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No. 2016/065

December 30, 2016

TO COUNTY ASSESSORS:

**REVISED WELFARE EXEMPTION RENEWAL PROCESS –  
LOW-INCOME HOUSING BUILDERS AND PROPERTY LEASED TO  
GOVERNMENT**

Senate Bill 1480 (Stats. 2016, ch. 116) removes from statute the contents of certain exemption renewal forms. The change affects Revenue and Taxation Code<sup>1</sup> section 254.5. The amendment is intended to provide flexibility that will permit electronic exemption renewal. Enclosed is a copy of revised section 254.5 shown in strikeout and underscore format. These changes will be effective on January 1, 2017.

***Existing Law***

Existing law specifically details certain property tax forms by including the exact contents of the form in the statute. However, in recent years, the Legislature has enacted bills that remove statutory language regarding the specific contents of various property tax forms, instead providing that forms should contain specified information and be prescribed by the Board of Equalization (BOE) in consultation with the California Assessors' Association (CAA).

Section 254.5, subdivision (d) requires taxpayers to annually verify continued eligibility for the Welfare Exemption, and sets forth a process to do so involving a notice mailed by the assessor to claimants relieved of the annual filing requirement. Current law specifies the wording of the notice and requires the notice to include a "card" claimants must return when responding.

***Changes as of January 1, 2017***

This bill removes from section 254.5 the precise wording of the card and instead allows the BOE to prescribe the detail of the notice. In essence, this change deletes the specific questions that must appear on the notice, and instead directs BOE to prescribe the contents of the notice and any other required information in consultation with the CAA.

The legislative amendments enacted in Senate Bill 1480 allow administrative flexibility and permit future e-filing. The CAA has created eForms, a portal where taxpayers in participating counties can access and file property tax related forms. Removing the requirement that a taxpayer must mail a card facilitates the ability to renew these exemptions electronically.

<sup>1</sup> All statutory references are to the Revenue and Taxation Code unless otherwise indicated.

If you have any questions concerning the changes affecting the exemption renewal forms, please contact the County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ Diane Yasui for

Dean R. Kinnee  
Deputy Director  
Property Tax Department

DRK:mc  
Enclosure

WELFARE EXEMPTION RENEWAL FORMS  
STATUTORY CHANGES

**Section 254.5 of the Revenue and Taxation Code is amended to read:**

**254.5.** (a) Claims for the welfare exemption and the veterans' organization exemption shall be filed on or before February 15 of each year with the assessor.

The assessor may not approve a property tax exemption claim until the claimant has been issued a valid organizational clearance certificate pursuant to Section 254.6. Financial statements shall be submitted only if requested in writing by the assessor.

(b) (1) The assessor shall review all claims for the welfare exemption to ascertain whether the property on which the exemption is claimed meets the requirements of Section 214. The assessor shall also review all claims for the veterans' organization exemption to ascertain whether the property on which the exemption is claimed meets the requirements of Section 215.1. In this connection, the assessor shall consider, among other matters, whether:

(A) Any capital investment of the owner or operator for expansion of a physical plant is justified by the contemplated return thereon, and required to serve the interests of the community.

(B) The property on which the exemption is claimed is used for the actual operation of an exempt activity and does not exceed an amount of property reasonably necessary to the accomplishment of the exempt purpose.

(2) The assessor may institute an audit or verification of the operations of the owner or operator of the applicant's property to ascertain whether both the owner and operator meet the requirements of Section 214.

(c) (1) The assessor may deny a claim for the welfare exemption on a property, notwithstanding that the claimant has been granted an organizational clearance certificate by the board.

(2) If the assessor finds that the claimant's property is ineligible for the welfare exemption or the veterans' organization exemption, the assessor shall notify the claimant in writing of all of the following:

(A) That the property is ineligible for the exemption.

(B) That the claimant may seek a refund of property taxes paid by filing a refund claim with the county.

(C) That if the claimant's refund claim with the county is denied, the claimant may file a refund action in superior court.

(d) Notwithstanding subdivision (a), an applicant, granted a welfare exemption and owning any property exempted pursuant to Section 214.15 or Section 231, shall not be required to reapply for

the welfare exemption in any subsequent year in which there has been no transfer of, or other change in title to, the exempted property and the property is used exclusively by a governmental entity or by a nonprofit corporation described in Section 214.15 for its interest and benefit. The applicant shall notify the assessor on or before February 15 if, on or before the preceding lien date, the applicant became ineligible for the welfare exemption or if, on or before that lien date, the property was no longer owned by the applicant or otherwise failed to meet all requirements for the welfare exemption.

Prior to the lien date, the assessor shall annually mail a notice to every applicant relieved of the requirement of filing an annual application by this subdivision.

The notice shall be in a form and contain that information that the board may prescribe, after consultation with the California Assessors' Association, and shall set forth the circumstances under which the property may no longer be eligible for exemption, and advise the applicant of the duty to inform the assessor if the property is no longer eligible for exemption.

The notice shall inform any applicant desiring to maintain eligibility for the welfare exemption under Section 214.15 or Section 231 for the next fiscal year of the procedure to reaffirm exemption eligibility. The failure to reaffirm eligibility for the exemption does not of itself constitute a waiver of exemption as called for by the California Constitution, but may result in additional contact by the assessor to verify exempt activity.

~~The notice shall include a card that is to be returned to the assessor by any applicant desiring to maintain eligibility for the welfare exemption under Section 214.15 or Section 231. The card shall be in the following form:~~

~~To all persons who have received a welfare exemption under Section 214.15 or Section 231 of the Revenue and Taxation Code for the \_\_\_\_\_ fiscal year.~~

~~Question: Will the property to which the exemption applies in the \_\_\_\_\_ fiscal year continue to be used exclusively by government or by an organization as described in Section 214.15 for its interest and benefit in the fiscal year?~~

~~YES \_\_\_\_\_ NO \_\_\_\_\_~~

~~Signature: \_\_\_\_\_~~

~~Title: \_\_\_\_\_~~

~~Failure to return this card does not of itself constitute a waiver of exemption as called for by the California Constitution, but may result in onsite inspection to verify exempt activity.~~

(e) Upon any indication that a welfare exemption or veterans' organization exemption on the property has been incorrectly granted, the assessor shall redetermine eligibility for the exemption. If the assessor determines that the property, or any portion thereof, is no longer

eligible for the exemption, he or she shall immediately cancel the exemption on so much of the property as is no longer eligible for the exemption.

(f) If a welfare exemption or veterans' organization exemption on the property has been incorrectly allowed, an escape assessment as provided by Article 4 (commencing with Section 531) of Chapter 3 in the amount of the exemption, with interest as provided in Section 506, shall be made, and a penalty shall be assessed for any failure to notify the assessor as required by this section in an amount equaling 10 percent of the escape assessment, but may not exceed two hundred fifty dollars (\$250).

(g) Pursuant to Section 15640 of the Government Code, the board shall review the assessor's administration of the welfare exemption and the veterans' organization exemption as part of the board's survey of the county assessment roll to ensure the proper administration of the exemption.