In addition, it allows reappraisal of real property at current fair market value only when there is a change in ownership or upon completion of new construction.

When a reappraisal occurs because of a change in ownership or the completion of new construction, the County Assessor sets a new "base year value" for the property that underwent the change in ownership or that was newly constructed. Thereafter, Proposition 13 generally limits annual increases in the base year value to a maximum of two percent, depending on the most recent year's percentage change in the California Consumer Price Index. The application of the increase to the base year value each year is referred to as the adjusted base year value or factored base year value.

However, where a property's current market value has declined below its base year value adjusted for inflation, the current market value becomes the property's temporary assessed value until the adjusted base year value exceeds its current market value. The temporary assessed value is commonly referred to as a "Proposition 8" value, so named for the November 1978 constitutional amendment that allowed for such temporary reductions in assessed value.

When a property has received a Proposition 8 value, increases in assessed value year-over-year are no longer limited to two percent but instead may be made in whatever amount is needed to either: (a) establish a new, higher Proposition 8 value, or (b) restore the adjusted base year value. In all cases, the assessed value must be the lower of the current market value or the adjusted base year value.





County-Assessed Properties

The BOE oversees the assessment practices of the state's 58 County Assessors, who are charged with establishing values for over 13 million assessments each year. Each of the BOE's constitutional and statutory duties is critical to promoting a consistent and uniform property tax system throughout the state. The BOE's duties include:

- Conducting assessment practices surveys or compliance audits of County Assessors' practices and procedures to determine whether they comply with all statutory and regulatory provisions by utilizing proper appraisal practices. In FY 2022-23, the BOE issued 12 survey reports for the counties of Butte, Humboldt, Imperial, Inyo, Kings, Los Angeles, Monterey, Napa, Sacramento, San Francisco, Shasta, and Tulare.
- Providing guidance to County Assessors to promote uniformity and consistency in assessment practices throughout the state in the form of Property Tax Rules, Letters to Assessors, County Assessors Only Letters, and Assessors' Handbooks. In FY 2022-23, the BOE promulgated three rules, issued 59 advisory letters to County Assessors, and updated three Assessors' Handbooks.
- Prescribing property tax forms that are used by all County Assessors statewide. The BOE has 125 prescribed forms. In FY 2022-23, the BOE amended 11 of these prescribed forms.
- Providing training and certifying individuals performing the duties of an appraiser or an assessment analyst for property tax purposes, including newly elected County Assessors. In FY 2022-23, the BOE trained a total of approximately 1,498 students through 35 BOE-hosted courses, available web-based self-study courses, and additional courses at local colleges and universities. The BOE also issued 368 Permanent and Advanced Appraiser Certifications and two Permanent and Advanced Assessment Analyst Certifications.



- Acting as a clearinghouse for various claims for property tax relief under Propositions 3, 19, 58, 60, 110, and 193. Exclusions within these propositions have statutory restrictions, such as dollar limitations or once-in-a-lifetime eligibility.
- Monitoring duplicate claims granted under the Homeowners' and Disabled Veterans' Exemptions.
- Acting as an advisory agency on property tax assessment. In FY 2022-23, the BOE answered approximately 13,021 calls and 6,701 inquiries by letter, fax, and email.
- Co-administering the Welfare Exemption with County Assessors. In FY 2022-23, the BOE issued 922 Organizational Clearance Certificates and 571 Supplemental Clearance Certificates. The BOE also reviewed 1,850 verification filings of organizations holding Organizational Clearance Certificates to ensure continued eligibility for the Welfare Exemption.
- Administering certain property tax programs, such as the Legal Entity Ownership Program, which aims to discover any changes in control and ownership of legal entities (such as corporations or LLCs) that hold California real property and inform County Assessors of the need to reappraise real property held by these entities. In FY 2022-23, the BOE identified 1,010 changes in control and ownership of legal entities, resulting in the reassessment of 18,063 reported parcels of such entities.
- Meeting regularly with County Assessors to discuss issues on the administration of assessment and taxation laws, and ways to promote statewide uniformity.

On November 3, 2020, California voters approved Proposition 19, *The Home Protection for Seniors, Severely Disabled, Families and Victims of Wildfire or Natural Disasters Act*, which brought significant changes to how certain property tax assessments are treated. Since then, the BOE has continued its statewide role in the implementation process. To assist taxpayers, stakeholders, and County Assessors, the BOE established a Proposition 19 webpage, www.boe.ca.gov/prop19, to serve as a one-stop shop for information. In FY 2022-23, the County-Assessed Properties Division also answered approximately 5,230 calls and 590 email inquiries related to Proposition 19. The implementation process of Proposition 19 is ongoing.

State-Assessed Properties

In accordance with Article XIII, section 19, of the California Constitution, the BOE assesses certain public utilities and other specified properties and allocates the assessed values among the counties where the properties are physically located.

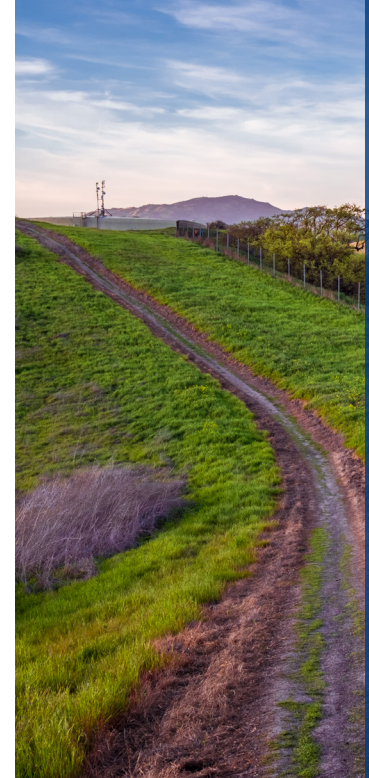
State-assessed properties include:

- Pipelines, flumes, canals, ditches, and aqueducts lying within two or more counties.
- Property (except franchises) owned or used by regulated railway, telegraph, or telephone companies, railroad car companies operating on railways in the state, and companies transmitting or selling gas or electricity.

In 2023, the Board adopted \$143.2 billion in assessed property values of 336 companies within California, of which schools and local communities statewide are expected to receive approximately \$2.3 billion in property tax revenue.

In FY 2022-23, the BOE completed 14 property tax audits and physically inspected and valued 9,665 state-assessed land parcels. In addition, 659 Statement of Land Changes were processed, and the corresponding assessment jurisdiction changes were transmitted to the 58 County Assessors.

The BOE's Tax Area Services Section (TASS) also continued to maintain maps of more than 9,700 revenue district boundaries that encompass 61,365 tax rate areas, helping to ensure the proper allocation of local tax revenue to counties, cities, and special tax districts. For FY 2022-23, TASS processed over 289 jurisdictional boundary changes, resulting in over \$442,000 in revenue for the state's General Fund.



Private Railroad Car Tax

Private railcar owners pay the Private Railroad Car Tax on railcars operated in California. The Private Railroad Car Tax is an in-lieu property tax on railroad cars owned by non-railroad companies and operated upon California railroads. Railroad company-owned cars are included in the unitary value of railroads adopted by the Board each May. The tax paid is based on values established by the Board and the number of days the cars were physically in the state. This is the only property tax administered and collected by the state. In 2023, the BOE collected \$10.3 million for the state's General Fund.

Special Taxes Programs

The BOE is constitutionally responsible for the Alcoholic Beverage Tax and the Tax on Insurers.

Alcoholic Beverage Tax

The Alcoholic Beverage Tax is a per-gallon excise tax collected on the sale, distribution, or importation of alcoholic beverages in California. Revenues from the tax are deposited into the Alcohol Beverage Control Fund and are withdrawn for use by the state's General Fund or used to pay refunds under this program.

As part of an interagency agreement, the California Department of Tax and Fee Administration (CDTFA) collects the tax and administers some of the program's functions on behalf of the BOE. The BOE¹ hears all appeals for claims for refund and petitions for redetermination. For FY 2022-23, the Alcoholic Beverage Tax generated \$423 million for the state's General Fund.

Tax on Insurers

The Tax on Insurers Program is jointly administered by the BOE, the [California Department of Insurance \(CDI\)](#), and the [State Controller's Office \(SCO\)](#).

Insurance companies that have received authority from the CDI to transact insurance business in California are called "admitted insurers" and may be subject to as many as three insurance taxes in California.

All insurance companies are subject to a tax on gross premiums. In addition, one of the schedules in the gross premiums tax return is used for the computation of retaliatory tax, which is the second tax that an insurance company may owe. A retaliatory tax is owed when an out-of-state insurance company's domicile state (home state) imposes higher taxes on a California-domiciled insurer for the same business. The third insurance tax on insurance companies is the ocean marine tax. Surplus Line Brokers, who are licensed brokers that sell policies for non-admitted (nonlicensed) insurance companies, also pay a tax.

As part of an interagency agreement with the BOE, [CDTFA](#) issues deficiency assessments, refunds, and receives appeals on behalf of the BOE. The BOE hears all appeals for claims for refund and petitions for redetermination. For FY 2022-23, the Tax on Insurers generated \$3 billion for the state's General Fund.

¹ The BOE does not, directly or indirectly, use the total amount of revenue collected or assessed from the Alcoholic Beverage Tax to evaluate individual officers or employees, or to impose or suggest quotas or goals other than quotas or goals related to accounts receivables.

Governance

The Board consists of five Members who serve concurrent four-year terms. One Member is elected from each of California's four Equalization Districts. The State Controller, elected at large, serves as the Board's fifth Member. Each of the four elected Board Members represents approximately 9.5 million constituents in their respective districts.

The BOE's Executive Director, appointed by the Board Members, is responsible for the employees and carrying out the BOE's mission, goals, and directives.

Responsibilities

The primary responsibilities of the BOE are to:

- Administer agency programs.
- Act as an appellate body for the review of certain property tax determinations.
- Adopt rules and regulations clarifying the laws it administers.
- Determine the assessed value of railroads and specified privately-held public utilities, including gas, electric, and telephone companies.
- Oversee the property tax assessment practices of County Assessors.
- Assess and collect the Private Railroad Car Tax.
- Hear all appeals for claims for refund and petitions for redetermination for the Alcoholic Beverage Tax and the Tax on Insurers.

In carrying out these responsibilities, the BOE:

- Prescribes Property Tax Rules and issues advice to guide property owners, County Assessors, and County Assessment Appeals Boards.
- Considers appeals from taxpayers on state-assessed property values and denials or revocations of Welfare Exemption Organizational and Supplemental Clearance Certificates.
- Hears appeals from local governments of assessments made by County Assessors on lands, water rights, and certain improvements on properties owned by the local governments but located outside their boundaries.
- Develops and publishes capitalization rates to be used in valuing state-assessed utilities.
- Classifies unitary and nonunitary properties of public utilities and determines the property values of each assessee for local property taxation.

Meetings

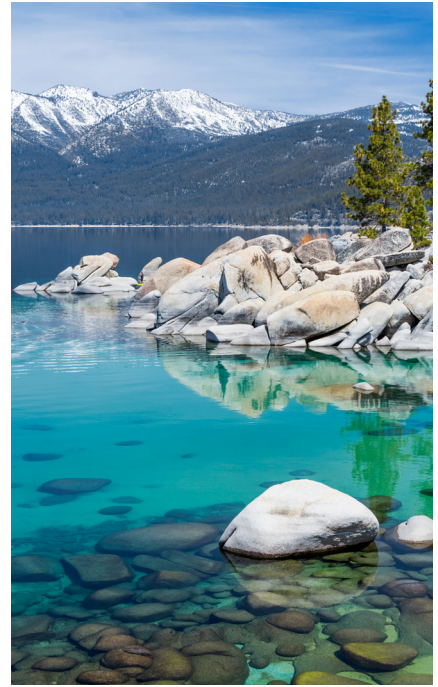
Monthly public Board meetings offer taxpayers and other interested parties the opportunity to participate in the formulation of rules and regulations adopted by the Board and to interact with the Members as they carry out their official duties.

Each year, the Board also holds a Taxpayers' Bill of Rights hearing that allows taxpayers to make comments on matters identified in the [Taxpayers' Rights Advocate's Annual Report](#) or BOE-administered laws and programs.

Additionally, the Board is required by law to hold a meeting with County Assessors at least once a year to discuss issues focused on the administration of assessment and taxation laws, and ways to promote statewide uniformity.



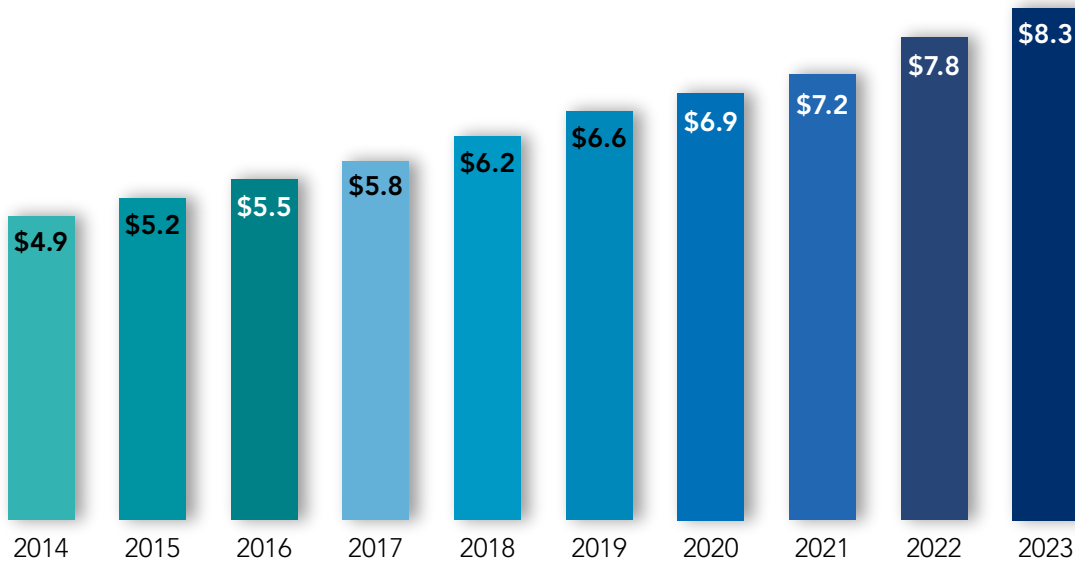
2023 Annual Meeting with County Assessors



STATE- *and* COUNTY-ASSESSED VALUES

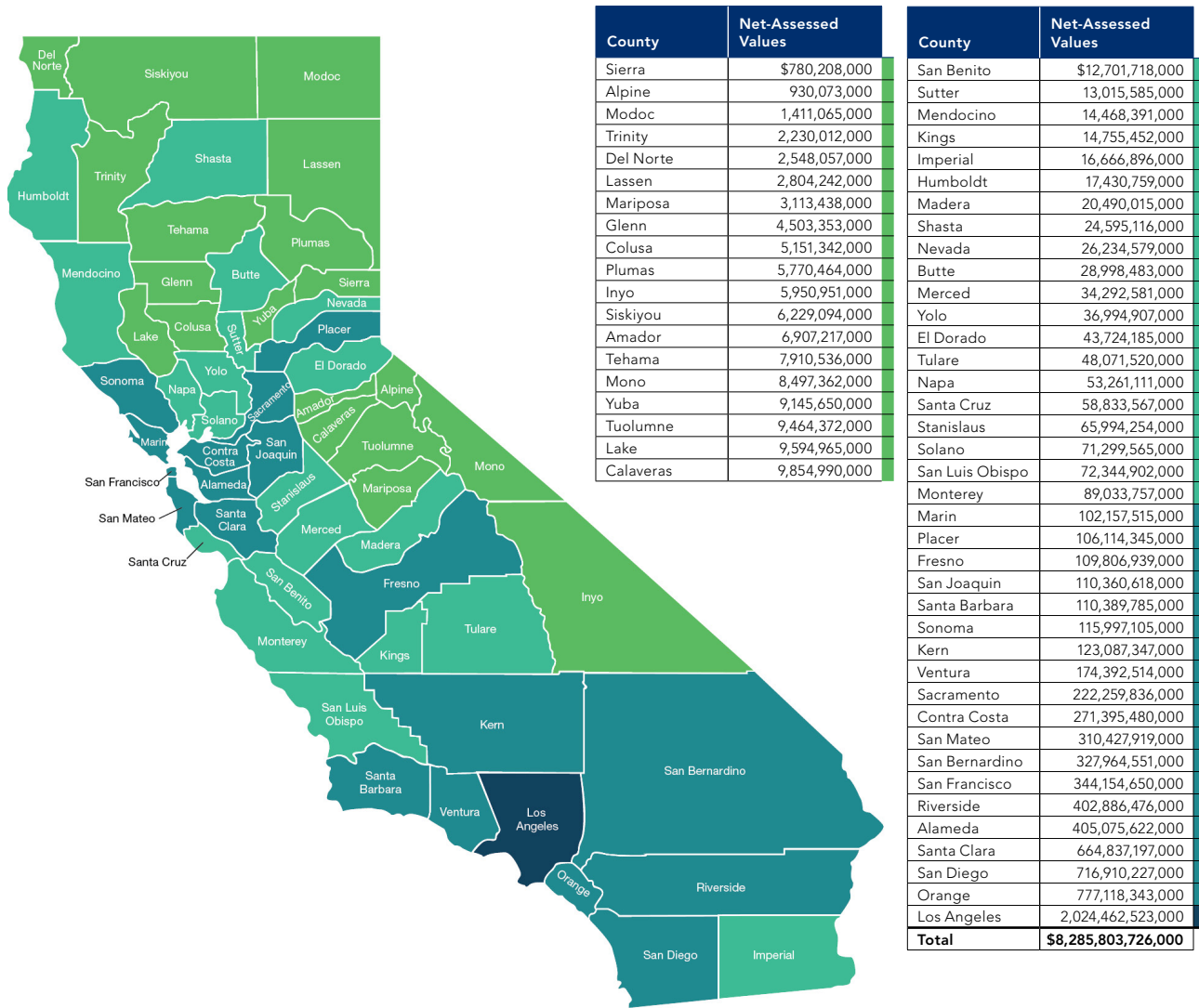
The BOE oversees the assessment practices of the state's 58 County Assessors, who are charged with establishing values for over 13 million assessments each year. Assessed value, net of all exemptions, for 2023-24 roll year was \$8.3 trillion, which includes \$8.1 trillion in county-assessed properties and \$143.2 billion in state-assessed properties.

**Ten-Year Summary
Net-Assessed Value of County-
and State-Assessed Property
(in trillions)**



TOTAL NET-ASSESSED VALUES FOR THE 2023-24 ROLL YEAR

The annual assessment roll is based on the value of all property as of the January 1, 2023 lien date. The statewide map of the 58 counties includes both county-assessed and state-assessed property values, net exemptions.

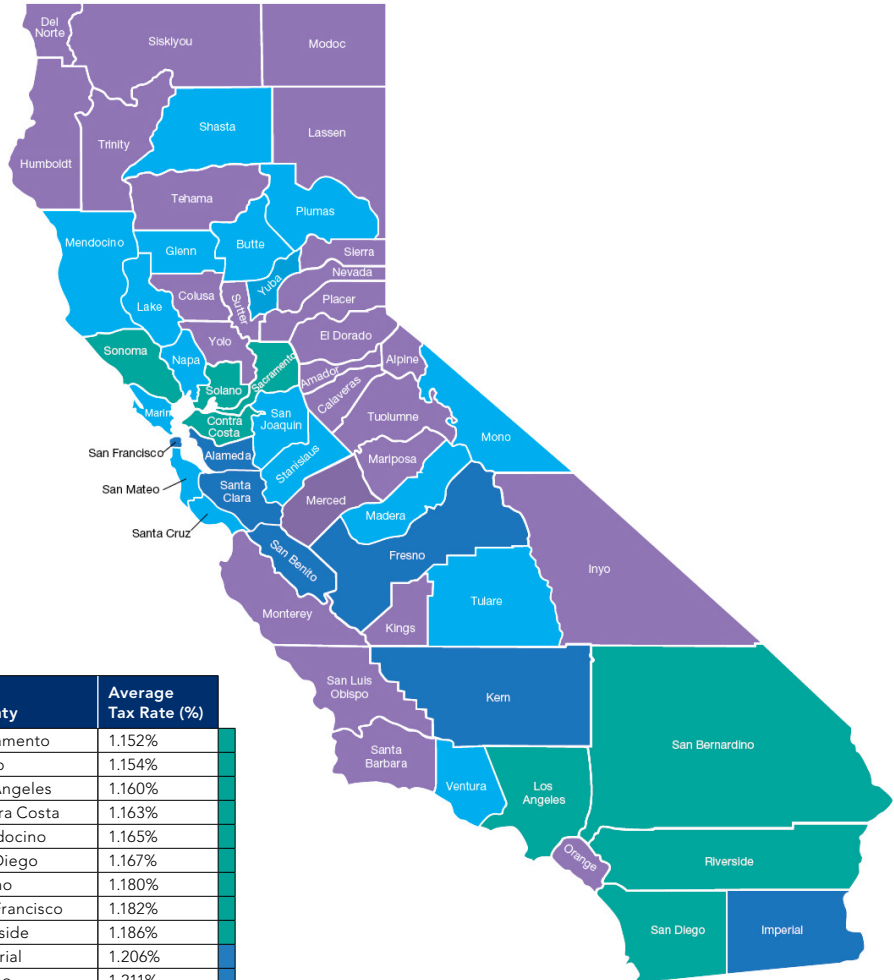


Note: Detail may not compute to total due to rounding.

2022-23 AVERAGE PROPERTY TAX RATE

Proposition 13, passed by California voters in 1978, limits the property tax rate to one percent of its assessed value plus the incremental rates necessary to fund locally voter-approved bonded indebtedness. In addition, Proposition 13 generally limits annual increases in the base year value to a maximum of two percent.

County	Average Tax Rate (%)
Modoc	1.000%
Sierra	1.000%
Amador	1.014%
Lassen	1.018%
Alpine	1.030%
Del Norte	1.035%
Mariposa	1.037%
Trinity	1.043%
Siskiyou	1.046%
Tehama	1.057%
Nevada	1.062%
Inyo	1.065%
El Dorado	1.066%
Orange	1.066%
Santa Barbara	1.074%
Tuolumne	1.078%
Kings	1.082%
Merced	1.083%
San Luis Obispo	1.085%
Tulare	1.087%
Placer	1.088%
Calaveras	1.092%
Glenn	1.093%
Colusa	1.098%
Madera	1.098%
Monterey	1.098%
Ventura	1.098%
Plumas	1.099%
Shasta	1.099%
Sutter	1.099%
Napa	1.102%
Yuba	1.102%
Santa Cruz	1.106%
Stanislaus	1.108%
San Mateo	1.109%
Yolo	1.110%
Humboldt	1.115%
Lake	1.116%
Butte	1.117%
Marin	1.130%
San Joaquin	1.130%
Sonoma	1.133%
San Bernardino	1.138%



County	Average Tax Rate (%)
Sacramento	1.152%
Mono	1.154%
Los Angeles	1.160%
Contra Costa	1.163%
Mendocino	1.165%
San Diego	1.167%
Solano	1.180%
San Francisco	1.182%
Riverside	1.186%
Imperial	1.206%
Fresno	1.211%
Santa Clara	1.211%
San Benito	1.212%
Kern	1.238%
Alameda	1.243%

EXEMPTIONS

Several exemptions are available to qualifying nonprofits that own property, including various charitable organizations and private and nonprofit colleges. The Homeowners' Exemption typically provides a \$70 reduction in property taxes for owner-occupied homes.

Qualifying Exemptions 2023-24	
Exemption Type	Exemption Value
Charitable Nonprofit	\$156,767,011,025
Hospitals	\$43,035,736,243
Nonprofit Colleges	\$38,180,460,152
Homeowners' Exemption*	\$33,005,940,820
Other Exemptions	\$30,354,728,248
Religious	\$19,348,395,558
Disabled Veterans	\$11,883,695,176
Private Schools	\$4,390,963,540
Churches	\$3,074,292,042
Low-Valued Property	\$172,927,200
Total	\$340,214,150,004

* The Homeowners' Exemption value is reimbursed by the state.
Please note: Detail may not compute to total due to rounding.

SUPPORTING OUR COMMUNITIES

**\$94.7 Billion in Fiscal Contributions to
State and Local Government**

STATE GOVERNMENT
\$3.4 Billion

\$3.0 Billion
Tax on Insurers

\$423 Million
Alcoholic Beverage Tax

\$10.3 Million
Private Railroad Car Tax

LOCAL GOVERNMENT
\$91.3 Billion





\$89.0 Billion
County-Assessed Property Tax

\$2.3 Billion
State-Assessed Property Tax



REVENUE

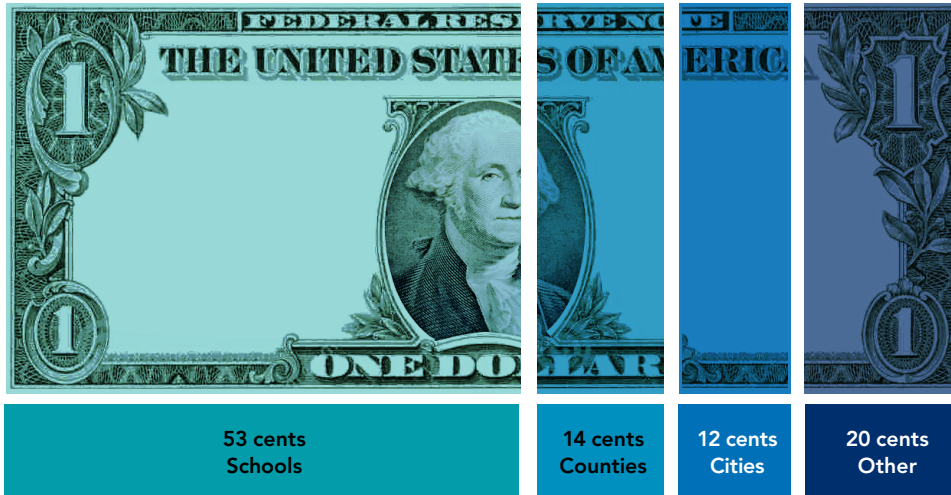
2022-23 General County Property Tax Revenue

	FY 2022-23	FY 2021-22	Change From 2021-22
 School Purposes	\$47,616,789,000	\$44,646,213,000	6.7%
 Counties	\$12,669,310,000	\$11,731,897,000	8.0%
 Cities	\$11,082,508,000	\$10,402,752,000	6.5%
 Other	\$17,653,294,000	\$16,351,700,000	8.0%
Total	\$89,021,900,000	\$83,132,562,000	7.1%

Please note: Detail may not compute to total due to rounding.

WHERE YOUR COUNTY PROPERTY TAX DOLLARS GO

All Californians benefit from property tax revenues. Property tax is allocated among local governments, with schools getting more than half the revenues.





REVENUE SUMMARY

	Current Year	Prior Year	Percent Change	General Fund
County-Assessed Property Tax	\$89,000,000,000	\$83,100,000,000	7.1%	No
Tax on Insurers	\$3,000,000,000	\$2,900,000,000	3.4%	Yes
State-Assessed Property Tax	\$2,300,000,000	\$2,200,000,000	4.5%	No
Alcoholic Beverage Tax	\$423,000,000	\$429,000,000	-1.4%	Yes
Private Railroad Car Tax	\$10,300,000	\$9,800,000	5.1%	Yes
Total	\$94,733,300,000	\$88,638,800,000	6.9%	

TAXPAYER ASSISTANCE

TAXPAYERS' RIGHTS ADVOCATE ASSISTANCE

The Taxpayers' Rights Advocate (TRA) Office completed work on 310 new cases in FY 2022-23, all relating to property taxes.

The TRA Office receives contacts from taxpayers and others who are either seeking assistance with a problem or a disagreement they have in the assessment and collection of property taxes or a concern with a program administered by our agency. Generally, the TRA Office assists taxpayers who have been unable to resolve a matter through normal channels and seek confirmation that they were treated fairly under the law. Some taxpayers have questions or concerns that need to be addressed by another state agency, such as CDTFA, Franchise Tax Board (FTB), or a county agency. The TRA Office staff responds by directing the taxpayer to the appropriate state agency or local county agency and provides website resources.

Although primary contact is with individual taxpayers, cases also originate from contact with tax agents, attorneys, and government officials, such as County Assessors, Tax Collectors, Auditor-Controllers, Board Members, and Legislators.

Most property tax cases are resolved in conjunction with local County Assessors, Tax Collectors, and Assessment Appeals Board Clerks. Depending on the nature of the problem, multiple offices can be involved in the resolution of taxpayers' cases.

Please visit www.boe.ca.gov for more information on the TRA Office and to view the *Taxpayers' Rights Advocate Annual Report*.

APPEALS PROCESS

The Board serves as the appellate body, reviewing and deciding certain determinations of certain property taxes, Tax on Insurers, and Alcoholic Beverage Tax cases. For property taxes, Board Members hear appeals from taxpayers regarding state-assessed property values, Welfare Exemption Organizational and Supplemental Clearance Certificate denials or revocations, the Private Railroad Car Tax, and taxable property owned by local governments located outside its boundaries.

Although most cases are resolved at the department level, the Board Members may hear appeals from petitioners who disagree. The Board ultimately takes action to adopt the state-assessed property values for all cases.

For assessments relating to FY 2022-23, 17 petitions were filed by state-assessed companies, and 9 of those were resolved without adjudication.

For Tax on Insurers, one petition was filed to be heard before the Board but was ultimately resolved without adjudication.

CHANGING LEGISLATION

The following is a list of 2022 legislation that impacted programs administered by the BOE. All bills became effective January 1, 2023, unless otherwise specified.

PROPERTY TAX

AB 1206 (Bennett), Chapter 636, effective September 28, 2022

Amends sections 214 and 259.15 of the Revenue and Taxation Code

For property that meets the requirements for the welfare exemption and is used exclusively for rental housing and related facilities, this bill will require that a unit continue to be treated as occupied by a lower income household when the income of those occupants increases up to 140 percent of area median income if the owner is a community land trust whose land is leased to low-income households, subject to a contract that complies with specified requirements, for fiscal years 2022-23 through 2027-28.

AB 1715 (Muratsuchi), Chapter 379

Amends section 205.5 of the Revenue and Taxation Code

Adds the Space Force to the list of military branches that are eligible for veterans to receive the disabled veterans' property tax exemption.

AB 1933 (Friedman), Chapter 643, effective September 28, 2022

Adds section 214.15.1 of the Revenue and Taxation Code

Adds Revenue and Taxation Code (R&TC) section 214.15.1 to provide the welfare exemption from property tax for property that is owned and operated by a nonprofit corporation, that is otherwise qualified for the exemption, and is organized and operated for the specific and primary purpose of building and rehabilitating single or multifamily residential units that meet certain requirements. The new section would remain in effect only until January 1, 2034, and repealed as of that date.

AB 2651 (Petrie-Norris), Chapter 656, effective September 28, 2022

Amends section 214.18 of the Revenue and Taxation Code

Extends the sunset date for the property tax welfare exemption for community land trusts (CLTs) by two years (January 1, 2025, to January 1, 2027) for several dates in the CLT exemption including: the sunset date for the exemption; when a CLT can acquire property eligible for an exemption; and the deadline before which a CLT must have rehabilitated or developed the property or commenced construction for properties acquired before January 1, 2022.

SB 989 (Hertzberg), Chapter 712, effective September 28, 2022

Adds sections 2610.8 and 2636.1 of the Revenue and Taxation Code

Adds a disclosure on certain property tax bills regarding Proposition 19 (2020) benefits and property tax deferment procedures and allows taxpayers to defer payment of local property taxes if their property meets certain qualifications. The bill's provisions only apply to counties with a population greater than 4 million as determined by the 2020 federal census. Other counties may comply if the county's Board of Supervisors, after consultation with the County Assessor, County Auditor, County Treasurer, and County Tax Collector, adopts a resolution implementing the requirements of the bill.

SB 1340 (Hertzberg), Chapter 425, effective September 18, 2022

Amends section 73 of the Revenue and Taxation Code

Extends the section 73 repeal date from December 31, 2025, to January 1, 2027. Specifies any active solar energy system that qualifies for the exclusion under section 73 prior to January 1, 2027, shall continue to be excluded until there is a subsequent change in ownership.

SB 1494 (Senate Governance and Finance Committee), Chapter 451

Amends section 97.68 of the Revenue and Taxation Code

Changes references from the State Board of Equalization to the California Department of Tax and Fee Administration.



ALCOHOLIC BEVERAGE TAX

SB 440 (Dodd), Chapter 299

Amends sections 32255 and 32256 and adds section 32253.5 of the Revenue and Taxation Code

Provides up to a three-month deadline extension for the Alcoholic Beverage Tax programs during a Governor-proclaimed state of emergency and provides penalty and interest relief regardless of whether the taxpayer has filed a request for extension or filed a statement under the penalty of perjury.

SB 518 (Laird), Chapter 702

Amends section 32251 and adds section 32457.1 of the Revenue and Taxation Code

Requires the State Board of Equalization (BOE) to release confidential taxpayer information contained in the winegrower returns and schedules filed by Alcoholic Beverage Tax (ABT) program taxpayers on or after January 1, 2023, upon request. This includes the names and addresses of all taxpayers filing a return except if that taxpayer is a natural person or opts out of disclosing any information. The bill additionally requires the BOE to amend the winegrower return to include a brief description of how the wine industry has historically used the data and requires the winegrower return be electronically filed.

SB 1496 (Senate Governance and Finance Committee), Chapter 474

Amends section 32471.5 of the Revenue and Taxation Code

Extends the Alcoholic Beverage Tax offer-in-compromise program for open and active businesses an additional five-years until January 1, 2028.

TAX ON INSURERS

No bills chaptered in 2022.



COURT CASES

CALIFORNIA APPELLATE COURT DECISIONS IN FY 2022-23

Morgan v. Ygrene Energy Fund, Inc. (2022)

84 Cal.App.5th 1002

Plaintiffs challenged the requirement that taxpayers exhaust their administrative remedies prior to resorting to the courts in actions against private companies financing Property Assessed Clean Energy (PACE) loans. The court held that PACE assessments can only be treated as taxes, because they are collected in the same manner as ordinary ad valorem property taxes. The plaintiffs, according to the court, are seeking to be absolved of a tax liability even though the defendant is not a public entity, so they must exhaust their administrative remedies prior to filing a court action.

County of Santa Clara v. Superior Court (2023)

87 Cal.App.5th 347

Privately-owned public utility companies sought property tax refunds from the county, due to the county imposing higher tax rates on utilities than those imposed on nonutility property. Plaintiff asserted the disparity in the debt-service portion of tax rates, established by Revenue and Taxation Code section 100(b), violated article XIII, section 19, of the California Constitution. The court held the State Constitution does not preclude counties from imposing a different tax rate on utility property versus other property, and that the purpose of article 19 had nothing to do with mandating equal tax rates.

Olympic and Georgia Partners, LLC v. County of Los Angeles (2023)

90 Cal.App.5th 100

Plaintiff challenged the income method used to value hotel property, claiming intangible assets relating to a subsidy, a discount, and certain hotel enterprise assets should have been excluded from the valuation. The Court, relying on *Elk Hills Power, LLC v. Board of Equalization*, 57 Cal.4th 593 (2013), held that when using the income method to value property, assessors must subtract income from intangible assets that can be quantified, including those directly necessary to the productive use of the property.

RAR2 Villa Marina Center CA SPE, Inc. v. County of Los Angeles (2023)

91 Cal.App.5th 1050

Plaintiff filed an appeal arguing the assessor had no authority to issue a raise letter for a higher valuation more than one year after the initial assessment pursuant to Revenue and Taxation Code section 4831(c). The Court held that once Plaintiff filed an appeal for the initial value, the assessment appeals process opened the door for a determination of a correct value by the Board, which can be higher or lower. Section 1609.4 allows the assessor to introduce new evidence of a higher value than what was placed on the roll as long as the assessor notifies the taxpayer of its intent to do so at least 10 days prior to the hearing. Thus, the assessor was not barred by the one-year limitation in section 4831(c).

290 Division (EAT), LLC v. City and County of San Francisco (2022)

86 Cal.App.5th 439

Taxpayer sought a property tax refund for the assessed value of a building purchased from the city. The building was purchased at a discount to reflect a temporary below market leaseback with the city, but the assessor valued the property for more than the purchase price. Taxpayer argued that the agreement with the city constituted an “enforceable restriction” that should have been accounted for when valuing the property. The Court disagreed and held that “enforceable restrictions” for purposes of Revenue and Taxation Code section 402.1 means government-imposed land use restrictions, and not restrictions agreed to by a public entity selling property to a private buyer in an ordinary arm’s-length transaction.

Fisher v. County of Orange (2022)

82 Cal.App.5th 39

Assessor’s use of the extraction method to value mobilehome properties did not violate Revenue and Taxation Code section 62.1(b). The Court held that section 62.1(b) simply describes a unit of real property that is subject to reassessment and does not mandate a particular formula for appraising the unit.

Air 7, LLC v. County of Ventura (2023)

90 Cal.App.5th 795

Taxpayer sought property tax refund after county imposed a tax on an aircraft that was permanently removed and no longer situated in California before the tax lien date. County did not dispute that the aircraft had been permanently removed but argued that it had not established a permanent situs in another state, which allowed the county to continue taxing the property. The Court disagreed with the county and held that the aircraft was not “situated” or “habitually situated” in California, because it was permanently removed from the state before the tax lien date with intent to be permanently removed, and it never returned to California. The requirement that the aircraft establish a permanent situs in another state is not supported by California law and impermissibly expands the county’s authority to tax property.



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The *California State Board of Equalization Annual Report* and statistical data are available online at www.boe.ca.gov through the BOE's Open Data Portal (ODP).

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