

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**

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**Introduced by Assembly Members Ammiano and Bocanegra**

February 21, 2014

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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 2/3 of the membership of each house of the Legislature.

This bill would take effect immediately as a tax levy.

Vote: 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 (⊕)

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

37 (⊕)

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     ~~(IV)~~  
 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     ~~(V)~~  
 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) ~~(+)~~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 (c), 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  
 29

“Important Notice”

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 (e) 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.