

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: March 31, 2026

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst Council File No.: 26-0002-S14
Assignment No.: 26-03-0204

SUBJECT: Report on SB 1352 (Valladares), amending the State Revenue and Taxation Code

CLA RECOMMENDATION:

ADOPT Resolution (Park – Harris-Dawson) to include in the City’s 2025-2026 State Legislative Program support for SB 1352 (Valladares), which would provide clarity for property owners rebuilding property damaged or destroyed by a disaster on or after January 1, 2025, by defining the term “substantially equivalent” in the state Revenue and Taxation Code to specify that a reconstructed improvement may be up to 110% of its original size and still qualify for exclusion from reassessment as “new construction.”

SUMMARY

On March 4, 2026, a Resolution (Park – Harris-Dawson) was introduced in Council to support SB 1352 (Valladares), an act to amend Section 70 of the Revenue and Taxation Code in order to provide clarity for property owners rebuilding property damaged or destroyed by a disaster on or after January 1, 2025. The Resolution states that, while state environmental and coastal permitting regulations and City permitting requirements are streamlined for projects that are not more than 110% of the size of the buildings that were damaged or destroyed in the 2025 fires, the State Revenue and Taxation Code provisions relative to property tax assessment do not relate clearly to the 110% standard, but instead provide that property reconstructed after damage may retain its original base year value for tax purposes if the reconstruction is “substantially equivalent” to the damaged or destroyed property (Section 70(c)). The Resolution notes that the phrase “substantially equivalent” is vague in a way that is likely to create uncertainty among taxpayers trying to rebuild their destroyed properties.

The Resolution further states that, to address this uncertainty, SB 1352 (Valladares) would add clarifying language to the Revenue and Taxation Code to specify that, for properties “damaged or destroyed by misfortune or calamity on or after January 1, 2025,” the phrase “substantially equivalent” specifically includes rebuilds that do not exceed 110% of the size of the destroyed property. The Resolution notes that the City previously adopted a position of support for similar legislation, AB 1253 (CF #25-0002-S40) which expired without being adopted by the State Assembly. Therefore, the Resolution requests that the City support SB 1352.

BACKGROUND

In January 2025, the Palisades Fire destroyed a total of 6,835 structures, including single-family homes, multi-unit homes, and commercial buildings.¹ California’s property tax code, since the passage of Proposition 13 in 1978, limits the rate at which property taxes can increase for existing homes, but allows for full reassessment of new construction, potentially leading to significant increases in property tax liability for owners who rebuild under non-emergency circumstances.

The current State Revenue and Taxation Code provides that, for a property that has been “substantially damaged or destroyed by a disaster,” property reconstructed as a replacement for the destroyed property can avoid re-assessment if the reconstruction is “timely” and it is “substantially equivalent to the property prior to damage or destruction.” (Section 70 (c), Revenue and Taxation Code).

Legal requirements related to permitting for rebuilding tie to a standard that is based on the size of the rebuild. In order to support rebuilding after the January 2025 wildfires in the Los Angeles area, Governor Newsom issued Executive Order (EO) N-4-25, simplifying state environmental and coastal permitting requirements for buildings that are up to 110% of the footprint and height of what was destroyed by the fires. Similarly, on January 13, 2025, Los Angeles Mayor Karen Bass, in Emergency Executive Order No. 1, established simplified permitting requirements for projects that do not exceed 110% of the original building’s “square footage, height, and bulk existing immediately prior to the Wildfires.”

In 2025, the Los Angeles County Assessor flagged these three different standards (“substantial equivalence,” vs. 110% of original size) as a potential source of confusion for property taxpayers, who may falsely assume that keeping their rebuild to a footprint of 110% of the original structure automatically protects them from changes in their assessment.²

An initial effort to clarify the connection between “substantial equivalence” and the 110% rule, AB 1253 (Schultz), was introduced in the State Assembly in February 2025. The City adopted a position of support for the legislation (CF #25-0002-S40); however, the bill expired without being adopted by the State Assembly.

The current bill, SB 1352 (Valladares), continues the effort to provide clarity for property owners rebuilding property damaged or destroyed by a disaster on or after January 1, 2025, by defining the term “substantially equivalent” in the State Revenue and Taxation Code to specify that a reconstructed improvement may be up to 110% of its original size and still qualify for exclusion from reassessment as “new construction.” The bill is sponsored by the State Assessor, Jeffrey Prang.

¹ AECOM, *Wildfire Resilience Planning* (February 2026): 37. Figure includes buildings in the Pacific Palisades, Malibu, and Topanga.

² <https://us11.campaign-archive.com/?u=3d79962a0e2ac6a48c94d04e8&id=80d7d2f494>

BILL STATUS

2/20/26

Introduced

3/4/26

Referred to the Senate Committee on Revenue and Taxation

3/25/26

Set for hearing April 8

Louisa Lund

Louisa Lund

Analyst

Attachments: 1. Resolution

RESOLUTION

RULES, ELECTIONS, INTERGOVERNMENTAL RELATIONS

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state, or federal government body or agency must have first been adopted in the form of a Resolution by the City Council; and

WHEREAS, on January 7, 2025, a wildfire and windstorm event unprecedented in scope wreaked destruction across Los Angeles, with the Pacific Palisades, Eaton Canyon, Hurst, and the Hughes Fires burning over 50,000 acres combined throughout the County of Los Angeles and causing loss of life, displaced families and businesses, and tens of billions of dollars in damages; and

WHEREAS, under the Governor’s Executive Order N-4-25, state environmental and coastal permitting requirements have been simplified for buildings that are up to 110 percent of the footprint and height of what was destroyed by the fires; and

WHEREAS, City permitting requirements are streamlined for projects that are no more than 110% of the size of the buildings that were damaged or destroyed; and

WHEREAS, the existing provisions of the State Revenue and Taxation Code relative to property tax assessment do not relate clearly to the 110% standard, but instead provide that property reconstructed after damage may retain its original base year value for tax purposes if the reconstruction is “substantially equivalent” to the damaged or destroyed property, (Section 70(c)); and

WHEREAS, the vagueness of the phrase “substantially equivalent” is likely to create uncertainty among taxpayers trying to rebuild their destroyed properties; and

WHEREAS, to address this issue, SB 1352 (Valladares) would add clarifying language to the Revenue and Taxation Code to specify that, for properties “damaged or destroyed by misfortune or calamity on or after January 1, 2025,” the phrase “substantially equivalent” specifically includes rebuilds that do not exceed 110% of the size of the destroyed property; and

WHEREAS, SB 1352 (Valladares), in proposing to include properties reconstructed within 110% of the original square footage, aligns with the interpretation of “substantially equivalent” proposed by Los Angeles County Assessor Jeffrey Prang, who is sponsoring SB 1352; and

WHEREAS, this solution would provide clarity and consistency for property owners, allowing them to rebuild their homes without the fear of facing an unforeseen property tax increase; and

WHEREAS, the City previously adopted (CF #25-0002-S40) a position of support for AB 1253 (Schultz), which also would have clarified the meaning of “substantially equivalent” for property owners to include rebuilds of up to 110% of the original area, but which expired without being adopted by the State Assembly;

NOW, THEREFORE, BE IT RESOLVED, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2025-2026 State Legislative Program SUPPORT for SB 1352 (Valladares), which would provide clarity for property owners rebuilding property damaged or destroyed by a disaster on or after January 1, 2025, by defining the term “substantially equivalent” in the State Revenue and Taxation Code to specify that a reconstructed improvement may be up to 110% of its original size and still qualify for exclusion from reassessment as “new construction.”

PRESENTED BY: Traci Park
TRACI PARK
Councilmember, 11th District

SECONDED BY: [Signature]

LL [Signature]
MAR 04 2026

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