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August 14, 2015

CYNTHIA BRIDGES  
Executive Director

No. 2015/038

TO COUNTY ASSESSORS,  
COUNTY COUNSELS, AND  
OTHER INTERESTED PARTIES:

**PROPERTY TAX RULE 474**  
***PETROLEUM REFINING PROPERTIES***

Following a public hearing on December 18, 2014, the State Board of Equalization re-adopted Property Tax Rule 474, *Petroleum Refining Properties*. The re-adopted rule was approved by the Office of Administrative Law on July 27, 2015 and will become effective October 1, 2015.<sup>1</sup>

Rule 474 was repealed effective October 30, 2013 because it was held invalid on procedural grounds by the California Supreme Court in *Western States Petroleum Association v. Board of Equalization* (2013) 57 Cal.4th 401. The re-adopted rule is identical to the repealed rule, except that the re-adopted rule's reference note includes a reference to *Western States Petroleum Association v. Board of Equalization*.

Enclosed is a copy of the re-adopted rule. In addition, the rule will be posted on the Board's website at <http://www.boe.ca.gov/proptaxes/prop-tax-rules.htm>. If you have any questions regarding the content of this rule, please contact the County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee  
Deputy Director  
Property Tax Department

DRK:grs  
Enclosure

<sup>1</sup> Government Code section 11343.4 provides that amendments to rules approved between June 1 and August 31 will become effective on October 1.

State of California  
BOARD OF EQUALIZATION  
PROPERTY TAX RULES

Division 1. State Board of Equalization-Property Tax  
Chapter 4. Equalization by State Board  
Article 4. Change in Ownership and New Construction

**Rule 474. Petroleum Refining Properties.**

*Authority:* Section 15606(c), Government Code.

*Reference:* Article XIII Section 1, and Article XIII A, Section 2, California Constitution; Sections 51 and 110.1, Revenue and Taxation Code; and *Western States Petroleum Association v. Board of Equalization* (2013) 57 Cal.4th 401.

(a) The provisions of this rule apply to the valuation of the real property, personal property, and fixtures used for the refining of petroleum.

**(b) General.**

(1) The unique nature of property used for the refining of petroleum requires the application of specialized appraisal techniques designed to satisfy the requirements of article XIII, section 1, and article XIII A, section 2, of the California Constitution. To this end, petroleum refineries and other real and personal property associated therewith shall be valued pursuant to the principles and procedures set forth in this section.

(2) Notwithstanding any other provision in this section, any appropriate valuation method described in section 3 of title 18 of this code may be applied in the event of a change in ownership in a petroleum refining property.

**(c) Definitions.** For the purposes of this section:

(1) "Petroleum refining property" means any industrial plant, including real property, personal property, and fixtures, used for the refining of petroleum, as identified in Standard Industrial Classification (SIC) System Codes 2911 and 2992, or North American Industry Classification System (NAICS) Codes 32411 and 324191.

(2) "Appraisal unit" consists of the real and personal property that persons in the marketplace commonly buy and sell as a unit.

**(d) Declines in Value.** For the purposes of this section:

(1) Declines in value of petroleum refining properties will be determined by comparing the current lien date full value of the appraisal unit to the indexed base year full value of the same unit.

(2) The land, improvements, and fixtures and other machinery and equipment classified as improvements for a petroleum refining property are rebuttably presumed to constitute a single appraisal unit, except when measuring declines in value caused by disaster, in which case land shall constitute a separate unit.

(3) In rebutting this presumption, the assessor may consider evidence that:

(A) The land and improvements including fixtures and other machinery and equipment classified as improvements are not under common ownership or control and do not typically transfer in the marketplace as one economic unit; or,

(B) When the fixtures and other machinery and equipment classified as improvements are not functionally and physically integrated with the realty and do not operate together as one economic unit.

*History:* Adopted September 27, 2006, effective December 8, 2007

Repealed effective October 30, 2013

Re-adopted December 18, 2014, effective October 1, 2015.