

**Addendum to Initial Statement of Reasons for
Proposed California Code of Regulations, Title 18,**

Section 462.540, *Change in Ownership – Base Year Value Transfers*

The State Board of Equalization (Board) provides this Addendum to the Initial Statement of Reasons for California Code of Regulations, title 18, section 462.540, *Change in Ownership – Base Year Value Transfers* (the Proposed Rule) to further describe how portions of the Proposed Rule meets the nonduplication, clarity, and necessity standards for rulemaking and to supplement the documents relied upon.

Nonduplication

The Proposed Rule restates relevant portions of enabling legislation. This is necessary to satisfy the clarity standard by incorporating into the Proposed Rule all of the necessary requirements for qualification so that all of the necessary requirements are contained within the Proposed Rule.

Clarity & Necessity

Section 462.540(a): The term “factored base year value” is used instead of the term “taxable value” because the term “factored base year value” is well understood in assessment practice. Using the term “taxable value” in the Proposed Rule may cause confusion since that term is defined at Section 2.1, subdivision (e)(10) by reference to Section 2, subdivisions (a) and (b) of Article XIII A of the California Constitution, but defined differently at Revenue and Taxation Code section 51 and, again, at section 74.9. However, the portions of Section 2, subdivisions (a) and (b) of Article XIII A of the California Constitution to which Section 2.1, subdivision (e)(10) refers, are codified in Revenue and Taxation Code section 110.1, to which the Proposed Rule refers. Therefore, the effect of using the term “factored base year value” in the Proposed Rule is the same as using the term “taxable value” in Section 2.1.

Section 462.540(a): This requirement is also contained in Revenue and Taxation Code section 69.6, subdivision (b)(5)(A) and is restated so that the Proposed Rule includes all necessary requirements for the base year value transfer.

Section 462.540(a)(4), Example 3: This example clarifies section 462.540(a)(4) by illustrating that a partial purchase of a replacement primary residence is not a qualifying purchase. A partial purchase of a replacement primary residence is not a qualifying purchase since Section 2.1, subdivision (b) and section 69.6, subdivision (a) of the Revenue and Taxation Code, as relevant, requires the purchase of a replacement primary residence and does not state that the purchase of a portion of a replacement primary residence may qualify.

Section 462.540(c)(4): Section 2.1, subdivision (e)(10) defines “natural disaster” as the existence of conditions of disaster or extreme peril as *declared* by the Governor. The Proposed Rule adds

the word “proclaimed” consistent with Government Code section 8558 which defines a “state of emergency” as one proclaimed by the Governor.

Section 462.540(d)(1)(B): This provision requires that the age requirement, the primary purpose of the move is to satisfy disability-related requirements or to alleviate financial burdens caused by the disability. This is a restatement of the requirement at Section 2.1, subdivision (b)(4) which requires an application for base year value transfer under Section 2.1 to require at least the information found at section 69.5, subdivision (f)(1) of the Revenue and Taxation Code. Section 69.5 requires an attestation of any of the information above to be made under penalty of perjury.

Section 462.540(d)(4): This provision is a restatement of section 69.6, subdivision (f) of the Revenue and Taxation Code, and is necessary to emphasize that the application form is not a public document. Without this restatement, in light of the fact that this application is not a change in ownership statement, and, thus, the confidential status of a change in ownership statement does not apply to it, a reader of the Proposed Rule may believe that the application is a public document unless they also consult the text of Section 2.1.

Section 462.540(e)(4)(B): This paragraph was amended to reflect the Revenue and Taxation Code section 69.6 requirement that the value of the replacement primary residence on the date of completion be of equal or lesser value than the original primary residence.

Section 462.540(e)(4)(B), Example 12: This example was removed so as not to cause confusion as to the calculation of equal or lesser value.

Documents Relied Upon

- 2021 Minutes of the State Board of Equalization, May 25, 2021
- Chief Counsel Memorandum to Board Members Dated May 11, 2021, Incorporated into the May 25, 2021 Minutes by Reference “Exhibit 5.2”
 - Notice of Proposed Regulatory Action
 - Initial Statement of Reasons for Proposed Rule
 - Rule Text
- Assembly Constitution Amendment Number 11 (ACA 11)
- Legislative Analyses for ACA 11
 - Assembly Committee on Budget
 - Assembly Third Reading
 - Senate Committee on Appropriations
 - Senate Committee on Budget and Fiscal Review
 - Senate Committee on Elections and Constitutional Amendments
 - Senate Rules Committee
- Proposition 19 Ballot Pamphlet
 - Analysis of Measure
- Chief Counsel Memorandum to Board Members dated January 8, 2021
 - Proposition 19 – Initial Interpretational Questions and Answers
- LTA No. 2020/061 (Dated December 11, 2020)

- LTA No. 2021/007 (Dated February 5, 2021)
- LTA No. 2021/010 (Dated March 5, 2021)
- Comments received in response to LTA 2021/012 (dated March 19, 2021)
- Related Correspondence Submitted for and Comments Made During the Board's Discussion of the Issues and In Deciding to Propose the New Rule
 - December 17, 2020 Board Meeting
 - January 14-15, 2021 Board Meeting
 - February 11, 2021 Board Meeting
 - March 23, 2021 Board Meeting
 - May 25, 2021 Board Meeting