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About Allen Matkins

Allen Matkins Leck Gamble Mallory & Natsis LLP is a California law firm with more than 230 attorneys practicing out of seven offices in Orange County, Los Angeles, Century City, San Diego, Del Mar Heights, San Francisco and Walnut Creek. The firm's broad-based areas of focus include labor and employment, real estate, corporate, construction, finance, business litigation, tax, land use, bankruptcy and creditors' rights, environmental and intellectual property. [more...](#)

Taxpayers Now Face Penalties for Failure to Notify BOE of Transfers in Entities That Own California Real Property

California law has always required that legal entities that own real property in California file a *Statement of Change in Control and Ownership of Legal Entities* ("Statement") with the California State Board of Equalization ("BOE") within 45 days of the date that the change in control or change in ownership occurs. These events are important for California property tax purposes since either event will generally cause a reassessment of any California real property owned by such entity.

A "change in control" generally occurs with respect to a legal entity for property tax purposes when any one person obtains ownership or control of more than 50% of the ownership interests in such entity. A "change in ownership" generally occurs with respect to a legal entity for property tax purposes if such entity previously acquired the property owned by such entity in a transaction that did not result in a reassessment of such property for property tax purposes and the owners of such entity thereafter transfer more than 50% of the ownership interests therein in one or more transactions. For greater detail on when the transfer of an ownership interest in a legal entity will cause a property tax reassessment, please see [Tax Reassessment of Transferred Property](#), published in the *Los Angeles Lawyer*, February 2006.

Prior law did not impose a penalty for a failure to file a Statement unless specifically requested to do so by the BOE. Accordingly, many taxpayers did not file Statements and no penalties were incurred.

Senate Bill 816 recently amended Sections 480.1, 480.2 and 482(b) of the California Revenue and Taxation Code to provide that a penalty now applies if a taxpayer does not file a Statement with the BOE within 45 days of the earlier to occur of either: (i) the date of change in control or change in ownership in the legal entity; or (ii) the date the BOE makes a written request to file a Statement. The penalty for the failure to file a Statement within such time period is generally equal to 10% of the taxes applicable to the new base year value of the real property owned by the legal entity.

The new law is effective as of January 1, 2010 and the Assessors were notified of the change as of May 19, 2010. If you would like to discuss how the new law affects your business, please feel free to contact us.

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