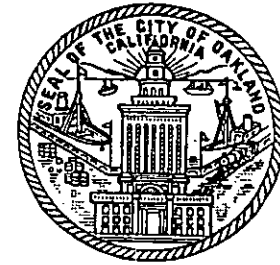


FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

CITY OF OAKLAND  
BILL ANALYSIS



2013 APR -4 PM 6:02  
Date: April 23, 2013

Bill Number: AB 188

Bill Author: CA Assembly Member Tom Ammiano

**DEPARTMENT INFORMATION**

Contact: Bruce Stoffmacher, District 4, 510-238-7041  
bstoffmacher@oaklandnet.com

**RECOMMENDED POSITION: SUPPORT**

**Summary of the Bill:**

An act to amend Sections 64, 480.1, 480.2, and 482 of, and to add Sections 480.9, 486, 486.5, and 488 to, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

This bill further applies the following definitions:

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 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 (more than 50%) 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.

Item: \_\_\_\_\_  
Rules & Legislation Comte.  
April 23, 2013

# DRAFT

This bill would instead specify that if 100% of the ownership interests in a legal entity, as defined, are sold or transferred in a single transaction, as specified, 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. The bill would require the State Board of Equalization to notify assessors if a change in ownership as so described occurs.

Existing law requires a person or legal entity that obtains a controlling or majority ownership interest in a legal entity, or an entity that makes specified transfers of ownership interests in the legal entity, to file a change in ownership statement signed under penalty of perjury with the State Board of Equalization, 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. AB188 would increase the penalties for failure to file a change in ownership statement, as described above, from 10% to 20%.

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.

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## Positive Factors for Oakland

Increased property tax revenue for the City of Oakland, as well as State of California and County of Alameda from future reassessed commercial properties.

## Negative Factors for Oakland

There are arguments that greater reassessments of commercial and industrial property would negatively impact economic growth in California.

## Known Support

Metropolitan Greater Oakland Democratic Club

## Known Opposition

CA Chamber of Commerce

## PLEASE RATE THE EFFECT OF THIS MEASURE ON THE CITY OF OAKLAND:

- Critical (top priority for City lobbyist, city position required ASAP)
- Very Important (priority for City lobbyist, city position necessary)
- Somewhat Important (City position desirable if time and resources are available)
- Minimal or  None (do not review with City Council, position not required)

Respectfully Submitted,

\_\_\_\_\_  
Councilmember Libby Schaaf

Item: \_\_\_\_\_  
Rules & Legislation Comte.  
April 18, 2013

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2013 APR -4 PM 5:34

Approved as to Form and Legality

City Attorney's Office

# DRAFT

## OAKLAND CITY COUNCIL

Resolution No. \_\_\_\_\_ C.M.S.

INTRODUCED BY COUNCILMEMBER SCHAAF

**RESOLUTION IN SUPPORT OF AB188 (PROPERTY TAXATION: CHANGE IN OWNERSHIP, AMMIANO), WHICH WOULD AMEND SECTIONS 64, 480.1, 480.2, AND 482 OF, AND TO ADD SECTIONS 480.9, 486, 486.5, AND 488 TO, THE REVENUE AND TAXATION CODE, RELATING TO TAXATION, WHICH WOULD TRIGGER REASSESSMENTS OF REAL PROPERTY WHEN 100% OF THE OWNERSHIP INTERESTS IN A LEGAL ENTITY, AS DEFINED, ARE SOLD OR TRANSFERRED IN A SINGLE TRANSACTION, WHETHER OR NOT ANY ONE LEGAL ENTITY OR PERSON THAT IS A PARTY TO THE TRANSACTION ACQUIRES MORE THAN 50% OF THE OWNERSHIP INTERESTS**

**WHEREAS**, Proposition 13, passed in 1978, limits the maximum amount of any ad valorem tax on real property to one percent (1%) of the full cash value of such property; and

**WHEREAS**, Proposition 13 decreased property taxes by assessing property values at their 1975 value as well as restricting the annual increases of assessed value of real property to an inflation factor, not to exceed 2% per year; and

**WHEREAS**, Proposition 13 also prohibits reassessment of a new base year value except for (a) change in ownership or (b) completion of new construction; and;

# DRAFT

**WHEREAS**, current law states that a “change of ownership” does not occur unless one owner acquires more than 50% of a property; and

**WHEREAS**, with many commercial property sales, the sale can legally occur where no party purchasing the property will own more than 50% of the property, such that no reassessment is triggered by the County Assessor; and

**WHEREAS**, AB 188 would require commercial properties to be reassessed and taxed on their full market value if 100% of a property is cumulatively sold or transferred over a three year period, regardless, of how many parties are involved or whether any one party acquires more than 50% of ownership interest; and

**WHEREAS**, by redefining “change in ownership,” AB 188 would narrow a loophole which currently allows commercial property owners to pay less property tax than would be paid if such properties were reassessed to their fair market value; and

**WHEREAS**, future reassessments of commercial property that would only occur with the passage of such an amendment to Proposition 13 will increase the property tax revenue received by the State of California, the County of Alameda and City of Oakland; therefore be it

# DRAFT

RESOLVED, that the City Council supports Assembly Bill AB 188 (Property Taxation: Change in Ownership, Ammiano), which would amend Sections 64, 480.1, 480.2, and 482 of, and to add Sections 480.9, 486, 486.5, and 488 to, the Revenue and Taxation Code, relating to taxation, which would trigger reassessments of real property when 100% of the ownership interests in a legal entity, as defined, are sold or transferred in a single transaction, whether or not any one legal entity or person that is a party to the transaction acquires more than 50% of the ownership interests.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES – BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, SCHAAF,  
AND PRESIDENT KERNIGHAN

NOES –  
ABSENT –  
ABSTENTION –

ATTEST:

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LATONDA SIMMONS  
City Clerk and Clerk of the Council of the  
City of Oakland, California