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# Property Tax Impacts of Executive Order N-61-20 Issued May 6, 2020

# Purpose of the Executive Order

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The Governor issued Executive Order N-61-20 on May 6, 2020. The EO was issued to address the financial hardship on certain taxpayers resulting from his March 4, 2020 proclamation of a State of Emergency and to provide relief from provisions of the Revenue and Taxation Code requiring a tax collector to impose penalties, costs or interest for failure to pay secured or unsecured property taxes.

The Executive Order determines that tax collectors will cancel such penalties, costs or interest on delinquent property tax payments if certain conditions are met.

**Bottom Line:** This Order does not relieve property owners from the obligation to pay property taxes but does eliminate penalties and interest for late payment under certain conditions.

# Conditions for Waiver of Penalties

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- Property must be an owner occupied residential property or a property tax qualifies as a small business under SBA regulations.
- Taxes owed on the property in questions must not have been delinquent prior to March 4, 2020.
- Taxpayer must file a claim for relief from penalties using a form and procedure prescribed by the tax collector and file such form timely.
- Taxpayer must demonstrate that except for hardship resulting from the COVID-19 pandemic or governmental actions in response to the pandemic, payment of property taxes would have been made timely.

**Bottom Line:** Relief from payment of penalties must be applied for and hardship resulting from the pandemic must be demonstrated. Taxpayer must have been current in their taxes and relief can only be granted to owner occupied residential property and small business.

# Additional Considerations

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- Penalties for filing property statements for personal property after May 7 are suspended and taxpayers will have until May 31 to file such statements. These statements are required for establishment of value on machinery and equipment, office furniture and equipment, tools, computers and leasehold improvements.
- Relief from delinquency penalties shall not apply to property owners for which property taxes are paid by lenders from an escrow or impound account.
- The taxpayer is not relieved from having to pay property taxes but is only relieved from the payment of penalties for late payment if the conditions are met.

**Bottom Line:** While the elimination of penalties will reduce property tax revenues to a minor degree the obligation to pay the property taxes remains. Tax revenue may, to some degree, be delayed but not eliminated.

# Impact on Property Tax Revenues

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- Cities that receive property tax revenues utilizing the Teeter Plan will receive their full property tax allocations with no delay or reductions.
- Property tax revenues are not being waived and they must be paid. Property owners who can prove up hardship due to COVID-19 may delay payment without late penalties but must still pay tax amounts.
- According to a 2017 report from CoreLogic, 57% of California homebuyers utilize impound accounts to pay property taxes. These taxpayers are not eligible for relief from penalties and can be expected to pay taxes when due.
- The allocation of second installment secured taxes is, in most counties, in May. Cities should be able to gauge COVID-19 impacts on 2019-20 revenues later this month. If the economy begins to recover over the Summer and another stay-at-home order is avoided, the 2020-21 impacts of the Governor's Executive Order may be minor.