



CITY OF NEWPORT BEACH

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March 23, 2020

The Honorable Gavin Newsom
Governor, State of California
State Capitol Building
Sacramento, CA 95814

RE: Retaining the April 10 Property Tax Deadline

Dear Governor Newsom,

California's local agencies are working diligently to maintain essential services and infrastructure during this unprecedented public health emergency related to the Coronavirus and the disease it causes, COVID-19. Consistent with the California League of Cities, we urge you to retain the April 10 deadline for property tax payments and allow local officials to forgive penalties for property owners who are unable to pay by that date due to the pandemic, as authorized by law.

Local Agencies Rely on the Timing of Payments

Unlike nearly every other tax, including the income tax and sales tax, property tax revenues are not distributed throughout the fiscal year. Instead, nearly all funds—over \$140 billion—are received in the days before the two payment deadlines of December 10 and April 10. Extending the deadline by 60 or 90 days would have a dramatic impact on local funding, as almost all local agencies rely on the property tax for the majority of their general funds.

Local agencies are on the front lines responding to the pandemic. From county public health departments to public hospitals and health systems to the sharp pivot school districts are making to deliver food and distance learning to homebound students, the local agencies our organizations represent are in need of at least the usual level of funding. Delaying such a large infusion of general funds for two to three months would have a serious impact on their ability to provide these services.

Furthermore, because both the timing and amount of the property tax is highly predictable, schools, counties, cities, and special districts structure their borrowing for TRANs and bonds accordingly. Extending the deadline would put repayment of those debts at risk. As you know, even one agency defaulting could negatively impact bond ratings and interest rates for all agencies for years to come. With the

municipal bond market in turmoil and many planned deals being postponed indefinitely, it is exactly the wrong time to roil the situation further.

Many Property Owners Have Already Paid Their Banks

For mortgagers whose property tax payments are escrowed as part of their monthly housing payment, extending the deadline would provide them no relief. Instead, it would simply benefit the handful of companies that hold this money until the last minute before the deadline.

While these companies provide a service that many mortgagers appreciate by breaking their property tax payments into manageable monthly amounts, there is no public benefit to allowing them to hold the money for an additional 60 or 90 days. While the amount varies by county, payments from these companies represent roughly half of all expected revenue.

Current Law Allows Local Officials to Waive Penalties

While we must retain the April 10 deadline for property tax payments, local officials are already authorized to waive penalties, costs, and other charges resulting from tax delinquency due to reasonable cause and circumstances related to this crisis. This includes scenarios where a taxpayer cannot physically pay their taxes on April 10 due to quarantine, illness, or closure of the tax collector's office as a result of COVID-19. In such cases, the tax collector will utilize their authority pursuant to Revenue and Taxation Code Sections 2619 and 4985.2 to waive interest or penalties that would otherwise be imposed or collected with respect to a delinquent second installment of property taxes levied for the 2019-2020 fiscal year on residential real property.

Respectfully,



Will O'Neill, Mayor
City of Newport Beach
100 Civic Center Drive
Newport Beach, CA 92660

C: Assemblywoman Cottie Petrie-Norris
Senator John Moorlach