

LEGISLATIVE DIGEST

[Business and Tax Regulations Code - Real Property Transfer Tax Rates and Penalties]

Ordinance amending the Business and Tax Regulations Code to, for transfers occurring on or after July 1, 2026: halve the real property transfer tax rate from 5.5% to 2.75% when the consideration or value of the property conveyed equals or exceeds \$10,000,000 but is less than \$25,000,000, and from 6% to 3% when the consideration or value equals or exceeds \$25,000,000; exempt from these reductions the transfer of single-family residences; and reduce the penalties for delinquent real property transfer taxes; and affirming the Planning Department's determination under the California Environmental Quality Act.

Existing Law

Rates

Since 2008, the transfer tax on the transfer of properties with a consideration or value of \$5 million or more has increased from 0.75% of consideration or value to between 2.25% and 6% of consideration or value depending on the consideration or value (Prop. N of November 2008, Prop. N of November 2010, Prop. W of November 2016, and Prop. I of November 2020). Specifically, Prop. I increased the rates from 2.75% to 5.5% for properties with a consideration or value of \$10,000,000 but less than \$25,000,000, and from 3% to 6% for properties with a consideration or value of \$25,000,000 or more.

Existing law (Prop. C of March 2024) allows the Board of Supervisors to amend or repeal the transfer tax without voter approval, except as limited by the California Constitution.

Penalties and Interest

Existing law imposes a penalty of 25% of taxes that are not paid within 30 days of the delivery of a deed, instrument, or writing effecting a transfer subject to tax, and an additional penalty of 10% of those taxes not paid within 90 days of such delivery. Existing law also provides that delinquent tax amounts incur interest at the rate of 1% per month or fraction thereof.

Amendments to Current Law

The amendments in this legislation would be effective for deeds, instruments, or writings that are delivered on or after July 1, 2026.

Rates

This legislation would halve the transfer tax rates from 5.5% to 2.75% for properties with a consideration or value of at least \$10,000,000 but less than \$25,000,000, and from 6%

to 3% for properties with a consideration or value of \$25,000,000 or more. The existing rates would still apply to the transfer of single-family residences with a consideration or value of \$10 million or more.

Penalties and Interest

This legislation would reduce the 25% penalty to 15%, and would remove the additional 10% penalty. And, with limited exceptions, the 15% penalty would not apply where the deficiency is less than 10% of the total amount of tax owed. This legislation also clarifies existing law that interest accrues from date of delinquency.