STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
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No. 2010/055

TO COUNTY ASSESSORS:

LOW-VALUE EXEMPTION

Effective January 1, 2011, Senate Bill 1493 (Stats. 2010, ch. 185) amends Revenue and Taxation Code[1] section 155.20 to explicitly address inflation factor adjustments when determining real property's eligibility to be exempt from property tax under a county's low value exemption ordinance. To remain eligible, the value with inflation adjustments must continue to be at or below the county's value limit.

Section 155.20 authorizes a county board of supervisors to exempt from property tax all real property with a base year value and personal property with a full value so low that, if not exempt, the total taxes, special assessments, and applicable subventions on the property would amount to less than the cost of assessing and collecting them. Section 155.20(b)(1) sets the value limit of property that can be exempted from property tax under a low-value ordinance. Currently, the value limit is property with a total base year value of $10,000 or less. A possessory interest in a publicly owned fairground, convention center, or cultural facility has a higher value limit of $50,000 or less.[2]

SB 1493 amends section 155.20 to add the phrase "as adjusted by an annual inflation factor pursuant to subdivision (f) of Section 110.1," wherever the term "base year value" is used. Section 110.1(f) provides that:

> For each lien date after the lien date in which the full cash value is determined pursuant to this section, the full cash value of real property, including possessory interests in real property, shall be adjusted by an inflation factor, which shall be determined as provided in subdivision (a) of Section 51.

This amendment explicitly provides that, for purposes of applying the low-value exemption to real property, the total adjusted base year value of the property, not the base year value when established, must remain at or below the county's value limit. Therefore, this letter supersedes the advice contained in Letter To Assessors 96/52 regarding this issue.

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[1] All statutory references are to the Revenue and Taxation Code unless otherwise indicated.
[2] See Letter To Assessors 2009/061.

Thus, to qualify for exemption, each year the total adjusted base year value of the real property must not exceed the county's threshold. Consequently, real property that is initially exempt under the low-value exemption may become taxable in a subsequent year if the adjustments for inflation raise the total value above the threshold level set by the particular county.

A copy of section 155.20 in strikeout/underline format is enclosed. If you have any questions regarding the low-value exemption, please contact our Assessment Services Unit at 916-445-4982.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:grs
Enclosure

Section 155.20 of the Revenue and Taxation Code as amended by Stats. 2010, ch. 185:

(a) Subject to the limitations listed in subdivisions (b), (c), (d), and (e), a county board of supervisors may exempt from property tax all real property with a base year value (as determined pursuant to Chapter 1 (commencing with Section 50) of Part 0.5) as adjusted by an annual inflation factor pursuant to subdivision (f) of Section 110.1, and personal property with a full value so low that, if not exempt, the total taxes, special assessments, and applicable subventions on the property would amount to less than the cost of assessing and collecting them.

(b) (1) The board of supervisors shall have no authority to exempt property with a total base year value, as adjusted by an annual inflation factor pursuant to subdivision (f) of Section 110.1, or full value of more than ten thousand dollars ($10,000), except that this limitation is increased to fifty thousand dollars ($50,000) in the case of a possessory interest, for a temporary and transitory use, in a publicly owned fairground, fairground facility, convention facility, or cultural facility. For purposes of this paragraph, "publicly owned convention or cultural facility" means a publicly owned convention center, civic auditorium, theater, assembly hall, museum, or other civic building that is used primarily for staging any of the following:

(A) Conventions, trade and consumer shows, or civic and community events.

(B) Live theater, dance, or musical productions.

(C) Artistic, historic, technological, or educational exhibits.

(2) In determining the level of the exemption, the board of supervisors shall determine at what level of exemption the costs of assessing the property and collecting taxes, assessments, and subventions on the property exceeds the proceeds to be collected.

The board of supervisors shall establish the exemption level uniformly for different classes of property. In making this determination, the board of supervisors may consider the total taxes, special assessments, and applicable subventions for the year of assessment only or for the year of assessment and succeeding years where cumulative revenues will not exceed the cost of assessments and collections.

(c) This section does not apply to those real or personal properties enumerated in Section 52.

(d) The exemption authorized by this section shall be adopted by the board of supervisors on or before the lien date for the fiscal year to which the exemption is to apply and may, at the option of the board of supervisors, continue in effect for succeeding fiscal years. Any revision or rescission of the exemption shall be adopted by the board of supervisors on or before the lien date for the fiscal year to which that revision or rescission is to apply.

(e) Nothing in this section shall authorize either of the following:

(1) A county board of supervisors to exempt new construction, unless the new total base year value, as adjusted by an annual inflation factor pursuant to subdivision (f) of Section 110.1, of the property, including this new construction, is ten thousand dollars ($10,000) or less.

(2) An assessor to exempt or not to enroll any property of any value, unless specifically authorized by a county board of supervisors, pursuant to this section.