



February 20, 2025

The Honorable Lori Wilson
California State Assembly
1020 O Street, Suite 8110
Sacramento, CA 95814

Re: **AB 418 (Wilson): Property taxation: tax-defaulted property**
As introduced 2/5/25 – SUPPORT
Awaiting hearing – Assembly Revenue and Taxation Committee

Dear Assembly Member Wilson:

On behalf of the Urban Counties of California (UCC), the California State Association of Counties (CSAC), and the Rural County Representatives of California (RCRC), we write to express our support for your Assembly Bill 418, a measure that preserves the ability of California counties to utilize Chapter 8 sales of tax-defaulted properties. These sales are used to dispose of challenging properties or to facilitate the development of affordable housing or other local agency uses; AB 418 ensures that the owners of such properties are able to participate in an administrative process if they disagree with the tax sale value established by the tax collector and proposed for approval by the Board of Supervisors.

This important measure seeks to address the 2023 Supreme Court decision *Tyler v Hennepin County, Minnesota*, in which the plaintiff's constitutional rights were violated when Hennepin County auctioned her tax-defaulted property to satisfy the delinquent property tax debt of \$15,000. The property sold for \$40,000 and the County kept the remaining \$25,000 in excess proceeds without first affording the plaintiff the opportunity to file a claim for the excess proceeds. The Court found that the taking of the excess proceeds violated the Takings Clause of the Fifth and Fourteenth Amendments and the Excessive Fines Clause of the Eighth Amendment.

Unlike the laws in Minnesota, California's laws require that if a property is sold at a tax auction, any proceeds from the auction that remain after all delinquencies are paid are then made available to parties of interest (i.e. the owner) of that property, and those parties have one year to file a claim for those excess proceeds. Under current law, a county is prohibited from depriving a property owner of their excess proceeds without first providing public notice and certified mailing to the last known address, notifying the owner of the existence of excess proceeds and of the one-year timeframe to file a claim.

In California, there are thousands of tax-defaulted properties that hold little to no value or otherwise present specific or unusual challenges to dispose of through a traditional tax auction. Using a Chapter 8 tax sale process to dispose of such properties can make the most sense for the local agency and for the property owner. AB 418 outlines a procedure by which California's county tax collectors will utilize during the Chapter 8 sale process to ensure that the property is disposed of in a manner that is transparent and affords property owners an administrative remedy if the property owner disputes the price set at a Chapter 8 tax sale. These additional steps, which include a hearing before the Board of Supervisors where a party of interest may present evidence to dispute the tax sale price, offers an administrative process for property owners, while preserving the tax collector's informed discretion to utilize available options to manage those properties for which appraisals are not financially feasible.

AB 418 ensures that counties can effectively conduct Chapter 8 sales without the threat of litigation and Public Records Act requests that have recently been associated with these sales. As a result, our associations strongly support this measure to address the uncertainty that currently exists and resolve this issue in a manner that ensures fairness and efficiency.

We appreciate your authorship of this important measure.

Sincerely,



Jean Kinney Hurst
Legislative Advocate
Urban Counties of California



Emma Jungwirth
Senior Legislative Representative
California State Association of Counties



Sarah Dukett
Policy Advocate
Rural County Representatives of California

cc: The Honorable Mike Gipson, Assembly Revenue and Taxation Committee
Members, Assembly Revenue and Taxation Committee