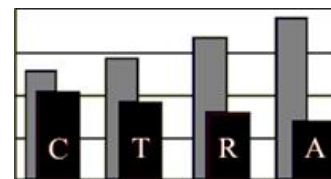


FACT SHEET
AB 2492 (Ammiano)

Closes the Largest Loophole in State's Property Tax System
Change of Ownership Law for Commercial Properties

ACCE



Sponsors: CTRA (California Tax Reform Association)
ACCE (Alliance of Californians for Community Empowerment)

PROBLEM: Current law requires that commercial properties be taxed on their full market value if a “change in ownership” occurs, but loopholes in current law do not trigger reassessment even if 100% of a property changes hands. Publicly-traded companies are not reassessed even though their stock changes hands every day. Commercial property is held in many complex ways: limited partnerships, real estate investment trusts, family trusts, publicly traded corporations, subchapter S (closely held) corporations, etc. It is extremely difficult to identify a change of ownership under current law, and very easy to avoid one even when sales occur.

***Example:** E&J Gallo of Modesto, one of the world's largest wineries, bought Louis M. Martini winery in 2002 but split the purchase among 12 family members to prevent the property from being reassessed and taxed on its full market value. This costs the county as much as \$700,000 a year in taxes. (Source: Napa County Assessor)*

WHY THIS IS IMPORTANT – THE HARM THESE LOOPHOLES ARE CAUSING

- 1) **Our Cities, Counties and Schools are Losing Money** AB 2492 is estimated to increase property tax revenues to schools, local governments and the state by several hundreds of millions of dollars annually!!!
- 2) **Leads To Huge Inequalities In Taxes Paid On Virtually Identical Properties.** Recent studies show business competitors are paying vastly different property taxes for nearly identical properties. For example, IBM in Silicon Valley is paying \$0.004 per square foot in taxes while many other competitors in the area are paying more than 100 times as much. (Source: CA Tax Reform Assoc.)
- 3) **Contributes to Shifting the Property Tax Burden onto Homeowners:** The property tax burden in this state has increasingly shifted from commercial property tax payers to homeowners! For example, in Los Angeles County, the portion of the roll composed by residential property has jumped from 53% in 1974-75 to 69% today, while the non-residential property tax burden has dropped from 47% to 31% over the same period.

SOLUTION: AB 2492 seeks to close these loopholes in current law by enacting the following provisions:

- Requires non-residential properties to be reassessed if 50% or more of a property changes hands on a cumulative basis.
- Requires ownership transfers of less than 50% to be reassessed in proportion to the percentage of ownership shares that changed hands.
- Establishes a rebuttable presumption that, as of January 1, 2011, and on January 1 of each third fiscal year thereafter, all of the real property owned by a publicly traded company in the state has undergone a change in ownership and shall be reassessed.
- Sets up a fair and reasonable process for companies to rebut this presumption.

If passed, AB 2492 will help ensure that commercial properties are reassessed upon change of ownership, and thereby help the state to close its multi-billion budget gap! A revenue estimate is still pending, but AB 2492 is expected to increase property tax revenues to schools, local governments and the state by several hundreds of millions of dollars annually.