



STATE BOARD OF EQUALIZATION

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No. 92/24

March 20, 1992

TO COUNTY ASSESSORS:

DECLINES IN VALUE

As you know, property values in some areas of California have declined or stagnated due to the current recession in our economy. As a result, property owners who purchased at the height of the market may have a factored base year value which exceeds the current market value of their property. Therefore, to ensure that these property owners receive the benefits of Proposition 8, surveys of geographical areas or property use-types suspected of experiencing declines in value may be warranted. Press releases issued by your office will serve as a reminder to the taxpayers that they should notify you of potential overassessments.

Proposition 8, which added Section 2(b) of Article XIII A of the California Constitution, requires the assessor to recognize declines in value if the market value of the property on March 1 falls below its factored base year value.

Section 2(b) of Article XIII A states that:

"The full cash value base may reflect from year to year the inflationary rate not to exceed 2 percent for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced to reflect substantial damage, destruction or other factors causing a decline in value." (Emphasis added.)

Section 51 of the Revenue and Taxation Code is the implementing legislation for Proposition 8; it states in part:

"For purposes of subdivision (b) of Section 2 of Article XIII A of the California Constitution, for each lien date in which the base year value is determined pursuant to Section 110.1, the taxable value of real property shall be the lesser of:

"(a) Its base year value, compounded annually since the base year by an inflation factor

March 20, 1992

"(b) Its full cash value, as defined in Section 110, as of the lien date, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a decline in value. [Emphasis added] . . .

"(e) For purposes of subdivisions (a) and (b), 'real property' means that appraisal unit which persons in the marketplace commonly buy and sell as a unit, or which are normally valued separately.

"(f) Nothing in this section shall be construed to require the assessor to make an annual reappraisal of all assessable property."

The following list of letters to assessors provides guidance on implementing the provisions of Proposition 8:

- No. 79/39 - Questions and Answers Pertaining to Decline in Value
- No. 82/25 - The Consumer Price Index and Property Having Stagnant or Declining Value
- No. 86/04 - Applying Proposition 8 to Fractional Interests in Real Property
- No. 86/36 - Declines in Values on First Lien Date (Proposition 8)

If you have any questions concerning Proposition 8, please feel free to contact our Real Property Technical Services Unit at (916) 445-4982.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:sk

850.0018 Decline in Value. A factored base year value that exceeds the market value of a property should be reduced to reflect substantial damage, destruction or other factors, such as an economic recession, causing the decline in value. The law does not require the assessor to annually reappraise all property; but reductions should be made when the assessor knows of specific properties, the values of which have declined. LTA 3/20/92 (No. 92/24).