

# California Property Tax An Overview

PUBLICATION 29 | DECEMBER 2018

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State Controller

**BRENDA FLEMING**  
Executive Director

## PREFACE

*California Property Tax* provides an overview of property tax assessment in California. It is designed to give readers a general understanding of California's property tax system. The publication begins with a brief history of Proposition 13, which since 1978 has been the foundation of California's property tax system. It then discusses the roles of key players in property tax assessment—California voters, the Legislature, the California State Board of Equalization (BOE), and county assessors. It explains which types of property are subject to taxation and which are exempt. It addresses the issue of where property should be assessed. It discusses the annual process of preparing the property tax rolls, the procedure for challenging an assessment, and the process for collecting property taxes.

Although this publication is periodically updated, the laws and rules concerning property tax assessment are continually modified. Therefore, we caution you to consult appropriate sections of the Revenue and Taxation Code and related codes and property tax regulations in order to have the most current information.

We welcome your suggestions for improving this publication. Please call 1-916-274-3350 or send your suggestions to:

County-Assessed Properties Division, MIC:64  
California State Board of Equalization  
PO Box 942879  
Sacramento, CA 94279-0064

If you need more information about California property tax, visit us at [www.boe.ca.gov](http://www.boe.ca.gov). Our website has the complete text of the *Assessors' Handbook* sections, special topic and assessment practices surveys, the *Property Taxes Law Guide*, Property Tax Rules, Annotations, Letters To Assessors, guidelines and procedures, issue papers, and other publications. In addition, you will find a listing of the addresses and telephone numbers for county assessors' offices and answers to the most frequently asked questions about property tax issues, and you can find current information on property tax projects and Board meeting dates. The website also contains a calendar of property tax dates.

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*Note:* This publication summarizes the law and applicable regulations in effect when the publication was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is any conflict between the text in this publication and the law and/or regulations, the latter are controlling.

To contact your Board Member, see [www.boe.ca.gov/members/board.htm](http://www.boe.ca.gov/members/board.htm).

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## IMPORTANT PROPERTY TAX DATES (2018)

<i>January 1</i>	Lien date for all property.
<i>February 15</i>	Legal deadline for filing most exemption claims. Last day to file a timely exemption claim for cemeteries, colleges, exhibitors, free public libraries, free museums, public schools, and churches. Last day to file a timely exemption claim for veterans, disabled veterans, and homeowners. Last day to file timely exemption claims for welfare and veterans' organizations.
<i>April 10</i>	Last day to pay second installment of <a href="#">secured taxes</a> without penalty.
<i>July 1</i>	Deadline for county assessor to complete local assessment roll.
<i>July 2–September 15 or November 30</i>	Taxpayers file applications for reduction in assessed value with clerk of county board of supervisors.
<i>August 31</i>	Last day to pay <a href="#">unsecured taxes</a> without penalty.
<i>December 10</i>	Last day to pay first installment of secured taxes without penalty. Last day to file an exemption claim for homeowners and veterans to receive 80 percent of the exemption. Last day to file an exemption claim for disabled veterans to receive 90 percent of the exemption.

# THE BACKGROUND OF PROPERTY TAXES IN CALIFORNIA

Prior to 1912, the state derived up to 70 percent of its revenue from property taxes. The state no longer relies on property taxes as its primary source of funds—since 1933, the only property tax directly levied, collected, and retained by the state has been the tax on privately owned railroad cars. Currently, the state’s principal revenue sources are personal income taxes, sales and use taxes, bank and corporation taxes, and a series of excise taxes.

Today, it is California’s counties, cities, schools, and special districts that depend on the property tax as a primary source of revenue. The property tax raised more than \$62.1 billion for local government during 2016-17. These funds were allocated as follows: counties 15 percent, cities 12 percent, schools (school districts and community colleges) 54 percent, and special districts 19 percent.

## Proposition 13

On June 6, 1978, California voters overwhelmingly approved Proposition 13, a property tax limitation initiative. This amendment to California’s Constitution was the taxpayers’ collective response to dramatic increases in property taxes and a growing state revenue surplus of nearly \$5 billion. Proposition 13 rolled back most local real property, or real estate, assessments to 1975 market value levels, limited the property tax rate to 1 percent plus the rate necessary to fund local voter-approved bonded indebtedness, and limited future property tax increases.

After Proposition 13, county property tax revenues dropped from \$10.3 billion in 1977-78 to \$5.04 billion in 1978-79. As a result, many local governments were in fiscal crisis. Keeping local governments in operation the first two years following Proposition 13 required legislative “bailouts” to offset property tax revenue losses. A first-year stopgap measure costing \$4.17 billion in state surplus funds was necessary to directly aid local governments. A second-year bailout, a long-term fiscal relief plan, cost the state \$4.85 billion.

Prior to 1978, real property was appraised cyclically, with no more than a five-year interval between reassessments. Since property values were systematically reviewed and updated, assessed values were usually kept at or near current market value levels. In contrast, under Proposition 13, properties are reassessed to current market value only upon a [change in ownership](#) or completion of new construction (called the [base year value](#)). In addition, Proposition 13 generally limits annual increases in the base year value of real property to no more than 2 percent, except when property changes ownership or undergoes new construction. Essentially, Proposition 13 converted the market value-based property tax system to an acquisition value-based system.

## Disparities in Assessed Value

Under Proposition 13, similar properties can have substantially different assessed values based solely on the dates the properties were purchased. Disparities result wherever significant appreciation in property values has occurred over time. Longtime property owners, whose assessed values generally may not be increased more than 2 percent per year, tend to have markedly lower tax liability than recent purchasers, whose assessed values tend to approximate market levels.

## Court Challenges to Proposition 13

Immediately after Proposition 13 passed, its constitutionality was challenged. The California Supreme Court upheld the constitutionality of Proposition 13 in *Amador Valley Joint Union High School District v. State Board of Equalization* on September 22, 1978. The decision rendered in this case remained the highest judicial ruling on Proposition 13 until 1992, when the United States Supreme Court ruled, in *Nordlinger v. Hahn*, that Proposition 13 did not violate the equal protection clause of the United States Constitution. This ruling effectively ended speculation about whether the judicial system would ever overturn or modify Proposition 13.

## THE ROLE OF VOTERS AND THE LEGISLATURE

Together, the electorate and the Legislature of California have reshaped the administration of property taxes since 1978. Constitutional amendments, both voter-initiated (initiative constitutional amendments) and Legislature-initiated (Assembly or Senate constitutional amendments), have established fundamental changes. Meanwhile, legislative measures have interpreted, clarified, and implemented the constitutional provisions.

## THE ROLE OF THE CALIFORNIA STATE BOARD OF EQUALIZATION

The BOE was established in 1879 by constitutional amendment. The BOE consists of five elected members: four members are elected from legislatively defined districts, while the fifth member, the State Controller, is elected at-large and serves in an *ex officio* capacity. The BOE's original purpose was to regulate county assessment practices, equalize county assessment ratios, and assess properties of railroads. Over the years, the legislature expanded the Board's duties to include many tax and fee programs. In 2017, the [Taxpayer and Transparency Act \(AB102\)](#), restructured the BOE into three separate agencies. Most of the duties performed by the BOE were transferred to the California Department of Tax and Fee Administration and the Office of Tax Appeals.

The BOE continues to perform the duties it was assigned by the state constitution, including the administration of most property tax programs.

### The Need for Uniform Assessments

While the county assessor determines the value of locally assessable property for taxation purposes, the BOE has a vested interest in the valuation by virtue of its constitutional responsibility to promote uniformity in property assessments throughout the state. Uniformity is important both within and among counties for a number of reasons:

- Cost-sharing provisions for funding public schools require the state to make up the difference between statutory revenue guarantees and property tax proceeds. Underassessments increase a required state subsidy from the general fund.
- Assessments at more or less than full [taxable value](#) result in a misallocation of revenues.

### The BOE's Property Tax Divisions

The BOE's property tax functions are administered by two divisions: County-Assessed Properties Division and State-Assessed Properties Division. Each division's role in the administration of property tax is described on the following pages.

#### County-Assessed Properties Division

The County-Assessed Properties Division is responsible for both establishing policies and standards for proper assessment practices statewide and measuring statewide compliance and uniformity in county assessment procedures and practices. These accomplishments are achieved through the following activities.

##### [Assessment Practices Surveys](#)

The Government Code requires the BOE to periodically review the practices and procedures (surveys) of specified county assessors' offices. The purpose of the survey is to determine the adequacy of the procedures and practices the county assessor uses in valuing property and to evaluate the assessor's performance of mandated duties. The survey concentrates on statutory mandates and revenue-related issues.

The surveys are conducted as follows: For each county, BOE staff conducts an audit of the assessor's procedures and practices. The staff then publishes an assessment practices survey report that summarizes the findings and includes recommendations for improvement.

In addition, each year the BOE staff perform appraisal samples of specified county assessment rolls. In each case, a statistically representative sample is drawn from the county assessment roll. BOE staff audits and appraises each property in the sample and compares the results to the assessor's values. Staff then expands the results to determine whether the total assessment roll complies with statutory standards.

### ***Special Topic Surveys***

The BOE periodically publishes "special topic" surveys on statewide assessment practices. The surveys focus on specific subject areas or major issues that have significant impact on local property taxation. These surveys are conducted when needed. To date, surveys have been conducted on Land Conservation Act (Williamson Act) properties, new construction, changes in ownership, mobilehomes, possessory interests, assessment appeals, audit procedures, confidentiality of assessors' records, depreciation factors, coordination on tenant improvements, and section 11 and PERS properties.

### ***Property Tax Rules***

The Board is required to prescribe rules and regulations to govern assessors and local boards of equalization. The BOE's property tax rules are codified in Title 18 of the California Code of Regulations. These rules are adopted to clarify statutes relating to assessment principles and procedures.

### ***Assessors' Handbook***

The *Assessors' Handbook* comprises more than 25 instructional manuals on various assessment and appraisal topics, including annually revised building cost estimating guidelines. Individual manuals are periodically updated to reflect legislative changes and revisions in appraisal and assessment systems.

### ***Property Tax Exemptions***

The BOE prevents multiple claims for the Homeowners' Property Tax Exemption and the Disabled Veterans' Exemption, by acting as a statewide clearinghouse. The BOE also has a dual role with county assessors in administering the Welfare Exemption, which exempts property used exclusively for religious, hospital, scientific, or charitable purposes and owned and operated for those purposes by qualifying nonprofit organizations. The BOE determines whether an organization is eligible for the Welfare or Veterans' Organization Exemption. The BOE also advises assessors and prescribes forms for the administration of all other property tax exemptions.

### ***Appraiser Training and Certification***

County assessors and the property appraisers they employ must meet certain minimum qualifications and hold an appraiser's certificate issued by the BOE which is attained by successfully passing a certification examination. In order to retain an appraiser's certificate, appraisers must complete a specified number of hours of training per year. The BOE provides training at various sites throughout California and monitors the yearly training requirements. The BOE conducts classes on various appraisal topics. In addition, the BOE provides workshops, online sessions, and webinars on specific assessment issues to enhance the knowledge and skills of county assessors, appraisers, Board Members and their staff, and appeals board members.

### ***Letters to Assessors***

Letters to Assessors are advisory letters issued to all county assessors and interested parties. Typically, the letters provide staff interpretations of rules, laws, and court decisions, or general information relating to property tax assessment. A no-cost email subscription service for Letters to Assessors is available at [www.boe.ca.gov/proptaxes/letters/index.htm](http://www.boe.ca.gov/proptaxes/letters/index.htm).

### ***Assessment Services***

The BOE also responds to individual inquiries from assessors, legislators, taxpayers, and the business community, as well as to letters written to the Governor on property tax issues. To contact the BOE via email with property tax questions, email [PT-WebRequests@boe.ca.gov](mailto:PT-WebRequests@boe.ca.gov).

### ***Legal Entity Ownership Program***

This program is a cooperative effort between the BOE and the Franchise Tax Board to discover both changes in ownership and change in control of legal entities. When the BOE determines that an entity that owns real property in California has undergone a change in control or ownership, the BOE informs the appropriate assessors of the need to reappraise real property owned by those entities.

### ***Clearinghouse Programs***

The BOE monitors claims for relief under Propositions 58 (parent-child transfers) and 193 (grandparent-grandchild exclusion), Propositions 60 and 90 (persons over 55) and 110 (disabled persons), and Proposition 3 (eminent domain properties).

### ***Forms***

The BOE prescribes many types of forms for use by assessors, such as business property statements, exemption claim forms, and change in ownership forms. Assessors may make limited revisions to the forms to meet their processing needs, but they must submit such revised forms for BOE staff review and approval.

## **State-Assessed Properties Division**

The State-Assessed Properties Division is responsible for administering the assessment program of California [state assessees](#) under the BOE's jurisdiction.

### ***State Assesseees***

The California Constitution requires the BOE to annually assess property (except franchises) owned or used by regulated railway, telegraph, or telephone companies, car companies operating on railways in the state, and companies transmitting or selling gas or electricity. It also requires the BOE to annually assess pipelines, flumes, canals, ditches, and aqueducts lying within two or more counties. Except for the railway car companies (see Private Railroad Car Tax below), the assessed values are allocated to the counties and other local tax jurisdictions in which the property is located. The taxes are levied and collected in the same manner as they are for county-assessed properties. State-assessed property is not subject to the provisions of Proposition 13 and is assessed at its [fair market value](#), or its full value, as of 12:01 a.m. each January 1.

### ***Private Railroad Car Tax***

The BOE performs the entire assessment function, including appraisal and tax collection, for privately owned railroad cars.

### ***Tax-Rate Mapping Program***

A tax-rate area number is assigned to each geographical area in the state with a different distribution of revenues among taxing jurisdictions. The BOE maintains this program in order to allocate the value of certain state-assessed properties to their appropriate taxing jurisdictions. County auditors also use these tax-rate areas to allocate property tax revenues to the appropriate taxing jurisdictions.



## Taxpayers' Rights Advocate Office

The Taxpayers' Rights Advocate, appointed by the BOE Executive Director, is responsible for implementing the *Morgan Property Taxpayers' Bill of Rights*. The Advocate reviews, from a taxpayer's point of view, how effective the BOE's operating divisions and the county assessors are in providing clearly written informational materials to property taxpayers and in adequately resolving inquiries, complaints, and other problems. The Advocate is also charged with identifying areas of recurring conflict between taxpayers and property tax assessment officials. The Advocate issues a formal annual report on property tax matters affecting taxpayers' rights. The BOE holds public hearings to address the report and related property tax issues.

In addition, the *Property Taxpayers' Bill of Rights* provides measures designed to promote the fair administration of the property tax. For example, section 5909 of the Revenue and Taxation Code provides for relief of penalties and interest in some situations where a taxpayer relies on written rulings from the county assessor.

Taxpayers' Rights Advocate Office, MIC:120  
California State Board of Equalization  
450 N Street  
PO Box 942879  
Sacramento, CA 94279-0120  
Telephone: 1-916-327-2217  
[www.boe.ca.gov/tra](http://www.boe.ca.gov/tra)

## THE ROLE OF THE COUNTY ASSESSOR

The [county assessor](#), an elected official, is governed by the California Constitution, the laws passed by the Legislature, and the rules adopted by the BOE. An individual county government does not control the county assessor's tasks.<sup>1</sup>

### Annual Assessments

The county assessor must annually assess all taxable property in the county, except for state-assessed property, to the person, business, or legal entity owning, claiming, possessing, or controlling the property on January 1. The duties of the county assessor are to discover all assessable property, to inventory and list all taxable property, to value the property, and to enroll the property on the local assessment roll.

The assessor's primary responsibility is to annually determine the proper taxable value for each property so the owner is assured of paying the correct amount of property tax for the support of local government.

### Local Property Tax Roll

The assessed value determined and enrolled by the county assessor is multiplied by the appropriate tax rate to form the basis of the current year's tax bill. The tax rate is 1 percent plus (1) the amount necessary to make annual payments due on general obligation bonds or other indebtedness incurred prior to July 1, 1978; (2) any bonded indebtedness for the acquisition or improvement of real property approved by a two-thirds majority of voters on or after July 1, 1978; and (3) certain bonded indebtedness for school facilities approved by 55 percent of the voters. The collection of these taxes and their allocation to the appropriate taxing jurisdictions are functions of the county tax collector and the county auditor, respectively. Like the county assessor, these officials are governed by state law.

<sup>1</sup> See the BOE's Website for a listing of county assessors.

# TAXABLE PROPERTY

Unless the California Constitution or federal law specifies otherwise, all property is taxable. Property is defined as all matters and things—real, personal, and mixed—that a private party can own.

## Real Property

**Real property** is defined as:

- The possession of, claim to, ownership of, or right to the possession of land.
- All mines, minerals, and quarries in the land, all standing timber whether or not belonging to the owner of the land, and all pertinent rights and privileges.
- **Improvements**—defined as all buildings, structures, **fixtures**, and fences erected on or affixed to the land, and all fruit, nut bearing, or ornamental trees and vines, not growing naturally, and not exempt from taxation, except date palms under eight years old.

## Personal Property

Personal property is defined as all property except **real property**. Personal property is either tangible or intangible. Generally, all tangible personal property is taxable except where specific exemptions are provided. Tangible personal property is any property, except land or improvements, that may be seen, weighed, measured, felt, or touched, or which is in any other manner perceptible to the senses.

Examples of taxable tangible personal property include portable machinery and equipment, office furniture, tools, and supplies. Examples of nontaxable tangible personal property are household goods and personal effects, noncommercial boats worth \$400 or less, and goods held for sale or lease in the ordinary course of business (inventories).

Examples of nontaxable intangible property include notes, corporate securities, shares of capital stock, solvent credits, bonds, deeds of trust, mortgages, liquor licenses, insurance policies, club memberships, and copyrights.

The classification of property as either real property or personal property is significant because the tax assessment procedures vary depending on the type of property:

- The Legislature may exempt personal property from taxation or provide for differential taxation. The Legislature does not have this power over real property.
- Personal property is not subject to Proposition 13 value limitations.
- Generally, special assessments are not applicable to personal property.

## Possessory Interests

Private interests in publicly owned lands, known as possessory interests, are also taxable. Examples of taxable possessory interests include permitted use of U.S. Forest Service property such as ski resorts, stores, and cabins; harbor leases; boat slips at public marinas; tie-downs at public airports; grazing land permits; employee housing on tax-exempt land; and mineral rights in public lands.

A possessory interest in real property exists as a result of possession, exclusive use, or a right to possession or exclusive use of land and/or improvements without either outright ownership of the land or a life estate in the property. A possessory interest becomes taxable when the interest is held in nontaxable publicly owned real property. There is no possessory interest assessment on the use of publicly owned personal property.

## Properties Owned by Local Governments Outside Their Boundaries

Properties that are owned by local governments but located outside their boundaries are taxable under article XIII, section 11, and article XIII A of the California Constitution if the property was taxable when it was acquired by

the local government. Each year, the lowest of the following three values is enrolled: the current market value, the factored base year value, or the value determined under a special formula prescribed in section 11.

## Property Not Covered by Proposition 13

Proposition 13 did not affect the assessment of all property. Properties not affected by Proposition 13 fall into two general categories:

- Personal property.
- Utilities, railroads, and other properties assessed by the BOE.

## PROPERTY TAX EXEMPTIONS

The State Constitution provides for a variety of full and partial exemptions. The Legislature has unlimited authority to provide for exemption of any kind of personal property, but it cannot exempt real property without specific authority provided by the Constitution.

Following is a brief discussion of some of the major [property tax exemptions](#) in California. Please note that issues regarding many of these exemptions are complex; the assessor's office should be consulted for detailed requirements regarding exemptions.

### Personal Effects

Household furniture, hobby equipment, and other personal effects are exempt. This exemption does not include vehicles, aircraft, or boats with a value over \$400. It also does not include any property used for a trade or business. No filing is required.

### Intangible Personal Property

All forms of intangible personal property are exempt. Examples of intangible personal property include cash, bank accounts, mortgages, and stock certificates. No filing is required.

### Homeowners' Exemption

The Constitution requires a \$7,000 reduction of taxable value for qualifying owner-occupied homes when the homes are the owners' principal place of residence. Rentals and vacation homes do not qualify. The state reimburses local agencies for the loss in property tax revenue. The homeowner must make a simple one-time filing with the county assessor for the exemption.

### Business Inventory

Personal property held for sale or lease in the ordinary course of business is exempt. "Business inventory" includes merchandise held for sale or lease, animals used in the production of food or fiber, and incidental supplies passed on to the customer. The exemption does not include property in use on the [lien date](#) (except animals) or ordinary supplies. No filing is required, but the assessor may audit the taxpayer to verify whether the property qualifies.

### Low-Value Property Tax Exemption

A county board of supervisors is authorized to exempt from property taxes 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. The value threshold is \$10,000 or less. However, the value threshold is increased to \$50,000 for possessory interests that are for a temporary and transitory use in a publicly owned convention center, cultural facility, or fairground.

## Church Exemption

Land, buildings, and personal property used exclusively for religious worship are exempt. The exemption does not include excess property or property used for purposes other than religious worship. This exemption requires an annual filing.

## Welfare Exemption

The welfare exemption includes property owned, irrevocably dedicated to, and used for religious, hospital, scientific, and/or charitable purposes. The BOE makes a one-time determination regarding whether an organization is eligible for the exemption. Each year, the county assessor determines whether the property is being used for exempt purposes.

## Disabled Veterans' Exemption

Current law provides a basic exemption of \$100,000 on the principal place of residence for veterans with specified disabilities or for unmarried surviving spouses of deceased disabled veterans. A one-time filing is required. This exemption may be raised to \$150,000 if the applicant meets the income limit of \$40,000. Annual filing is required for the \$150,000 exemption. The income limit and both the exemption amounts are adjusted annually for inflation.

## Crops, Trees, and Vines

Growing crops are exempt. No filing is required. Grapevines are exempt for the first three years and orchard trees for the first four years after the season in which they are planted. Date palms under eight years of age are exempt.

## Other Examples of Exempt Properties

Listed below are some other types of properties that are fully or partially exempt. Some of the exemptions require filing, and there are restrictions on the use of the properties in some cases.

Aerospace museum personality	Historical aircraft
Livestock (most)	Burial plots
Nonprofit colleges and schools	Large vessels and low-value boats
Free libraries and museums	Art gallery displays

## OTHER PROPERTY TAX RELIEF MEASURES

The State Constitution provides for a variety of tax relief measures that the Legislature has implemented as California property tax relief programs. The issues and qualifications regarding these programs are complex, and claim forms must be filed to obtain the relief. The assessor's office should be contacted for claim forms and detailed requirements regarding these programs.

### New Construction Exclusion for Disabled Access

New construction may be excluded from reassessment if it consists of modifying an existing structure to make the structure more accessible to a physically disabled person. Claims for this exclusion must be filed with the county assessor.

### Disaster Relief

The taxable value of properties that have been substantially damaged or destroyed by a disaster may be reassessed to reflect the damage if the county where the property is located has adopted a disaster relief ordinance. Claims for this relief must be filed with the county assessor within the time period specified in the ordinance or within one year from the date the property was damaged or destroyed by the disaster, whichever is later. The reduced value

remains until the property is fully repaired, restored, or reconstructed. Then the factored base year value will be restored as long as it is substantially equivalent to the property prior to the damage or destruction. For property located in a county that has not adopted a disaster relief ordinance, a taxpayer may request from the county assessor a Proposition 8 reduction in value.

If the disaster occurs in an area proclaimed by the Governor to be in a state of emergency and the taxpayer chooses not to repair, restore, or reconstruct the damaged property:

- The taxable value of property substantially damaged or destroyed may be transferred to comparable replacement property that is located within the same county and acquired or newly constructed within five years after the disaster. Claims for this exclusion are filed with the county assessor.
- The taxable value of a principal residence substantially damaged or destroyed may be transferred to a qualified replacement residence located within another county, provided that the replacement residence is located in a county that has adopted an ordinance that allows such taxable value transfers. This is effective for disasters occurring on or after October 20, 1991. Contra Costa, Los Angeles, Modoc, Orange, San Diego, San Francisco, Santa Clara, Solano, Sonoma, Sutter, and Ventura Counties have adopted ordinances accepting transfers of base year value under this program. Claims for this exclusion must be timely filed with the county assessor.

## Eminent Domain

The taxable value of property may be transferred to a comparable replacement property if the person acquiring the real property has been displaced from property by eminent domain proceedings, by acquisition by a public entity, or by governmental action that resulted in a judgment of inverse condemnation. The replacement property does not have to be located in the same county as the taken property. Claims for this exclusion must be filed with the county assessor within four years of displacement.

## Over 55 and Disabled Citizens Relief

People over the age of 55 or who are severely and permanently disabled may transfer the taxable value of their principal residence to a replacement property if it is of equal or lesser value, located within the same county, and purchased or newly constructed within two years of the sale of the original property. This tax relief is available only once in a lifetime. There is one exception to this one-time-only limit. If a claimant becomes physically and permanently disabled after transferring the taxable value under the age requirements (over 55), the claimant may transfer the taxable value a second time under the disability requirements if the move is related to the disability.

The taxable value may be transferred to a qualified replacement property located in the same county or to a qualified replacement property located within another county provided that the replacement property is located in a county that has adopted an ordinance to allow such transfers. Alameda, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, Santa Clara, Tuolumne, and Ventura Counties have adopted ordinances allowing transfers under this program. Claims must be filed with the county assessor within three years of the purchase or completion of construction of the replacement property.

## Parent-Child and Grandparent-Grandchild Exclusions

The purchase or transfer of a principal residence and the first \$1 million of other real property between parents and children is not subject to reassessment. This exclusion also applies to transfers from grandparents to grandchildren when both qualifying parents are deceased, subject to certain limitations. Claims for this exclusion must be filed with the county assessor within certain time limits.

## Solar New Construction Exclusions

The construction or addition of any active solar energy system is excluded from new construction and is not subject to property taxation until the property changes ownership. A qualifying solar energy system does not include solar swimming pool heaters or hot tub heaters.

## WHERE PROPERTY IS TAXED

### Real Property

Real property, interests in real property, and taxable possessory interests are taxable in the county where they are located, regardless of where the owner lives. If a parcel of real property spans more than one revenue district, the portion lying within each district is taxable in that district.

### Personal Property

Tangible personal property is taxable where it has established “permanent situs” (location), regardless of where the owner lives. The only exception is personal property belonging to members of the armed services who are on active service in California and who have permanent residence outside of California. Some types of personal property do not have a fixed location and are movable, for example, copy machines. As a result, determining permanent situs depends on a number of factors including the type of property, the way the property is typically used, and where the property owner lives.

### Aircraft and Vessels

Private aircraft are taxed at the location of the airport or hangar where they are usually kept. Commercial certificated aircraft are taxed on an apportioned basis in each county to which flights are made. Vessels in excess of \$400 in value are generally assessed where they are habitually located. A small boat not habitually kept at a mooring, but lifted from the water and trailered to the owner’s residence or other location, is taxed at the location where it is usually kept.

## THE ASSESSMENT PROCESS

### Annual Assessments

Annually, whoever owns taxable property on January 1 (the lien date) becomes liable for a tax calculated at 1 percent of the “taxable” value of the property. Article XIII A of the California Constitution (Proposition 13) also permits adding to the 1 percent tax rate a rate needed to pay interest and redemption charges for voter-approved indebtedness. Such additional rates can vary from area to area within a county.

### Change in Ownership and New Construction

The assessed value for most property taxed under Article XIII A is the prior year’s assessed value adjusted for inflation up to 2 percent. However, if there has been a change in ownership or completed new construction, the new assessed value will be the market value of the property as of the date that it changed ownership or was newly constructed. That property will also be assessed on the supplemental roll.

### Supplemental Assessments

The supplemental roll provides a mechanism for placing reappraisals under Article XIII A into immediate effect, rather than waiting for the next January 1 lien date. A prorated assessment (the [supplemental assessment](#)) reflects the increase or decrease in assessed value that results from the reappraisal. It covers the portion of the fiscal year that remains after the date of change in ownership or completed new construction. The supplemental assessment statutes apply to any property subject to Article XIII A that has undergone a change in ownership or completed new construction.

For changes in ownership or completed new construction occurring between January 1 and May 31, two supplemental assessments are issued. The first covers the portion of the current fiscal year remaining after the date of the event; the second covers the entire next fiscal year. An increase in assessment will result in a supplemental tax bill. A decrease in assessment will result in a refund.

Supplemental assessments do not affect exemptions for which the assessee is otherwise eligible. If granted, the exemption is applied to the amount of the supplemental assessment.

## THE APPEAL PROCESS—LOCAL EQUALIZATION

The assessor must reassess real property to current market value whenever there is a change in ownership or completed new construction. In addition, the assessor may change the assessed value of a property to recognize a decrease in value, to correct an error, or to enroll an escaped assessment (one overlooked previously). Except for changes in assessment due to annual adjustments for inflation, assessors must notify property owners whenever their assessments of real property are increased. The notifications are sent on or before the date the assessment roll is completed, generally July 1. Personal property is reassessed annually. Notification of personal property assessments is not required.

### Appeal Rights

Property owners can appeal the value of the property appearing on the [regular assessment roll](#) by filing an *Assessment Appeal Application* for changed assessment during the regular assessment filing period with the clerk of the board of supervisors (sitting as a local board of equalization) or assessment appeals board. The regular assessment filing period is July 2 through either September 15 or November 30, depending on whether the assessor has elected to mail assessment notices to all taxpayers on the secured roll. A listing of assessment appeal filing deadlines by county is posted on the BOE website at [www.boe.ca.gov/proptaxes/pdf/filingperiods.pdf](http://www.boe.ca.gov/proptaxes/pdf/filingperiods.pdf). Assessments made outside the regular assessment period (supplemental assessments and escape assessments) must be appealed within 60 days after the date the notice of change in assessment is mailed. An exception exists in Los Angeles County and in any other county where the board of supervisors has adopted an alternative resolution. In these counties, such assessments may be appealed within 60 days of the date of mailing printed on the tax bill or the postmark date, whichever is later. For disaster relief assessment appeals, a claim must be filed within six months of the reassessment notice.

Homeowners desiring a more complete guide to the appeal process may obtain a copy of the BOE's [publication 30, Residential Property Assessment Appeals](#). This guide may also be found on the BOE website at [www.boe.ca.gov/proptaxes/asmappeal.htm](http://www.boe.ca.gov/proptaxes/asmappeal.htm).

### Informal Discussion with Assessor

Often, a taxpayer's first step in challenging an assessment is simply to discuss the matter informally with the assessor's staff. The taxpayer should request an explanation of how the assessment was determined and inform the assessor of any facts that may affect the value of the property.

### Administrative Hearing

The first formal level of appeal is to the board of supervisors, sitting as a county board of equalization, or to the assessment appeals board if the county has created one. Taxpayers may obtain an *Assessment Appeal Application* from the clerk of the board. Many counties have the *Assessment Appeal Application* posted on their county website. Some counties use hearing officers for certain appeals.



The hearing before the board is an administrative hearing. The property owner can choose to be represented by a lawyer or a tax agent, but this representation is optional. As a general rule, the property owner has the burden of proving that the assessor has improperly valued the property. However, when the property is an owner-occupied, single-family dwelling which is the principle residence of the taxpayer, the burden falls on the assessor to prove that the property was valued correctly.

If the taxpayer wants a written explanation of the board's or hearing officer's decision, the taxpayer should request a "Findings of Fact" before the beginning of the hearing. Findings and a transcript are necessary when a taxpayer seeks judicial review of an adverse decision.

Further information on the actual hearing process may be found in the BOE's [Assessment Appeals Manual](#). This manual provides information and instruction to local boards on assessment appeals practices and procedures. The BOE has also created a video that explains and describes the appeals process. The manual, video, and other information regarding assessment appeals may be found on the BOE website at [www.boe.ca.gov/proptaxes/asmappeal.htm](http://www.boe.ca.gov/proptaxes/asmappeal.htm).

## Court Appeal

If the county board denies the appeal, the taxpayer may file an action in superior court, but only under certain circumstances. Generally, the court will hear a case only for the following reasons: arbitrariness, lack of due process, abuse of discretion, failure to follow standards prescribed by law (for example, using an erroneous method of valuation), or other questions of law. The court will not receive new evidence of value; it will only review the record of the hearing before the county board. If it finds that the county board's decision is supported by credible evidence, it will uphold the board's decision.

Taxpayers must exhaust their administrative remedies before seeking relief in court. This includes filing an *Assessment Appeal Application* for changed assessment with the appeals board and a claim for refund of taxes with the appropriate county official(s). An action against a county must be filed in superior court within six months after the county denies the claim for refund. However, if the county fails to act on the claim for refund for more than six months, the taxpayer may consider the claim rejected and file legal action without waiting for the county to act.

# TAX COLLECTION

## Secured Roll

The county tax collector is responsible for preparing property tax bills. Bills for the regular secured assessment roll (generally real property) are mailed by November 1 and are due in two equal installments. The first installment is due November 1 and becomes delinquent December 10. The second installment is due on February 1 and becomes delinquent April 10.

If taxes are not paid by the delinquent date, there is a 10 percent penalty. If a taxpayer receives a notice of impending default, and the taxes remain unpaid on the date the notice says they are due, the property is declared tax-defaulted. Monthly redemption penalties of 1.5 percent are added to the unpaid taxes. The property owner has the right to redeem the property by paying the taxes, penalties, and costs within five years of the date the property becomes tax-defaulted. If the property is not redeemed within five years, the property may be sold at public auction or acquired by a public agency.



## Unsecured Roll

Property on the unsecured roll is primarily tenant-owned personal property and fixtures (such as office equipment and machinery), boats, aircraft, and possessory interests. Property taxes on the unsecured roll are due in one payment. They are due on January 1 and become delinquent August 31. The property tax rate on unsecured property is based on the previous year's secured property tax rate.

To collect delinquent property taxes on the unsecured roll, the tax collector may seize and sell the property, file suit for taxes owed, seek a summary judgment against the assessee, or file a certificate of lien.

## Supplemental Roll

The [\*supplemental assessment roll\*](#) contains a listing of all property that has undergone a change in ownership or experienced new construction. Taxes on the supplemental roll are due on various dates depending on when the tax bill is mailed. If the bill is mailed between July 1 and October 31, taxes become delinquent on the same days as the regular secured roll (December 10 and April 10). If the bill is mailed between November 1 and June 30, the first installment becomes delinquent on the last day of the month following the month the bill was mailed, and the second installment becomes delinquent the last day of the fourth month following the month in which the first installment became delinquent.

Delinquent supplemental assessments are declared in default if the second installment is delinquent at the time the notice of impending default says they are due. A delinquency in supplemental tax leads to default of the entire property, even though "regular" taxes have been paid. Monthly redemption penalties of 1.5 percent accrue, and the property is subject to sale after five years if taxes are not paid.

# GLOSSARY OF PROPERTY TAX TERMS

## ***Ad Valorem Property Tax***

A tax imposed on the basis of value.

## ***Assessed Value***

The taxable value of a property against which the tax rate is applied.

## ***Base Year Value***

For real property assessed under Proposition 13, its fair market value as of either the 1975 lien date or the date the property was purchased, newly constructed, or underwent a change in ownership after the 1975 lien date.

## ***Change in Ownership***

A transfer of a present interest in real property, including its beneficial use, the value of which is substantially equal to the value of the fee interest (or, in other words, equal to the value of the full estate) in the property.

## ***Full Cash Value or Fair Market Value***

The amount of cash or its equivalent that property would bring if exposed for sale in the open market under conditions in which all of the following occur:

- Neither buyer nor seller could take advantage of the needs of the other.
- Both buyer and seller have knowledge of all of the uses and purposes to which the property is adapted and for which it is capable of being used.
- Both buyer and seller are aware of any enforceable restrictions on the property's uses and purposes.

## ***Fixture***

An item of tangible property, the nature of which was originally personal property, but which is classified as real property for property tax purposes because it is physically or constructively attached to real property with the intent that it remain attached indefinitely.

## ***Full Value***

Full value means fair market value, full cash value, or another value standard prescribed by the California Constitution or in the Revenue and Taxation Code under the authorization of the Constitution.

## ***Improvements***

Improvements include:

- All buildings, structures, fixtures, and fences erected on or attached to the land.
- All fruit, nut bearing, or ornamental trees and vines, not growing naturally, and not exempt from taxation, except date palms under eight years old.

## ***Lien Date***

12:01 a.m. on January 1 preceding the fiscal year for which taxes are collected. The time that property is valued for tax purposes and when taxes become a lien on property.

## ***New Construction***

Any addition to real property, whether land or improvements (including fixtures) since the last lien date; or any alteration of land or improvements (including fixtures) since the last lien date that constitutes a major rehabilitation or that converts the property to a different use.

## ***Personal Property***

All tangible property except real estate. See also "real property."

## ***Possessory Interest***

The taxable, private, beneficial use and enjoyment of nontaxable, publicly owned real property as defined in section 107 of the Revenue and Taxation Code, and in taxable, publicly owned real property subject to the provisions of sections 3(a), (b), and 11 of Article XIII of the California Constitution.

## ***Real Property***

Real estate or real property includes all of the following:

- The possession of, claim to, ownership of, or right to the possession of land.
- All mines, minerals, and quarries in the land, all standing timber whether or not belonging to the owner of the land, and all pertinent rights and privileges.
- Improvements.

## ***Roll***

A listing of all assessable property within the county. It identifies the property, the owner (if known), and the assessed value of the property. Every year the county assessor must prepare two separate rolls: the "Regular Assessment Roll" (section 601 Roll), and the "Supplemental Assessment Roll."

## ***Regular Assessment Roll (section 601 Roll)***

The Regular Assessment Roll consists of:

1. The "Board Roll," which lists all property that the BOE is required to assess. This roll is prepared by the BOE and delivered to the county auditor.
2. The "Local Roll," which lists all property assessed by the county, is divided into at least two parts:
  - a. The "Secured Assessment Roll," which contains state-assessed property and locally assessed property. The taxes on the property are adequately secured by a lien on the real property.
  - b. The "Unsecured Assessment Roll," which contains property that is not secured to real property or is not a lien against real property. It consists largely of business personal property owned by tenants.

## ***Supplemental Assessment Roll***

The "Supplemental Assessment Roll" contains a listing of all property that has undergone a change in ownership or experienced new construction since the prior "Local Roll" was established.

## ***Secured Tax Rate***

The percentage at which property on the secured roll is taxed. Taxes on real property cannot exceed 1 percent of its taxable value plus an amount to pay the interest and redemption charges on: (1) debts approved by voters prior to June 6, 1978; (2) debts approved by a two-thirds vote of the qualified voters after that date; or (3) effective January 1, 2001, certain bonded indebtedness for school facilities approved by 55 percent of the voters.

## ***Severance Tax***

A tax on mineral or forest products at the time they are removed or severed from the soil, usually regarded as a form of property taxation.

## ***State Assesseees***

Certain owners and users of property assessed by the BOE on the Board roll.

## ***Supplemental Assessment***

A property tax assessment made in accordance with chapter 3.5 of part 0.5 of division 1 of the Revenue and Taxation Code. Supplemental assessments are made whenever a property, or a portion of it, changes ownership or experiences new construction.

The amount of each supplemental assessment is the difference between the property's new base year value—determined as of the date of change in ownership or completion of new construction—and the existing taxable value.

## ***Taxable Value***

For real property subject to Article XIII A, the base year full value adjusted for inflation for any given lien date as required by law, or the full cash value for the same lien date, whichever is less.

## ***Unsecured Tax Rate***

Previous year's secured property tax rate.

## FOR MORE INFORMATION

Below is a list of additional information/resources available on the BOE website at [www.boe.ca.gov](http://www.boe.ca.gov).

### Revenue and Taxation Code and Other Statutes

The legislative implementation and interpretation of the state constitutional provisions applicable to property tax assessment matters are found in the Revenue and Taxation Code. These statutes provide the framework of the property tax assessment process. In addition, the Revenue and Taxation Code sections may incorporate and follow the provisions of other codes; for example, Government Code sections 15602 and following sections implement the constitutional provisions relating to the authority of the California State Board of Equalization.

### Property Tax Rules

Government Code section 15606 provides that the “State Board of Equalization shall ... [p]rescribe rules and regulations to govern local boards of equalization when equalizing, and assessors when assessing, including uniform procedures for the consideration and adoption of written findings of fact by local boards of equalization....” Title 18, Public Revenues, of the California Code of Regulations contains the body of regulations that the Board has adopted to implement, interpret, and make specific the statutes governing the property tax assessment process, change in ownership, and the functions of assessment appeals boards and boards of equalization. These regulations are commonly referred to as *Property Tax Rules*.

### Assessors’ Handbook Sections

The *Assessors’ Handbook* is a collection of manuals or sections adopted and published by the California State Board of Equalization. The manuals address property tax appraisal and assessment practices. Prior to adoption, each manual undergoes a process whereby interested parties participate in drafting the language, and interested parties are afforded an opportunity to submit written comments or to address the Board during a public hearing regarding the final language.

The *Assessors’ Handbook* and other Board-approved publications do not have the force of law. Instead, they provide advisory notice to county assessors and appeals boards of the Board’s interpretation, analyses, conclusions, and recommendations concerning problems of general concern, and often document court decisions, legislative enactments, or other legal and policy information. While Board-adopted publications are advisory only, courts have held that they may be properly considered as evidence in the adjudicatory process.<sup>2</sup>

### Publications

Property tax publications provide basic information on the specific property tax topic addressed in the publication. In any instance where there is an inconsistency between a statute or regulation and a publication or other document, statutory or regulatory law is controlling.

### Forms

Government Code section 15606, subdivision (d), provides that the California State Board of Equalization (BOE) shall: Prescribe and enforce the use of all forms for the assessment of property for taxation, including forms to be used for the application for reduction in assessment. In addition to section 15606, the Legislature has enacted numerous statutes mandating forms for use in particular property tax programs and has specified that the Board shall prescribe the content of the forms after consultation with interested parties. Both the forms prescribed pursuant to section 15606 and the forms prescribed pursuant to specific statutes are referred to as *Board-prescribed forms*.

<sup>2</sup>*Coca-Cola Co. v. State Board of Equalization* (1945) 25 Cal.2d 918; *Prudential Ins. Co. v. County of San Francisco* (1987) 191 Cal.App.3d 1142; *Hunt-Wesson Foods, Inc. v. County of Alameda* (1974) 41 Cal.App.3d 163.

