
TAX - CALIFORNIA

Morgan v. Ygrene Energy Fund, Inc.

Supreme Court of California - December 4, 2025 - P.3d - 2025 WL 3483108

Homeowners over age of 65, who had entered into Property Assessed Clean Energy (PACE) loans to finance energy and water conservation improvements to their properties, brought actions against private companies that made loans, were assigned rights to payment, or administered PACE programs for municipalities, alleging violations of Unfair Competition Law (UCL), and they sought property tax refunds, injunction against future tax assessments, and removal of tax liens.

The Superior Court sustained demurrers without leave to amend and dismissed action. Homeowners appealed, and appeals were consolidated. The Court of Appeal affirmed. Review was granted.

The Supreme Court, Kruger held that:

- Homeowners were required to follow exclusive Revenue and Tax Code's tax refund procedures for challenging taxes when seeking to invalidate underlying obligation to pay PACE assessments;
- Homeowners were not required to follow statutory tax relief procedures in order to pursue other, nontax-related, remedies concerning administration of PACE loans;
- Homeowners were not required to comply with requirements for seeking assessment reduction to challenge underlying obligation to pay PACE assessments;
- Challenges to PACE assessments were subject to refund procedures contained in Revenue and Taxation Code for ad valorem taxes; and
- Trial court had to consider whether homeowners should be granted leave to amend.

Homeowners over age of 65, who had entered into Property Assessed Clean Energy (PACE) loans to finance energy and water conservation improvements to their properties, were required to follow exclusive Revenue and Tax Code's tax refund procedures for challenging taxes when directly or indirectly seeking to invalidate underlying obligation to pay PACE assessments, i.e., they should have started by paying PACE assessments and then seek administrative tax relief from local tax authorities, rather than filing suit in court against private companies that made loans, were assigned rights to payment, or administered PACE programs for municipalities; although homeowners' claims for relief did not, in terms, explicitly ask for injunction against any collection of assessments, their central claims for relief effectively sought to invalidate PACE assessments and prevent their future collection outside of statutory tax relief process.

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