SENATE BILL SB-65

Introduced by Senator Scott Wiener (D-11)

An act relating to Land Value Tax Act.

LEGISLATIVE COUNSEL'S DIGEST

SB-65, Scott Wiener (D-11). Land Value Tax Act.

(1) Existing law, pursuant to Article XIII A of the California Constitution, caps general ad valorem property taxes on real property at 1 percent of full cash value. Existing law authorizes the Legislature to impose state surcharges and special excise taxes for specified public purposes upon a 2/3 vote of each house.

This bill would establish a state Land Value Surcharge of 1.5 percent on the unencumbered land value of underutilized urban infill sites located within 0.5 miles of a major transit stop, defined as commercial, office, or vacant parcels where structural improvements represent less than 25 percent of the total fair market value of the property. The bill would exempt owner-occupied single-family homes, dedicated public parks, and property owned by qualifying non-profit organizations from this surcharge.

(2) Existing law establishes various state funds to support local affordable housing developments and public transportation operations.

This bill would establish the Transit-Oriented Infrastructure and Local Affordable Housing Fund in the State Treasury to receive all revenues generated by the state surcharge. The bill would require the California Department of Tax and Fee Administration to deposit collected surcharge revenues into the fund, to be continuously appropriated to regional transit operators for operational deficits and to local jurisdictions as infrastructure grants for utility, sewer, and sidewalk upgrades supporting high-density housing.

(3) This bill would appropriate $50,000,000 from the General Fund to the California Department of Tax and Fee Administration for startup administrative costs.

Vote: 2/3rds. **Appropriations/fiscal:** yes. **Local program:** no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 107.9 is added to the Revenue and Taxation Code, to read:

107.9.
(a) The Legislature finds and declares all of the following:
(1) Speculative land holding on prime, transit-adjacent urban parcels artificially restricts the supply of housing, inflates land costs, and exacerbates California's housing crisis.
(2) Traditional property tax frameworks inadvertently penalize property owners who construct dense housing improvements while rewarding land speculators who hold high-value urban lots as surface parking or vacant parcels.
(3) Establishing a state land value excise tax shifts economic incentives toward productive housing development while generating a sustainable funding source for public transit and infrastructure.

(b) For purposes of this section:

(1) "Underutilized urban transit land" means any real property zoned for commercial, office, industrial, or vacant use that is located within 0.5 miles of a major transit stop, where structural improvements constitute less than 25 percent of the total assessed property value.
(2) "Major transit stop" has the same meaning as defined in Section 21064.3 of the Public Resources Code.

(c) In addition to any local taxes, there is hereby imposed an annual state Land Value Surcharge of 1.5 percent on the unencumbered land value of all underutilized urban transit land.

(d) The surcharge imposed under this subsection shall not apply to any of the following:
(1) Single-family owner-occupied residential properties.
(2) Dedicated public parks, open-space easements, or publicly owned land.
(3) Real property owned and operated by a non-profit organization for religious, charitable, or higher education purposes pursuant to Section 214.

SEC. 2. Section 50225 is added to the Health and Safety Code, to read:

50225.
(a) The Transit-Oriented Infrastructure and Local Affordable Housing Fund is hereby created in the State Treasury.

(b) The California Department of Tax and Fee Administration (CDTFA) shall collect the state Land Value Tax Surcharge revenues established pursuant to Section 107.9 of the Revenue and Taxation Code and transmit all proceeds to the Treasurer for deposit into the fund.

(c) Moneys deposited into the fund shall be continuously appropriated, without regard to fiscal years, and allocated as follows:
(1) Sixty percent (60%) shall be distributed directly to regional public transit operators; including, but not limited to, the Bay Area Rapid Transit District (BART), the San Francisco Municipal Transportation Agency (SF Muni), and the Los Angeles County Metropolitan Transportation Authority (LA Metro), for the explicit purposes of closing operating budget deficits, maintaining transit service frequency, and enhancing passenger safety.
(2) Forty percent (40%) shall be administered by the Department of Housing and Community Development (HCD) as competitive and formula-based infrastructure grants to cities and counties for utility capacity upgrades, sewer expansions, water line connections, and pedestrian sidewalk improvements directly supporting high-density residential developments.

SEC. 3.

(a) The California Department of Tax and Fee Administration (CDTFA), in consultation with the State Board of Equalization (BOE) and the Department of Housing and Community Development (HCD), shall promulgate rules, regulations, and standardized assessment criteria necessary to implement and enforce this act on or before December 31, 2026.

(b) The sum of two million and five-hundred thousand dollars ($2,500,000) is hereby appropriated from the General Fund to the California Department of Tax and Fee Administration for initial operational startup costs, technology system updates, and county assessor training necessary to execute the provisions of this act.