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Taxation

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Taxation

Taxation; declaratory relief for illegally or unconstitutionally assessed property taxes

Revenue and Taxation Code §4808 (new); §5146 (amended).
AB 1964 (Elder); STATS. 1981, Ch 550
Opposition: Department of Finance

Under existing law, all court actions initiated by a taxpayer to recover property taxes claimed to have been illegally or erroneously assessed or collected must be preceded by a claim for refund filed with the board of equalization, the board of supervisors of the county, or the city council of the city where the tax was assessed.¹ Thus, suit to recover property taxes cannot be brought until the taxpayer pays the tax, properly presents a claim to the appropriate board,² and is refused the refund by that board.³

Chapter 550 supplements existing law by allowing any taxpayer to bring an action for declaratory relief in the superior court of the county where the property is located alleging that the locally assessed property taxes have been, or are going to be, illegally or unconstitutionally assessed or collected.⁴ The action must be brought within thirty days after the delinquency date of the property tax bill or installment.⁵ The procedure for obtaining this declaratory relief is the same as that used to obtain a writ of mandate.⁶ Chapter 550 requires the alleged illegality or unconstitutionality to be the direct result of a change in an administrative regulation or statute that became effective not more than twelve months prior to the date the action is initiated by the taxpayer.⁷ Notwithstanding the availability of a declaratory relief action, Chapter

1. See CAL. REV. & TAX. CODE §5142. See generally *id.* §§5096-5107, 5140, 5141; 8 PAC. L.J., REVIEW OF SELECTED 1976 CALIFORNIA LEGISLATION 476 (1977).

2. See CAL. REV. & TAX. CODE §§5096, 5097, 5097.02. See generally 5 B. WITKIN, SUMMARY OF CALIFORNIA LAW *Taxation* §198A (Supp. 1980).

3. CAL. REV. & TAX. CODE §5140. See generally 5 B. WITKIN, SUMMARY OF CALIFORNIA LAW *Taxation* §198A (Supp. 1980).

4. See CAL. REV. & TAX. CODE §4808 (any action alleging an illegal or unconstitutional method of valuation must name as respondent the assessor of the county where the property is located; any action alleging an unconstitutional or illegal tax rate must name as respondent the county auditor-controller; if the action involves the validity of a rule adopted by the State Board of Equalization, that Board must be named as respondent).

5. *Id.*

6. *Id.* See CAL. CIV. PROC. CODE §§1107, 1108 (procedure for obtaining a writ of mandate).

7. CAL. REV. & TAX. CODE §4808.

550 specifically prohibits a taxpayer from postponing payment of property taxes pending decision of the court if the delinquency date has passed.⁸ Finally, actions brought pursuant to Chapter 550 are given precedence over other civil actions, except those similarly given precedence by law.⁹

Chapter 550 limits the relief granted by a court to a declaration that the taxes have been or are going to be illegally or unconstitutionally assessed or collected.¹⁰ Because declaratory relief has the force of a final judgment,¹¹ a decision in favor of the taxpayer (i.e. that the taxes are illegal or unconstitutional) would invoke either a cancellation of the tax¹² or a refund if the tax already has been paid.¹³

8. *Id.*

9. *See* CAL. REV. & TAX. CODE §5146; CAL. STATS. 1981, c. 550, §3, at — (the legislature intends that actions brought pursuant to this Chapter be quickly heard and determined so that final tax liabilities be determined at the earliest possible time).

10. CAL. REV. & TAX. CODE §4808.

11. CAL. CIV. PROC. CODE §1060. *See generally* 4 B. WITKIN, CALIFORNIA PROCEDURE JUDGMENT §171 (2d ed. 1971).

12. *See* CAL. REV. & TAX. CODE §4986(a)(2).

13. *See id.* §5096(b).

Taxation; liability of innocent spouse on joint returns

Revenue and Taxation Code §18402.9 (amended).

AB 233 (Deddeh); STATS. 1981, Ch 326

(Effective September 3, 1981)

Support: Department of Finance

In enacting Chapter 326 the legislature expressly found that the prior statutory provisions designed to relieve innocent spouses of liability for income tax deficiencies were too limiting and that many deserving spouses were being denied freedom from liability.¹ Prior to the enactment of Chapter 326, an innocent spouse filing a joint income tax return could be relieved from liability for taxes, interest, and other penalties attributable to an erroneous omission by the other spouse from reported gross income² provided the amount of omission exceeded twenty-five percent of the gross income reported.³ The innocent spouse was required to demonstrate that (1) the omission was attributable to the other spouse,⁴ (2) the innocent spouse had no knowledge

1. CAL. STATS. 1981, c. 326, §1, at —.

2. *See* CAL. REV. & TAX. CODE §17071 (definition of gross income).

3. *See* CAL. STATS. 1973, c. 52, §1, at 84 (amending CAL. REV. & TAX. CODE §18402.9).

4. *Id.*

or reason to know⁵ of the omission,⁶ and (3) it would be inequitable to hold the innocent spouse liable taking into account any significant benefits received from the omission.⁷ To provide the courts with greater flexibility and to liberalize the standards applied to relieve an innocent spouse from liability,⁸ Chapter 326 allows an innocent spouse to be relieved from liability if an understatement of taxable income⁹ resulted either from omission of an item of income or from erroneous deductions and is attributable to one spouse.¹⁰ Furthermore, the limitation that the amount understated must exceed twenty-five percent of reported gross income is eliminated by Chapter 326.¹¹ The innocent spouse is still required to demonstrate, however, that he or she did not know or have reason to know of the understatement and it would be inequitable to hold the innocent spouse liable taking into account any significant benefits received from the omission.¹² If the understatement occurs because of an *omission* of an item from income, that omission is considered attributable to the spouse rendering any substantial service that produces the omitted item of income.¹³ If neither spouse renders substantial service in producing the omitted income, the attribution of the omitted items will be treated as community property.¹⁴ In contrast, if the understatement of taxable income results from an *erroneous deduction*, it will be considered attributable to the spouse who entered the deduction on the return.¹⁵

5. See CAL. REV. & TAX. CODE §18402.9(d) (reason to know means whether a reasonably prudent person would have had reason to know of the understatement).

6. See CAL. STATS. 1973, c. 52, §1, at 84.

7. *Id.*

8. CAL. STATS. 1981, c. 326, §1, at —.

9. See CAL. REV. & TAX. CODE §17073 (definition of taxable income).

10. *Id.* §18402.9(a)(1).

11. Compare *id.* §18402.9(a)(1) with CAL. STATS. 1973, c. 52, §1, at 84.

12. CAL. REV. & TAX. CODE §18402.9(a)(2), (3).

13. *Id.* §18402.9(e).

14. *Id.*

15. *Id.*

Taxation; effect of separation

Revenue and Taxation Code §17084 (new).

AB 926 (La Follette); STATS. 1981, Ch 559

(Effective: September 19, 1981)

Support: Department of Finance; Franchise Tax Board

California community property law characterizes the earnings and

accumulations¹ of spouses obtained while living separate and apart² as separate property.³ Chapter 559 declares that these earnings and accumulations must be reported as separate income on the acquiring spouse's tax return if the parties are married at the end of the taxable year,⁴ do not file a joint return for that taxable year, and have no present intention of resuming the marital relationship for all or part of the year.⁵

1. See *In re Marriage of Imperato*, 45 Cal. App. 3d 432, 436, 119 Cal. Rptr. 590, 593 (1975) (defining earnings).

2. See *id.* at 435-36, 119 Cal. Rptr. at 592-93 (refers to the situation when spouses have come to a parting of the ways with no present intention of resuming the marital relationship). See also *In re Marriage of Baragry*, 73 Cal. App. 3d 444, 448, 140 Cal. Rptr. 779, 781 (1977) (that husband and wife live in separate abodes is not determinative in deciding whether they live separate and apart).

3. See CAL. CIV. CODE §5118.

4. See CAL. REV. & TAX. CODE §§17010, 17551 (defining taxable year).

5. See *id.* §17084.

Taxation; tax exemption for religious school property

Revenue and Taxation Code §§207, 257, 257.1 (new); §§214.4, 251, 255 (amended).

AB 81 (Brown); STATS. §1981, Ch 542

Support: Church State Council; Department of Finance

Opposition: California Tax Reform Association; Jewish Public Affairs Committee of California

Under prior law, a church operating a church school and desiring to claim a tax exemption for the property was required to file under the church exemption¹ for the church property *and* under the welfare exemption for the school property.² The "church exemption" is an automatic exemption under the California Constitution;³ the "welfare exemption" is a matter for legislative determination⁴ and the claimant must fully establish entitlement to the exemption.⁵ Chapter 542, in an attempt to simplify the claims process in filing for a property tax exemption for all church owned property,⁶ creates a "religious exemption" that covers both the church and the school property.⁷ The

1. See CAL. REV. & TAX. CODE §206.

2. CAL. STATS. 1981, c. 542, §1, at —; see CAL. REV. & TAX. CODE §214.

3. See 62 OP. ATT'Y GEN. 690, 694 (1979).

4. See *id.*; see generally CAL. CONST. art. XIII, §§3, 4.

5. See 62 OP. ATT'Y GEN. 690, 694 (1979).

6. CAL. STATS. 1981, c. 542, §1, at —.

7. See CAL. REV. & TAX. CODE §207.

welfare exemption, however, still must be used to claim an exemption for certain religious purposes.⁸

Chapter 542 provides that property used for religious worship, pre-school, nursery, or kindergarten purposes, or school purposes of less than collegiate grade⁹ is within the religious exemption and thus exempt from taxation.¹⁰ Any claimant seeking the religious exemption must submit to the assessor an affidavit showing that (1) the building, equipment, and land are used exclusively for religious purposes,¹¹ (2) the land is required for the convenient use of the building,¹² (3) the land is owned by a non-profit entity organized and operated exclusively for religious purposes,¹³ and (4) no part of the net earnings benefits any private individual.¹⁴

After an initial claim, the religious exemption remains in effect until the property is no longer eligible for the exemption, with minimal annual filing requirements thereafter.¹⁵ In contrast to existing law that requires all claimants seeking the *church and welfare* exemptions to file an affidavit annually to determine that the exemption continues to be justified,¹⁶ Chapter 542 provides that a claimant seeking a *religious* exemption file an affidavit only when applying for the exemption.¹⁷ The person who received the religious exemption will be required every year after being granted the exemption to sign a card indicating whether the property will be used exclusively for religious purposes in the next fiscal year.¹⁸ Once the religious exemption is granted it will be effective until the title to the property changes or until the property is no longer used for exempt purposes.¹⁹ Chapter 542 requires that the person granted the religious exemption notify the assessor immediately if the property becomes ineligible for the exemption.²⁰ A penalty, in the amount of ten percent of the assessment but not exceeding \$250,

8. See CAL. STATS. 1981, c. 542, §1, at — (religious purposes include hospitals, radio or television, and certain housing owned by the church).

9. CAL. REV. & TAX. CODE §§207 (or for purposes of both schools of collegiate grade and schools less than collegiate grade but excluding property used solely for purposes of schools of collegiate grade), 214.4 (definition of less than collegiate grade).

10. *Id.* §207 (effective for the 1982-83 fiscal year and fiscal years thereafter).

11. *Id.* §257(a), (b)(1).

12. *Id.* §257(b)(2).

13. *Id.* §257(b)(3), (4).

14. *Id.* §257(b)(5). See also *id.* §255(d) (time requirements for filing affidavit).

15. CAL. STATS. 1981, c. 542, §1, at —; see CAL. REV. & TAX. CODE §257.1 (annual filing requirements).

16. CAL. REV. & TAX. CODE §254.

17. Compare *id.* (requiring annual filing of an affidavit for church and welfare exemptions) with *id.* §257.1 (no annual filing required for religious exemption).

18. *Id.* §257.1 (content requirement for notice and card).

19. *Id.* §257(c).

20. *Id.*

may be imposed for failure to notify the assessor.²¹ Finally, Chapter 542 provides that if a religious exemption has been allowed incorrectly it will be cancelled immediately²² and an escape assessment²³ in the amount of the exemption with interest²⁴ assessed.²⁵

21. *Id.* §257(d).

22. *Id.*

23. *See id.* §531.

24. *See id.* §506.

25. *Id.* §257(d).

Taxation; installment sales

Revenue and Taxation Code §§17580, 17580.5, 17614, 24670, 24724 (repealed); §§17577, 17578, 17579, 24667, 24668, 24669 (new and repealed); §17834.5 (new); §§17747, 17834, 18103, 18201, 24511, 24881 (amended).

AB 380 (Deddeh); STATS. 1981, Ch 336

(Effective for taxable and income years commencing on or after January 1, 1981)

Support: California Association of Realtors; Department of Finance; Franchise Tax Board

Chapter 336 revises provisions of the Personal Income Tax Law¹ and the Bank and Corporation Tax Law² regarding taxation of installment payments³ received in a taxable year⁴ from the sale or other disposition⁵ of real or personal property⁶ to conform state income tax provisions with the federal Installment Sales Revision Act of 1980.⁷ Existing state law permits a person⁸ to report as income money received from an installment sale⁹ under the installment method,¹⁰ that allows the tax-

1. *See* CAL. REV. & TAX. CODE §17001 (short title).

2. *See id.* §23001 (short title).

3. *See id.* §§17577(b)(1), 24667(b)(1) (a payment on an installment sale that is made after the close of the taxable year in which the disposition occurs).

4. *See id.* §§17010, 23041 (definition of taxable year).

5. *See* BLACK'S LAW DICTIONARY 423 (5th ed. 1979) (parting with, alienation of, or giving up property).

6. *See* CAL. REV. & TAX. CODE §§17577(b)(2)(A), (B), 24667(b)(2)(A), (B) (installment sale of personal property for the purpose of Chapter 336 limited to casual sales of personal property).

7. Installment Sales Revision Act of 1980, Pub. L. No. 96-471, §—, 94 Stat. 2247 (1980).

8. *See* CAL. REV. & TAX. CODE §17007 ("person" is defined as an individual, fiduciary, partnership, or corporation). *See also id.* §§17008 (definition of partnership), 17009, 23038 (definition of corporation).

9. *See* CAL. STATS. 1955, c. 939, §2, at 1733 (enacting CAL. REV. & TAX. CODE §17577). *See also* CAL. REV. & TAX. CODE §§17577(a), 24667(a) (under the installment method, income received in a taxable year is measured rateably in the same proportion that the gross profit (realized or to be realized when payment is completed) bears to the total contract price).

payer¹¹ to spread the gain recognized by the sale over the payment period.¹² Prior to the enactment of Chapter 336, income could be returned under the installment method only if in the taxable year of the sale the payments that were received totaled less than thirty percent of the selling price.¹³ Additional limitations placed upon casual sales of personal property required that the total contract price exceed \$1,000 before income could be returned under the installment method.¹⁴ Chapter 336 eliminates the thirty percent ceiling, allowing income to be reported under the installment method regardless of the amount initially received by the taxpayer.¹⁵ The minimum contract price requirement for sales of personal property is also repealed.¹⁶ Under Chapter 336, therefore, the installment method may be used to return income from *all* installment sales.¹⁷

Prior to the enactment of Chapter 336, installment sales between related persons¹⁸ were subject to limited regulatory control.¹⁹ Although the installment method was intended to apply only to bona fide²⁰ installment transactions, apparently some federal courts were enabling related parties to report income under the installment method in questionable situations,²¹ thus allowing related parties to take advantage of the installment method for the purpose of developing a tax shelter.²²

10. See CAL. REV. & TAX. CODE §§17577(b)(1), 24667(b)(1) (installment sale means a disposition of property when at least one payment is to be received after close of taxable year in which disposition occurs).

11. See *id.* §§17004, 23037 (definition of taxpayer).

12. See CAL. STATS. 1955, c. 939, §2, at 1733 (adding CAL. REV. & TAX. CODE §17577). See also CAL. REV. & TAX. CODE §§17577(c), 24667(c).

13. See CAL. STATS. 1955, c. 939, §2, at 1733 (enacting CAL. REV. & TAX. CODE §17578).

14. See *id.*; CAL. STATS. 1955, c. 938, §20, at 1625 (enacting CAL. REV. & TAX. CODE §24668).

15. Compare CAL. REV. & TAX. CODE §17577(b)(1) with CAL. STATS. 1955, c. 939, §2, at 1733; compare CAL. REV. & TAX. CODE §24667 with CAL. STATS. 1955, c. 938, §20, at 1625.

16. Compare CAL. REV. & TAX. CODE §17577(b)(1) with CAL. STATS. 1955, c. 939, §2, at 1733; compare CAL. REV. & TAX. CODE §24667 with CAL. STATS. 1955, c. 938, §20, at 1625.

17. See CAL. REV. & TAX. CODE §§17577(a), 24667(a).

18. See CAL. REV. & TAX. CODE §§17384, 17577(f)(1), 24497, 24667(f)(1) (definition of related person); CAL. STATS. 1955, c. 939, §2, at 1733 (enacting CAL. REV. & TAX. CODE §17578). Compare CAL. STATS. 1955, c. 938, §20, at 1625 (enacting CAL. REV. & TAX. CODE §24668) with CAL. REV. & TAX. CODE §24667.

19. See *Andrews v. Franchise Tax Bd.*, 275 Cal. App. 2d 653, 658, 80 Cal. Rptr. 403, 407 (1969) (because installment sales provisions are patterned after federal tax statutes, interpretation and effect given by federal courts and administrative tribunals are relevant in interpreting California code provisions); Rev. Rul. 536, 1973-2 C.B. 158, Rev. Rul. 157, 1973-1, C.B. 213.

20. See *Rushing v. Commissioner*, 441 F.2d 593, 598 (5th Cir. 1971) (transaction is bona fide when seller has no direct or indirect control over proceeds or possesses economic benefit therefrom), Rev. Rul. 536, 1973-2 C.B. 158 (taxpayer may not report income under installment method if transaction is bona fide but its true nature and purpose is to avoid payment of taxes).

21. See S. REP. NO. 96-1000, 96th Cong., 2d Sess. 1, 17, reprinted in [1980] U.S. CODE CONG. & AD. NEWS 4696, 4709.

22. See *id.* at 4707 (seller can defer recognition of gain until related buyer actually pays installments to seller, even if cash proceeds are already received within related party group from subsequent resale).

Chapter 336 allows the Franchise Tax Board to revoke an election by related taxpayers to return income under the installment method if it appears that the principal purpose of the disposition was to avoid personal income or bank and corporation taxes.²³ Under Chapter 336, a taxpayer may not make a disposition to a related person and continue returning income under the installment method if, within two years of receipt of the property,²⁴ the related person disposes of the property to a third person.²⁵ Should the Franchise Tax Board revoke an election, Chapter 336 provides that the amount realized from the disposition to the third party will be treated as having been shifted to the person making the initial disposition.²⁶ A method for ascertaining the amount of shifted income is also provided which accounts for income already gained and reported by the taxpayer to prevent the possibility of double taxation.²⁷ Chapter 336 additionally specifies that when the related person's risk of loss respecting the property is substantially diminished in specific situations,²⁸ the two year period prohibiting the return of income under the installment method will be suspended.²⁹

Installment sales of depreciable property³⁰ between related persons are treated similarly.³¹ Chapter 336 does not prohibit installment sales of depreciable property between related persons.³² All expected installment payments, however, are deemed received in the year of the disposition.³³

23. See CAL. REV. & TAX. CODE §§17577(d)(3), (e), (g)(2), 24667(d)(3), (e), (g)(2).

24. See *id.* §§17577(e)(2)(A), 24667(e)(6)(A) (two year period does not apply to marketable securities). See also *id.* §§17577(f)(2), 24667(f)(2) (definition of marketable securities), 17577(g)(A) (sale or exchange of stock to issuing corporation is not a first disposition).

25. See *id.* §§17577(e)(1)(A), (B), 24667(e)(1)(A), (B).

26. See *id.*

27. See *id.* §§17577(e)(3)(A)(i), (ii), (B)(i), (ii), 24667(e)(3)(A)(i), (ii), (B)(i), (ii).

28. See *id.* §§17577(e)(2)(B), 24667(e)(2)(B) (specifying risk of loss is diminished by holding a put with respect to the property of similar property, the holding by another person of a right to acquire the property, or a short sale or any other transaction).

29. See *id.* §§17577(e)(2)(B), 24667(e)(2)(B).

30. See *id.* §§17577(f)(7), 24667(f)(7) (definition of depreciable property).

31. Compare *id.* §§17577(g), 24667(g) with *id.* §§17577(e), 24667(e).

32. See *id.* §§17577(g), 24667(g).

33. See *id.*

Taxation; sales and use tax collections—liability of corporate officers

Revenue and Taxation Code §6829 (new).

AB 384 (Hannigan); STATS. 1981, Ch 337

Support: California Tax Reform Association; Department of Finance

Prior to the enactment of Chapter 337 bankrupt *individuals* remained liable for any taxes owed to the state¹ under the Sales and Use Tax Law² while liability was not imposed for the unpaid sales and use taxes of an insolvent *business*.³ Chapter 337 provides that upon termination, dissolution, or abandonment of a corporate business, any officer or other person who had a duty to act for the corporation regarding the payment of sales and use taxes but who willfully failed to pay these taxes will be personally liable for the unpaid taxes, interest, and penalties.⁴ Personal liability, however, is imposed only if the State Board of Equalization⁵ can establish that the corporation collected taxes from consumers on tangible personal property sold in the conduct of the business or that the corporation consumed tangible personal property and failed to pay the tax to the seller or to report and pay use tax to the state.⁶ In addition, the failure must be the result of an intentional, conscious, and voluntary course of action.⁷ Liability will extend, however, only to taxes that became due during the period that the person had the control, supervision, responsibility, or duty to act for the corporation.⁸

1. See CAL. REV. & TAX. CODE §18649. See generally *Wilkinson v. Wilkinson*, 51 Cal. App. 3d 382, 124 Cal. Rptr. 870 (1975).

2. See CAL. REV. & TAX. CODE §§6001-7176.

3. See CAL. REV. & TAX. CODE §6811 (Under existing law, successors or assignees of a corporate business are required to set aside a portion of the purchase price to cover any liability for sales and use tax that the predecessor may have incurred.)

4. CAL. REV. & TAX. CODE §6829(a). See generally *id.* §§6451-6593, 6701-6828 (procedure for determination and collection of amount due).

5. *Id.* §6829(c).

6. See *id.*

7. *Id.* §6829(d).

8. *Id.* §6829(b).

Taxation; property tax assessment and collection procedures

Revenue and Taxation Code §§480, 480.2 (new and repealed); §§214.11, 480.1 (new); §§62, 63, 65, 65.1, 481, 482, 482.1, 483, 531.2, 2188.7, 4675 (amended).

AB 152 (Deddeh); STATS. 1981, Ch 1141

(Effective October 1, 1981)

Chapter 1141 makes clarifying changes in the reappraisal of real property for property tax purposes as provided under the assessment terms of Proposition 13 enacted in June, 1978.¹ Under existing law, a change in ownership² of real property must result in reappraisal of the property at its full cash value³ for tax assessment purposes.⁴ Certain transfers of interests in real property, including transfers of real property into a trust, are excluded from the definition of changes in ownership.⁵ Under Chapter 1141, any transfers of real property into a trust must specifically be made by the trustor, or by the trustor's spouse, or both to be excluded from the definition of change of ownership.⁶ Chapter 1141 additionally provides that transfers of real property between a corporate sole, a religious corporation, a public benefit corporation, or holding corporation⁷ will not be reappraised.⁸

Upon any change in ownership of real property, existing law generally requires the transferee to file a change in ownership statement in the county where the property is located.⁹ Prior to the enactment of Chapter 1141, in the event of a change of ownership of real property resulting from the death of the owner, the person who succeeds to the property of the decedent must have filed the change of ownership statement within forty-five days from the date of distribution of the property.¹⁰ Chapter 1141 requires the change of ownership statement to be filed by the administrator or executor at the time of the inventory and appraisement with the county recorder.¹¹

Prior to the enactment of Chapter 1141, however, whenever there was a change of ownership of a corporation, partnership, or other legal entity,¹² an ownership statement was required to be filed at the option

1. See generally CAL. REV. AND TAX. CODE §§50-100.5 (implementing article XIII A of the California Constitution); 11 PAC. L.J., REVIEW OF SELECTED 1979 CALIFORNIA LEGISLATION 625 (1980).

2. See CAL. REV. & TAX. CODE §60 (definition of change in ownership).

3. See *id.* §§51, 65(a).

4. See *id.* §65.1. See generally *id.* §61 (enumerating transfers of real property that are subject to reappraisal).

5. See *id.* §62. See also *id.* §62(d) (The transferor must be the present beneficiary of the trust and the trust must be revocable. If the trust is transferred to another person, the interests so transferred must not exceed 12 years duration, then must revert to the transferor.).

6. Compare CAL. REV. & TAX. CODE §62(d) with CAL. STATS. 1979, c. 242, §62, at 508 (amending CAL. REV. & TAX. CODE §62).

7. See CAL. REV. & TAX. CODE §23701(h). (The holding corporation must be for the exclusive purpose of holding property for an organization that is exempt from income taxes.).

8. See *id.* §62(k). See also *id.* (Transfers from one entity to another require that both the transferor and transferee be regulated by the same laws, rules, regulations, or canons of the same religious organization.).

9. See *id.* §480(a).

10. See CAL. STATS. 1980, c. 1081, §8, at — (enacting CAL. REV. & TAX. CODE §480.2).

11. Compare CAL. REV. & TAX. CODE §480(b) with CAL. STATS. 1980, c. 1081, §8, at —.

12. See CAL. REV. & TAX. CODE §64 (transfer of interests in legal entities).

of the taxpayer with either the assessor of every county where the entity owns real property, or with the State Board of Equalization.¹³ Chapter 1141 requires that the change of ownership statement be filed only with the State Board of Equalization.¹⁴

13. See CAL. STATS. 1979, c. 242, §15, at 518 (enacting CAL. REV. & TAX. CODE §480).

14. Compare CAL. REV. & TAX. CODE §480.2(a) with CAL. STATS. 1979, c. 242, §15, at 505. See also CAL. REV. & TAX. CODE §482 (Failure to file within 45 days of written request by the assessor will result in a penalty of the greater of \$100 or 10% of taxes applicable to the new base year value, but not to exceed \$2,500 unless failure to file is wilful.)

