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To: CSAC Executive Committee

From: Graham Knaus, Executive Director
Darby Kernan
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Subject: CSAC/CACTTC Statement on COVID-19 and the April 10 Property Tax Deadline

On March 12, the Governor announced that filing deadlines for most state taxes would be delayed by 90 days, putting off the annual and quarterly “true ups” of amounts paid throughout the year. Soon after, some counties reported inquiries from banks that hold homeowners property tax payments whether they would also be able to hold that money for an additional 90 days.

CSAC/CACTTC Statement on Property Tax

In response to this growing pressure ahead of the deadline, including repeated questions from the media to the Governor, CSAC, and counties, and given the importance of the funds for local agencies, CSAC and CACTTC prepared the attached statement.

Background and Advocacy to Protect Property Tax Funds

Importance of April Property Tax Payments

Unlike state and federal taxes, property taxes are paid all at once on two dates—December 10 and April 10—not throughout the year. Because this single date of payment is so critical for local agencies, a coalition of associations representing county, school, city, and special district officials sent a letter to the Governor and legislative leaders discouraging them from taking any statewide action that would give all property owners permission to delay their payment (see attached).

The letter points out that many schools, as well as other local agencies, sell tax revenue anticipation notes to smooth their funding over the course of the year, and those notes are due in the weeks following the April 10 property tax deadline. A statewide order delaying the deadline by even a month could case those agencies to default. A delay of three months would push the revenue into the following fiscal year, causing even greater problems. Furthermore, local agencies rely on the spring property tax payment for cash flow that will allow them to continue their extraordinary efforts to respond to the COVID-19 pandemic, which to this point have depleted reserves in several counties.

Roughly half of homeowners send the funds for their property taxes in monthly installments to their mortgage servicer. Those funds are then held by a handful of companies, which then remit the amounts due at the deadline. The amount varies by county, but ranges from a quarter up to half of the amount of expected to be paid. A blanket waiver of the deadline would allow these companies to hold the funds already in their possession, providing no relief for property owners but with a significant detrimental impact on local agencies and the services they provide.

Existing County Tax Collector Authority

Existing law allows county tax collectors to cancel penalties and other charges for tax delinquencies upon a finding that “[f]ailure to make a timely payment is due to reasonable cause and circumstances beyond the taxpayer’s control”. The law also requires the principal payment of the tax be made “no later than June 30 of the fourth fiscal year following the fiscal year in which the tax became delinquent”. (Revenue and Taxation Code Section 4985.2)

Current law also states that if county offices are closed on April 10 by a resolution of the Board Supervisors and a taxpayer cannot pay their taxes, payments made the next business day that the county offices are open will be considered timely and no penalties will apply. (Revenue and Tax Code Section 2619)

Political Pressure to postpone Property Tax Deadline

On Friday, April 3, a coalition of big businesses, chambers of commerce, and anti-tax groups sent a letter to the Governor requesting a 90-day postponement of all non-escrowed property tax. The letter (attached) contrasts property taxes with businesses’ necessary expenses, and states that granting all businesses and non-escrowed homeowners a 90-day delay regardless of need is “a reasonable share of the burden for local government to bear”. It also falsely claims that a local waiver can be given only if full payment is made by June 30.

Counties Demand Payment from Escrow Companies Holding Funds

CSAC and CACTTC, representing the county tax collectors, sent an inquiry last week to these companies, urging them to pay the amounts due as quickly as possible to help counties continue to address the pandemic. In response, the two largest companies committed to making their large payment on Friday, April 3 and a smaller follow-up payment on Monday, April 6. As of Saturday, April 4, no county had received any funds from those companies.