STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
PROPERTY TAX DEPARTMENT
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January 17, 1986

No. 86/09

TO COUNTY ASSESSORS:

REMOVAL OF PROPERTY
CHAPTER 441 OF STATUTES OF 1985 (ASSEMBLY BILL 467)

Urgency Statute, in effect July 31, 1985

The above-referenced legislation amends Revenue and Taxation Code Section 51 to restate that the removal of property is a factor causing a decline in assessed value. It also amends Section 75.10 to include the removal of a structure within the meaning of "actual physical new construction" for the supplemental roll, and adds Section 75.16 to include the value of a removed fixture when computing annual values of fixtures added to or subtracted from real property whether or not the removed fixture is associated with other new construction.

Section 51

Subdivision (b) of this section was amended to add a reference to "removal of property" to the listed factors causing a decline in value. This is considered clarification language and not a change to existing law. Subdivision (c) of Section 51 already includes property "removed by voluntary action by the taxpayer" as an item to account for when determining a property's value decline. Only the regular (601) roll is affected by this language change.

Section 75.10

The amendment to Section 75.10 added subdivision (b) which reads:

> "For purposes of this chapter, 'actual physical new construction' includes the removal of a structure from land. The new base-year value of the remaining property (after the removal of the structure) shall be determined in the same manner as provided in subdivision (c) of Section 51."

Subdivision (c) of Section 51 requires the enrollment of the remainder value after property damage, destruction, or removal. The value to be enrolled must be the lessor of the current value or factored base-year of the remaining property. Beginning on July 31, 1985 the removal of an assessed structure will generate a supplemental assessment in and of itself if the removal is not associated with other new construction. In the event the date of completion of a removed structure is not readily identifiable because of a mixture of tear-outs and new building activities, or is an integral part of the construction project, the date of completion of the removed structure will be the date of completion of all construction activity relative to the project.

In proposed Rule 463.5 the term “structure” is defined as all improvements other than fixtures as defined in Revenue and Taxation Code Section 75.15 and 75.16, or living improvements (trees and vines). The public hearing on proposed Rule 463.5 is scheduled for March 5, 1986. For purposes of this section, a structure is deemed to have been removed and therefore “completed” new construction when it is destroyed or severed from the real property to the extent that its status has changed from real property to personal property.

EXAMPLES

(1) A building severed from its foundation, plumbing, and electrical hook-ups, but remaining at the site for sale.

(2) A building demolished, but the material remains at the site for salvage and/or disposal.

(3) A building destroyed by fire.

(4) A garage severed and removed from a building and site.

(5) Interior attached partitions removed from a building.

(6) Removal of attached signs from a building

(7) Removal in whole or part of buildings, pavement, fencing, etc., from a site.

(8) A well that is abandoned, plugged off, and its derrick and external structures removed, rendering it the equivalent of being permanently severed from the real property.

Section 75.16

This added section reads as follows:

> “For the purpose of computing the value of the fixtures added to and subtracted from real property pursuant to Section 75.15, the value of a removed fixture shall be included in the computation, whether or not the removal is associated with other new construction.”

Section 75.15 requires the annual report of fixtures added to and subtracted from real property during the prior twelve-month period lien date to lien date. Previously, only fixtures removed as a part of concurrent positive construction could be included in the annual reporting and assessment computations. Beginning with reports filed in 1986, all fixture removals are to be reported by the taxpayer and included in the annual net value computation. The subject of fixture assessments under Section 75.16 is covered in detail in another letter to assessors.

If you have any questions regarding the above, please contact the Technical Assistance Section at (916) 445-4982.

Sincerely,

Verne Walton, Chief
Assessment Standards Division

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