

File No. 140660

Committee Item No. _____

Board Item No. 33

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee _____

Date _____

Board of Supervisors Meeting

Date June 10, 2014

Cmte Board

- Motion
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OTHER (Use back side if additional space is needed)

- Assembly Bill 2327
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Completed by: Joy Lamug

Date June 5, 2014

Completed by: _____

Date _____

An asterisked item represents the cover sheet to a document that exceeds 20 pages. The complete document is in the file.

1 [Urging the California State Legislature to Pass Assembly Bill 2372 (Ammiano and
2 Bocanegra)]

3
4 **Resolution urging the California State Legislature to pass Assembly Bill 2372**
5 **introduced by Assemblymembers Ammiano and Bocanegra, that will clarify the**
6 **definition of “change of ownership” in current law for commercial property to prevent**
7 **cases where 100% change of ownership occurs, but reassessment is avoided.**

8
9 WHEREAS, The state’s current system for assessing and taxing commercial and
10 industrial property is riddled with loopholes, providing property owners with innumerable ways
11 to structure change of ownership transactions to avoid paying higher taxes; and

12 WHEREAS, In San Francisco the tax burden on residential property owners has
13 increased from 56% to 71 % since the passage of proposition 13, while the burden on
14 commercial property owners in San Francisco has decreased by 12%; and

15 WHEREAS, Commercial property is held in many complex ways (limited liability
16 corporations, limited partnerships, real estate investment trusts, family trusts, publicly traded
17 corporations, etc.) it is often difficult to identify a “change of ownership” under current law, and
18 very easy to avoid a “change of ownership” even when a sale occurs that should trigger a
19 reassessment; and

20 WHEREAS, Current law allows billions of dollars of valuable business property to be
21 vastly under assessed, creating great differences in taxes paid among property owners,
22 resulting in inadequate funding of local governments, schools and infrastructure projects; and

23 WHEREAS, Current law requires that commercial properties be taxed on their full
24 market value if a “change of ownership” occurs. “A change of ownership” triggers
25 reassessment of property for property tax purposes; and

1 WHEREAS, Current law says that a “change of ownership” does not occur unless one
2 owner acquires more than 50% of a property; and

3 WHEREAS, Loopholes in existing law have not triggered reassessment, in some
4 cases, even if 100% of property has changed hands; and

5 WHEREAS, As reported by the California Tax Reform Association in a 2010 report,
6 reviews of private equity buyouts and bank mergers point to several examples where it has
7 been discovered that huge “changes of ownership” in major properties occurred which have
8 gone without reassessment; and

9 WHEREAS, Assembly Bill 2372 (AB 2372), sponsored by Assembly Member Tom
10 Ammiano, would require commercial properties to be reassessed and taxed on their full
11 market value if 90% or more of a property is cumulatively sold or transferred over a three year
12 period; and regardless, of how many parties are involved or whether any one party acquires
13 more than 50% of ownership interest; and

14 WHEREAS, AB 2372 ensures that county assessors are provided with the information
15 they need to discover “changes of ownership;” and

16 WHEREAS, AB 2372 clarifies “change of ownership” in cases when stocks are used,
17 and

18 WHEREAS, AB 2372, ensures that violators are adequately penalized for failing to
19 comply; now, therefore, be it

20 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
21 hereby urges the California State Legislature to pass AB 2372.
22
23
24
25

AMENDED IN ASSEMBLY MAY 28, 2014

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 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~~ *Section 480.9 to, and to add and repeal Section 486 of*, 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 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 90% or more of the ownership interests in a nonaffiliated legal entity are sold or transferred in a single transaction, as 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. *This bill would require the State Board of Equalization to report to the Legislature, no later than January 1, 2020, regarding the implementation of these changes in ownership, including, but not limited to, the economic impact and frequency of reassessments of real property owned by legal entities.*~~

~~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 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 15%.~~

This bill would require the State Board of Equalization to notify assessors if a change in control or a change in ownership of a legal entity has occurred.

~~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 ownership may include complex legal maneuvers
7 and methods of dividing up ownership when changes of ownership
8 actually occur.

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

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

17 (5) Transactions occur that should be identified as changes of
18 ownership, for example, a 90 percent or more purchase of a
19 company, that are not reassessed because of the division of
20 ownership shares.

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

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

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

4 (3) Improved reporting and stronger enforcement.

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

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

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

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

33 For purposes of this subdivision, "affiliated group" means one
34 or more chains of corporations connected through stock ownership
35 with a common parent corporation if both of the following
36 conditions are met:

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

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

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

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

30 (ii) For purposes of this subparagraph:

31 (I) *“Established securities market” means an established*
32 *securities market as defined in Section 1.7704-1(b) of Title 26 of*
33 *the Code of Federal Regulations.*

34 (II)

35 (II) *“Legal entity” means a corporation, partnership, limited*
36 *liability company, or other legal entity.*

37 (III)

38 (III) *“Original transaction” means a transaction that occurs on*
39 *or after the effective date of the act adding this subclause. January*
40 *1, 2015.*

1 (III)

2 (IV) "Ownership interests" means corporate voting stock,
3 partnership capital and profits interests, limited liability company
4 membership interests, and other ownership interests in legal
5 entities.

6 (V)

7 (V) (ia) "Single transaction" means a transaction in which 100
8 90 percent or more of the ownership interests are *cumulatively*
9 sold or transferred in either one calendar year or within a ~~three-year~~
10 36-month period beginning on the date of the original transaction
11 when any percentage of ownership interests are sold or transferred.

12 (ib) *For purposes of this subclause, whenever an ownership*
13 *interest is counted as having been sold or transferred in a single*
14 *transaction, that has resulted in a change of ownership, it shall*
15 *not be counted again in determining whether any other transaction*
16 *results in a change of ownership.*

17 (VI)

18 (VI) "Sold or transferred" does not include a sale of stock or
19 interests of a publicly traded corporation or a publicly traded
20 partnership in the regular course of a trading activity on a
21 ~~recognized stock exchange~~ *an established securities market* unless
22 shares are acquired as part of a merger, acquisition, private equity
23 buyout, transfer of partnership shares, or any other means by which
24 a change of ownership would otherwise occur pursuant to this
25 subparagraph.

26 (2) On or after January 1, 1996, when an owner of a majority
27 ownership interest in any partnership obtains all of the remaining
28 ownership interests in that partnership or otherwise becomes the
29 sole partner, the purchase or transfer of the minority interests,
30 subject to the appropriate application of the step-transaction
31 doctrine, shall not be a change in ownership of the real property
32 owned by the partnership.

33 (d) If property is transferred on or after March 1, 1975, to a
34 legal entity in a transaction excluded from change in ownership
35 by paragraph (2) of subdivision (a) of Section 62, then the persons
36 holding ownership interests in that legal entity immediately after
37 the transfer shall be considered the "original coowners." Whenever
38 shares or other ownership interests representing cumulatively more
39 than 50 percent of the total interests in the entity are transferred
40 by any of the original coowners in one or more transactions, a

1 change in ownership of that real property owned by the legal entity
2 shall have occurred, and the property that was previously excluded
3 from change in ownership under the provisions of paragraph (2)
4 of subdivision (a) of Section 62 shall be reappraised.

5 The date of reappraisal shall be the date of the transfer of the
6 ownership interest representing individually or cumulatively more
7 than 50 percent of the interests in the entity.

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

12 (e) ~~(1)~~ To assist in the determination of whether a change of
13 ownership has occurred under ~~subdivisions~~ *subdivision (c)* ~~and or~~
14 (d), the Franchise Tax Board shall include a question in
15 substantially the following form on returns for partnerships, banks,
16 and corporations (except tax-exempt organizations):

17 If the corporation (or partnership or limited liability company)
18 owns real property in California, has cumulatively more than 50
19 percent of the voting stock (or more than 50 percent of total interest
20 in both partnership or limited liability company capital and
21 partnership or limited liability company profits) (1) been transferred
22 by the corporation (or partnership or limited liability company)
23 since March 1, 1975, or (2) been acquired by another legal entity
24 or person during the year? (See instructions.)

25 If the entity answers "yes" to (1) or (2) in the above question,
26 then the Franchise Tax Board shall furnish the names and addresses
27 of that entity and of the stock or partnership or limited liability
28 company ownership interest transferees to the State Board of
29 Equalization.

30 ~~(2) Whenever there is a change in ownership pursuant to~~
31 ~~subparagraph (B) of paragraph (1) of subdivision (e), the question~~
32 ~~included on returns pursuant to this subdivision shall be answered~~
33 ~~by the person or legal entity acquiring ownership of the~~
34 ~~corporation, partnership, limited liability company, or other legal~~
35 ~~entity.~~

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

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

1 480.1. (a) Whenever there is a *change in control* or a change
2 in ownership of any corporation, partnership, limited liability
3 company, or other legal entity, as defined in subdivision (c) of
4 Section 64, a signed change in ownership statement as provided
5 for in subdivision (b), shall be filed by the person or legal entity
6 acquiring ownership of the corporation, partnership, limited
7 liability company, or other legal entity with the board at its office
8 in Sacramento within 90 days from the date of *the change in*
9 *control* or the change in ownership of the corporation, partnership,
10 limited liability company, or other legal entity. The statement shall
11 list all counties in which the corporation, partnership, limited
12 liability company, or legal entity owns real property.

13 (b) The change in ownership statement as required pursuant to
14 subdivision (a), shall be declared to be true under penalty of perjury
15 and shall give such information relative to the ownership
16 acquisition transaction as the board shall prescribe after
17 consultation with the California Assessors' Association. The
18 information shall include, but not be limited to, a description of
19 the property owned by the corporation, partnership, limited liability
20 company, or other legal entity, the parties to the transaction, and
21 the date of the ownership acquisition. The change in ownership
22 statement shall not include any question which is not germane to
23 the assessment function. The statement shall contain a notice that
24 is printed, with the title in at least 12-point boldface type and the
25 body in at least 8-point boldface type, in the following form:

26
27
28 "Important Notice"

29
30 "The law requires any person or legal entity acquiring ownership
31 in any corporation, partnership, limited liability company, or other
32 legal entity owning real property in California subject to local
33 property taxation to complete and file a change in ownership
34 statement with the State Board of Equalization at its office in
35 Sacramento. The change in ownership statement must be filed
36 within 90 days from the date of *the change in control* or the change
37 in ownership of a corporation, partnership, limited liability
38 company, or other legal entity. The law further requires that a
39 change in ownership statement be completed and filed whenever
40 a written request is made therefor by the State Board of

1 Equalization, regardless of whether a change in control or a change
2 in ownership of the legal entity has occurred. The failure to file a
3 change in ownership statement within 90 days from the earlier of
4 the date of *the change in control* or a change in ownership of the
5 corporation, partnership, limited liability company, or other legal
6 entity, or the date of a written request by the State Board of
7 Equalization, results in a penalty of 15 percent of the taxes
8 applicable to the new base year value reflecting the change in
9 control or the change in ownership of the real property owned by
10 the corporation, partnership, limited liability company, or legal
11 entity (or 15 percent of the current year's taxes on that property if
12 no change in control or change in ownership occurred). This
13 penalty will be added to the assessment roll and shall be collected
14 like any other delinquent property taxes, and be subject to the same
15 penalties for nonpayment.”

16
17 (c) In the case of a corporation, the change in ownership
18 statement shall be signed either by an officer of the corporation or
19 an employee or agent who has been designated in writing by the
20 board of directors to sign such statements on behalf of the
21 corporation. In the case of a partnership, limited liability company,
22 or other legal entity, the statement shall be signed by an officer,
23 partner, manager, or an employee or agent who has been designated
24 in writing by the partnership, limited liability company, or legal
25 entity.

26 (d) No person or entity acting for or on behalf of the parties to
27 a transfer of real property shall incur liability for the consequences
28 of assistance rendered to the transferee in preparation of any change
29 in ownership statement, and no action may be brought or
30 maintained against any person or entity as a result of that
31 assistance.

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

35 (e) The board or assessors may inspect any and all records and
36 documents of a corporation, partnership, limited liability company,
37 or legal entity to ascertain whether a change in control or a change
38 in ownership as defined in subdivision (c) of Section 64 has
39 occurred. The corporation, partnership, limited liability company,

1 or legal entity shall, upon request, make those documents available
2 to the board during normal business hours.

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

5 480.2. (a) Whenever there is a change in ownership of any
6 corporation, partnership, limited liability company, or other legal
7 entity, as defined in subdivision (d) of Section 64, a signed change
8 in ownership statement as provided in subdivision (b) shall be filed
9 by the corporation, partnership, limited liability company, or other
10 legal entity with the board at its office in Sacramento within 90
11 days from the date of the change in ownership of the corporation,
12 partnership, limited liability company, or other legal entity. The
13 statement shall list all counties in which the corporation,
14 partnership, limited liability company, or legal entity owns real
15 property.

16 (b) The change in ownership statement required pursuant to
17 subdivision (a) shall be declared to be true under penalty of perjury
18 and shall give that information relative to the ownership interest
19 acquisition transaction as the board shall prescribe after
20 consultation with the California Assessors' Association. The
21 information shall include, but not be limited to, a description of
22 the property owned by the corporation, partnership, limited liability
23 company, or other legal entity, the parties to the transaction, the
24 date of the ownership interest acquisition, and a listing of the
25 "original coowners" of the corporation, partnership, limited liability
26 company, or other legal entity prior to the transaction. The change
27 in ownership statement shall not include any question which is not
28 germane to the assessment function. The statement shall contain
29 a notice that is printed, with the title in at least 12-point boldface
30 type and the body in at least 8-point boldface type, in the following
31 form:

32
33 "Important Notice"

34
35 "The law requires any corporation, partnership, limited liability
36 company, or other legal entity owning real property in California
37 subject to local property taxation and transferring shares or other
38 ownership interest in such legal entity that constitute a change in
39 ownership pursuant to subdivision (d) of Section 64 of the Revenue
40 and Taxation Code to complete and file a change in ownership

1 statement with the State Board of Equalization at its office in
2 Sacramento. The change in ownership statement must be filed
3 within 90 days from the date that shares or other ownership
4 interests representing cumulatively more than 50 percent of the
5 total control or ownership interests in the entity are transferred by
6 any of the original coowners in one or more transactions. The law
7 further requires that a change in ownership statement be completed
8 and filed whenever a written request is made therefor by the State
9 Board of Equalization, regardless of whether a change in ownership
10 of the legal entity has occurred. The failure to file a change in
11 ownership statement within 90 days from the earlier of the date of
12 the change in ownership of the corporation, partnership, limited
13 liability company, or other legal entity, or the date of a written
14 request by the State Board of Equalization, results in a penalty of
15 15 percent of the taxes applicable to the new base year value
16 reflecting the change in ownership of the real property owned by
17 the corporation, partnership, limited liability company, or legal
18 entity (or 15 percent of the current year's taxes on that real property
19 if no change in ownership occurred). This penalty will be added
20 to the assessment roll and shall be collected like any other
21 delinquent property taxes, and be subject to the same penalties for
22 nonpayment."

23 (c) In the case of a corporation, the change in ownership
24 statement shall be signed either by an officer of the corporation or
25 an employee or agent who has been designated in writing by the
26 board of directors to sign such statements on behalf of the
27 corporation. In the case of a partnership, limited liability company,
28 or other legal entity, the statement shall be signed by an officer,
29 partner, manager, or an employee or agent who has been designated
30 in writing by the partnership, limited liability company, or legal
31 entity.

32 (d) No person or entity acting for or on behalf of the parties to
33 a transfer of real property shall incur liability for the consequences
34 of assistance rendered to the transferee in preparation of any change
35 in ownership statement, and no action may be brought or
36 maintained against any person or entity as a result of that
37 assistance.

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

1 (e) The board or assessors may inspect any and all records and
2 documents of a corporation, partnership, limited liability company,
3 or legal entity to ascertain whether a change in ownership as
4 defined in subdivision (d) of Section 64 has occurred. The
5 corporation, partnership, limited liability company, or legal entity
6 shall upon request, make those documents available to the board
7 during normal business hours.

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

10 480.9. The board shall notify assessors if a *change in control*
11 *or a change in ownership* described in ~~subparagraph (B) of~~
12 ~~paragraph (1) of subdivision (c) of~~ Section 64 has occurred.

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

15 482. (a) (1) If a person or legal entity required to file a
16 statement described in Section 480 fails to do so within 90 days
17 from the date a written request is mailed by the assessor, a penalty
18 of either: (A) one hundred dollars (\$100), or (B) 10 percent of the
19 taxes applicable to the new base year value reflecting the change
20 in ownership of the real property or manufactured home, whichever
21 is greater, but not to exceed five thousand dollars (\$5,000) if the
22 property is eligible for the homeowners' exemption or twenty
23 thousand dollars (\$20,000) if the property is not eligible for the
24 homeowners' exemption if the failure to file was not willful, shall,
25 except as otherwise provided in this section, be added to the
26 assessment made on the roll. The penalty shall apply for failure to
27 file a complete change in ownership statement notwithstanding
28 the fact that the assessor determines that no change in ownership
29 has occurred as defined in Chapter 2 (commencing with Section
30 60) of Part 0.5. The penalty may also be applied if after a request
31 the transferee files an incomplete statement and does not supply
32 the missing information upon a second request.

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

36 (b) If a person or legal entity required to file a statement
37 described in Section 480.1 or 480.2 fails to do so within 90 days
38 from the earlier of (1) the date of *the change in control* or the
39 change in ownership of the corporation, partnership, limited
40 liability company, or other legal entity, or (2) the date of a written

1 request by the State Board of Equalization, a penalty of 15 percent
2 of the taxes applicable to the new base year value reflecting the
3 change in control or change in ownership of the real property
4 owned by the corporation, partnership, or legal entity, or 15 percent
5 of the current year's taxes on that property if no change in control
6 or change in ownership occurred, shall be added by the county
7 assessor to the assessment made on the roll. The penalty shall apply
8 for failure to file a complete statement with the board
9 notwithstanding the fact that the board determines that no change
10 in control or change in ownership has occurred as defined in
11 subdivision (c) or (d) of Section 64. The penalty may also be
12 applied if after a request the person or legal entity files an
13 incomplete statement and does not supply the missing information
14 upon that second request to complete the statement. That penalty
15 shall be in lieu of the penalty provisions of subdivision (a).

16 (c) The penalty for failure to file a timely statement pursuant to
17 Sections 480, 480.1, and 480.2 for any one transfer may be imposed
18 only one time, even though the assessor may initiate a request as
19 often as he or she deems necessary.

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

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

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

34 (3) If the property is transferred or conveyed to a bona fide
35 purchaser for value or becomes subject to a lien of a bona fide
36 encumbrancer for value after the transfer of ownership resulting
37 in the imposition of the penalty and before the enrollment of the
38 penalty, the penalty shall be entered on the unsecured roll in the
39 name of the transferee whose failure to file the change in ownership
40 statement resulted in the imposition of the penalty.

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

4 (f) Notice of any penalty added to either the secured or
5 unsecured roll pursuant to this section, which shall identify the
6 parcel or parcels for which the penalty is assessed, and the written
7 request to file a statement specified in subdivision (a), which shall
8 identify the real property or manufactured home for which the
9 statement is required to be filed, shall be mailed by the assessor
10 to the transferee at his or her address contained in any recorded
11 instrument or document evidencing a transfer of an interest in real
12 property or manufactured home or the address specified for mailing
13 tax information contained in the preliminary change in ownership
14 report. If the transferee has subsequently notified the assessor of
15 a change in address for mailing tax information, the assessor shall
16 mail the notice of any penalty, or the written request to file a
17 statement specified in subdivision (a), to this address. If there is
18 no address specified for mailing tax information on either the
19 recorded instrument, the document evidencing a transfer of an
20 interest in real property or manufactured home, or on the filed
21 preliminary change in ownership report, and the transferee has not
22 provided an address for purposes of mailing tax information, the
23 assessor shall mail the notice of any penalty, or the written request
24 to file a statement specified in subdivision (a), to the transferee at
25 any address reasonably known to the assessor.

26 ~~SEC. 7. Section 486 is added to the Revenue and Taxation~~
27 ~~Code, to read:~~

28 ~~486. (a) Whenever there occurs a change in the ownership~~
29 ~~interests, including a leasehold interest, of a legal entity holding~~
30 ~~an interest in real property in this state, whether by merger,~~
31 ~~acquisition, private equity buyout, transfer of partnership shares,~~
32 ~~large stock transfer subject to the filing requirements of the United~~
33 ~~States Securities and Exchange Commission, or any other means~~
34 ~~by which a legal entity or person acquires an ownership interest~~
35 ~~of another legal entity, the person or legal entity acquiring the~~
36 ~~ownership interests shall report to the board the change in the~~
37 ~~ownership interests, in the form and manner as specified by the~~
38 ~~board, within 90 days of the date of the change in the ownership~~
39 ~~interests.~~

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

3 ~~SEC. 8. Section 486.5 is added to the Revenue and Taxation~~
4 ~~Code, to read:~~

5 ~~486.5. (a) Whenever there occurs a transfer between an~~
6 ~~individual or individuals and a legal entity or between legal entities~~
7 ~~as described in paragraph (2) of subdivision (a) of Section 62, the~~
8 ~~legal entity shall report any subsequent changes in the ownership~~
9 ~~interests of the legal entity to the county assessor, in the form and~~
10 ~~manner as specified by the county assessor, within 90 days of the~~
11 ~~date of the change in the ownership interests.~~

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

14 ~~SEC. 9. Section 488 is added to the Revenue and Taxation~~
15 ~~Code, to read:~~

16 ~~488. (a) Whenever there occurs a change of an ownership~~
17 ~~interest in a legal entity holding an interest in real property in this~~
18 ~~state, a deed shall be recorded with the county recorder by the~~
19 ~~owner of the real property, even if the owner of the real property~~
20 ~~does not change.~~

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

23 ~~SEC. 7. Section 486 is added to the Revenue and Taxation~~
24 ~~Code, to read:~~

25 ~~486. (a) The board shall report to the Legislature, no later~~
26 ~~than January 1, 2020, regarding the implementation of~~
27 ~~subparagraph (B) of paragraph (1) of subdivision (c) of Section~~
28 ~~64, including, but not limited to, the economic impact and~~
29 ~~frequency of reassessments of real property owned by legal entities.~~

30 ~~(b) (1) A report submitted pursuant to subdivision (a) shall be~~
31 ~~submitted in compliance with Section 9795 of the Government~~
32 ~~Code.~~

33 ~~(2) Pursuant to Section 10231.5 of the Government Code, this~~
34 ~~section is repealed on January 1, 2024.~~

35
36 ~~SEC. 10:~~

37 ~~SEC. 8. No reimbursement is required by this act pursuant to~~
38 ~~Section 6 of Article XIII B of the California Constitution for certain~~
39 ~~costs that may be incurred by a local agency or school district~~
40 ~~because, in that regard, this act creates a new crime or infraction,~~

1 eliminates a crime or infraction, or changes the penalty for a crime
2 or infraction, within the meaning of Section 17556 of the
3 Government Code, or changes the definition of a crime within the
4 meaning of Section 6 of Article XIII B of the California
5 Constitution.

6 However, if the Commission on State Mandates determines that
7 this act contains other costs mandated by the state, reimbursement
8 to local agencies and school districts for those costs shall be made
9 pursuant to Part 7 (commencing with Section 17500) of Division
10 4 of Title 2 of the Government Code.

11 ~~SEC. 11.~~

12 *SEC. 9.* This act provides for a tax levy within the meaning of
13 Article IV of the Constitution and shall go into immediate effect.

O

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission Youth Commission Ethics Commission
- Planning Commission Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.

Sponsor(s):


Mar, Campos

Subject:

Urging the California State Legislature to pass Assembly Bill 2372

The text is listed below or attached:

Please see attached.

Signature of Sponsoring Supervisor: 

For Clerk's Use Only:

140660

