

Mid 1800s



Bodie State Historic Park

Property Taxes



Revenues

California property tax levies for fiscal year 1998-99 totaled \$21.42 billion, an increase of 4.68 percent from the previous year's total of \$20.46 billion. County-assessed property values increased \$141 billion during 1998-99 to reach \$2.12 trillion for the 1999-00 tax year.

State-assessed properties—primarily privately-owned public utilities and railroads—were valued by the Board at \$68.41 billion for the 1999-00 roll, an \$813 million

decrease from the values set for the 1998-99 roll. In 1999-00, the state's 58 counties will receive an estimated \$750 million in local property tax revenue from state-assessed properties.

For detailed property tax information, please see the Appendix, pages A-4 through A-22.

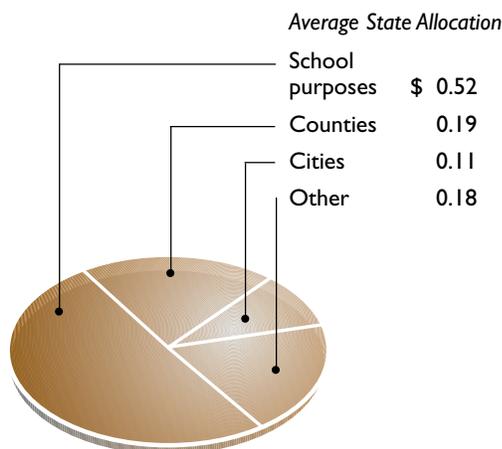
Programs

The Board of Equalization oversees the assessment practices of the state's 58 county assessors, who are charged with establishing values for approximately 12 million properties each year. In addition, the Board assesses the property of regulated railroads and specified public utilities, and assesses and collects the private railroad car tax and the timber yield tax.

General Property Taxes

Driven by the strong California economy and relatively low interest rates, the total value of county-assessed property rose 7.1 percent for fiscal year 1999-00. Expanded activity in residential and nonresidential construction, higher home prices, and increased real estate sales all boosted property values. The increase

1998-99 General Property Tax Dollar



was a significant jump from fiscal year 1998-99, when the value of county-assessed property rose by 4.9 percent, the largest annual increase since fiscal year 1991-92.

Under the constraints imposed by Proposition 13, passed by California voters in 1978, property tax cannot exceed one percent of fair market value, with limited exceptions. Generally, reappraisal of real property at current market value can occur only when there is a change in ownership or new construction. Under Proposition 13, value increases for individual properties are held to a maximum of two percent per year, with an annual inflation adjustment based on the previous calendar year's California Consumer Price Index for all items.

State-Assessed Properties

In accordance with article XIII, section 19 of the California Constitution, the Board of Equalization assesses certain public-utility and other specified properties and allocates the assessed values among the counties where the properties are physically located. Each county taxes the allocated value of state-assessed properties at the same rate as locally-assessed properties.

State-assessed properties include:

- Pipelines, flumes, canals, ditches, and aqueducts lying within two or more counties
- Property (except franchises) owned or used by regulated railway, telegraph,

or telephone companies; railroad car companies operating on railways in the state; and companies transmitting or selling gas or electricity

Private Railroad Car Tax

Owners of private railcars pay the private railroad car tax on cars operated in California. For 1999-00, the Board billed 270 car companies for taxes totaling \$6.67 million. As required by the Federal Railroad Revitalization and Regulatory Reform Act, the Board applied an assessment ratio of 80.60 percent to the value of rail transportation properties, including private railroad cars, for the 1999-00 assessment year. Revenues from the private railroad car tax, deposited in the state's General Fund, totaled \$6.35 million in fiscal year 1998-99.

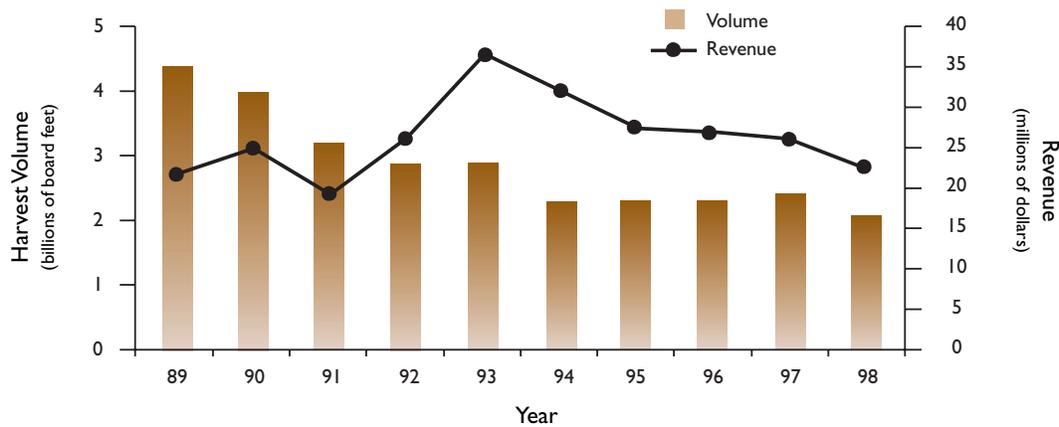
Additional information on the private railroad car tax can be found in the Appendix, on pages A-21 and A-22, and in the foldout chart inside the back cover of this report.

Timber Yield Tax

Timber owners pay the 2.9 percent timber yield tax based on the immediate harvest value of trees harvested for wood products. Revenues are returned to the counties where the timber was harvested. Calendar year 1998 revenues totaled \$22.82 million.

Timber harvest volume and value both declined in 1998. Harvest volume declined by 12.9 percent, to 2.1 billion board feet; harvest

Timber Yield Tax Annual Revenue and Harvest Volume 1989-98



value declined 12.5 percent, to \$759 million. As of June 30, 1999, there were nearly 2,950 active program registrants, compared with 3,200 timber owners registered at the end of the previous fiscal year.

Additional information on the timber yield tax can be found in the Appendix, on page A-20, and in the foldout chart inside the back cover of this report.

Operations

Policy, Planning, and Standards Division

The Policy, Planning, and Standards Division develops property tax assessment policies and informational materials to guide county assessors and assessment appeals boards.

The Division provides technical expertise and guidance to assessors, the Legislature, and others concerned with property tax assess-

ment matters, and ensures that the content of property tax forms is uniform throughout the state. The Division is also responsible for maintaining all property tax-rate area maps in California.

In 1998-99, Policy, Planning, and Standards Division staff

- Developed and drafted an Assessment Appeals Manual
- Revised various sections of the *Assessors Handbook* to reflect current data collected on an annual basis: AH 222, Standard Form List, AH 531, Residential Building Costs, AH 534, Rural Building Costs, and AH 581, Equipment Index and Percent Good Factors.
- Completely modified existing sections or consolidated related sections of the *Assessors Handbook*, including AH 267, Welfare, Church, and Religious Exceptions, AH 502, Advanced Appraisal,



Columbia State Historic Park

AH 504, Assessment of Personal Property and Fixtures, and AH 566, Assessment of Mining Properties

- Issued 99 advisory *Letters to Assessors*
- Responded by telephone to more than 12,500 outside inquiries regarding property tax matters, and prepared more than 375 written responses
- Reviewed and approved 227 new annotations of letters and memos that are published in the Board's *Property Taxes Law Guide*
- Reviewed 5.14 million homeowners' exemption claims, revealing nearly 23,500 duplicate claims and saving \$1.6 million in state tax subvention payments to counties

- Reviewed 11,100 welfare exemption claims involving more than 25,000 properties
- Conducted 36 formal courses and workshops attended by nearly 1,000 appraisers
- Sent almost 35,500 questionnaires to legal entities, including corporations and partnerships, resulting in the reassessment of 5,370 parcels owned by 574 legal entities
- Continued to maintain more than 11,000 revenue district boundaries that encompass 57,969 Tax Rate Areas, helping to ensure the proper allocation of local tax revenue to counties, cities, and special tax districts

Valuation Division

The Valuation Division provides the elected Board with value indicators for state-assessed properties, described on page 18, and allocates the Board-determined value of those properties to the counties where the properties are located. The Division also audits the financial records of utility and transportation companies for property tax purposes, and it has responsibility for the valuation of private railroad cars located in California. Since 1977, Valuation Division audits have recovered escape assessments of more than \$8 billion, yielding additional property tax revenue for local governments.

County Property Tax Division

The County Property Tax Division conducts periodic Assessment Practices Surveys of each county assessor's office and issues resulting reports to the governor, senate, assembly, attorney general, county assessor, county board of supervisors, county grand jury, county assessment appeals board, and other county assessors. In 1998-99, final survey reports were published for ten counties: Humboldt, Inyo, Mariposa, Merced, Modoc, Napa, San Bernardino, Santa Barbara, Santa Clara, and Sutter.

The Division also collects and administers the state's timber yield tax, described on page 18. Timber Tax Section staff work on proposed property tax rules, pertinent legislation, and timberland values used by county assessors. This year the section implemented a new low-value exemption that reduces costs by eliminating timber yield taxes on accounts where the costs of administration and collection exceed the taxes that would be collected (see "Small Timber Harvests," page 25).

Appeals

Local assessment appeals boards review most appeals of county-assessed property values. However, the elected members of the Board hear appeals of state-assessed property values, appeals filed under the Timber Yield Tax and Private Railroad Car Tax laws, appeals of welfare exemption denials, and appeals made

by local governments concerning assessments of properties they own which are located outside their boundaries. For information regarding appeals filed with the Board in 1998-99, see "Appeals," on page 49.

Court Decisions

Creation of a Life Estate upon a Transferor's Death

For purposes of Proposition 13, and under Property Tax Rule 462.060(a), a life estate created upon the transferor's death and transferred to a third party who is not the surviving spouse is a change in ownership and results in the reassessment of the transferred property.

Leckie v. County of Orange (1998)
65 Cal.App. 4th 334

Operating Permits and Enterprise Value Properly Considered in Valuation of Landfill Property

While intangibles are not directly subject to property tax, their presence may enhance the value of real business property, and that value may be determined by assuming the presence of the intangibles.

American Sheds, Inc. v. County of Los Angeles (1998) 66 Cal.App. 4th 384

Appraisal Ratios Are Not New or Scientific Evidence

Using an income approach to value for oil and gas property complies with legal standards when the capitalization rate is derived

from a market analysis. These methodologies are neither “new” nor “scientific techniques”; therefore, they are not held to courtroom standards for use of scientific evidence.

Texaco Producing, Inc. v. County of Kern (1998) 66 Cal.App.4th 1029

Trial Court May Not Revise Base Year Value of Property by Means of a Stipulated Judgment

The California Constitution grants authority to the local board of equalization to establish the base year value of property. That authority may not be usurped by a trial court exercising a judgment of value by approving a stipulated agreement between the county and the taxpayer. The local board of equalization must determine the correct base year value.

Plaza Hollister Limited Partnership v. County of San Benito (1999) 72 Cal.App.4th 1



Columbia State Historic Park

Legislation

Mining Property—Separate Appraisal Unit Classification

Classifies heap leach pads, tailings facilities, and settling ponds as separate appraisal units. This classification permits the assessed value of these kinds of property to be reduced each year.

Assembly Bill 1246, Chapter 226, Statutes of 1998; effective January 1, 1999

Active Solar Energy Systems

Restores the new construction exclusion from property taxes for the installation of active solar energy systems for fiscal years 1999-00 to 2004-05. The exclusion had previously expired January 1, 1995.

Assembly Bill 1755, Chapter 855, Statutes of 1998; effective January 1, 1999

Airline Settlement Agreement

Airlines and counties negotiated an agreement to end outstanding litigation and appeals with respect to the assessment of taxable real property rights of airlines in publicly owned airports and aircraft assessments. Two bills were enacted to codify the settlement agreement.

PART 1

Tax Credits for Airlines. Provides \$50 million in property tax credits to be used over the next five years for the following airlines: Alaska, American, America West, Continental, Delta,

FedEx, Northwest, Southwest, TWA, United, UPS, U.S. Airways, and Wings West.

Certificated Aircraft. For fiscal years 1998-99 through 2002-03, provides that if the assessor follows a specified valuation method for certificated aircraft, the value determined will be presumed to be the aircraft's full market value. Also specifies the valuation method for aircraft acquired under a sale-leaseback agreement.

Assembly Bill 1807, Chapter 86, Statutes of 1998; effective June 30, 1998

PART 2

Possessory Interests in Airports. Creates a presumption of correctness if an assessor follows a direct income approach in capitalizing net economic rent, as specified, to determine the value of the taxable real property rights of an operator of certificated aircraft in a publicly owned airport.

Assembly Bill 2318, Chapter 85, Statutes of 1998; effective June 30, 1998

Resident Purchases of Mobilehome Parks

Change in Ownership Exclusion. Extends indefinitely provisions of law which exclude certain transfers of mobilehome parks from being defined as a change in ownership if the park is ultimately purchased by at least 51 percent of the tenants who rent individual spaces there. This exclusion had been scheduled for repeal January 1, 2000.

Tenant Participation. Gives tenants who purchase their mobilehome park up to one year after the date of purchase to reach the required tenant participation level of at least 51 percent.

Assembly Bill 2384, Chapter 139, Statutes of 1998; effective January 1, 1999

Contaminated Land

Proposition 1, approved by voters in the November 1998 election, provides property tax relief to innocent owners of contaminated land. It authorizes the Legislature to grant a base year value transfer to replacement property, as defined, when improvements located on a contaminated site must be removed or are damaged in the cleanup process.

Assembly Constitutional Amendment 22, Resolution Chapter 20, Statutes of 1998; effective January 1, 1999

Property Tax Refunds—Tax Credit Option

Authorizes property tax refunds to be paid as a credit against future property taxes, provided both the county and the taxpayer agree.

Senate Bill 30, Chapter 87, Statutes of 1998; effective January 1, 1999

College Property Tax Exemption—Flight Test Schools

Extends the college exemption to a college that offers a master's degree in flight test technology or flight test science.

Senate Bill 218, Chapter 562, Statutes of 1998; effective January 1, 1999

Farmland Security Zones

Allows landowners in Williamson Act contracts to rescind their 10-year rolling contracts and instead enter into 20-year rolling Farmland Security Zone contracts with their local board of supervisors. In exchange, property will be assessed at 65 percent of the value that would have been determined under the Williamson Act or 65 percent of the value determined under Proposition 13, whichever is lower.

Senate Bill 1182, Chapter 353, Statutes of 1998; effective January 1, 1999

Improvement Bonds

Creates a rebuttable presumption that the value of improvements funded through improvement bonds is reflected in the nominal sales price paid for the property. The assessor must determine the appropriateness of any adjustment made to the nominal sales price because of an outstanding improvement bond.

Senate Bill 1997, Chapter 783, Statutes of 1998; effective January 1, 1999

Property Tax Omnibus Measure

This Board of Equalization-sponsored measure, in part, does the following:

Housing Projects for Disabled Persons.

Clarifies that housing projects for the disabled that are financed under Public Law 101-625, section 811, are eligible for the welfare exemption.

Documented Vessels. Corrects an erroneous filing date reference for documented vessel exemption claims from the 1st to the 15th of February.

Assessment Appeal Notices—Electronic Transmissions. Permits taxpayers and assessors to request that notices of the date and time of assessment appeal hearings be electronically mailed to them.

Private Railroad Car—Collection

Procedures. Places a time limit on the Board's ability to bring a cause of action to collect delinquent taxes on private railroad cars. Also specifies that the Code of Civil Procedure applies to these tax collection proceedings and specifies the manner in which process may be served.

Senate Bill 2235, Chapter 695, Statutes of 1998; effective January 1, 1999

Property Tax Omnibus Measure

This measure, jointly sponsored by the Board of Equalization and California Assessors' Association, in part, does the following:

Welfare Exemption Filing for Supplemental Assessments. Streamlines filing requirements for exempt organizations.

Personal Property Leased by Churches.

Clarifies that personal property leased by churches is eligible for exemption from property taxes under the religious exemption.

Small Timber Harvests. Allows for exemption from the timber yield tax harvests so small that the cost of assessing and collecting the tax would exceed the amount of the tax. The maximum value of timber harvests qualifying for this low value exemption is \$3,000.

Senate Bill 2237, Chapter 591, Statutes of 1998; effective January 1, 1999

Regulations

Joint Tenancies

Rule 462.040, *Change in Ownership—Joint Tenancies*, was revised to interpret statutory provisions for the creation of “original transferors”; to clarify provisions relating to transfers of *de minimis* interests; to state in more general terms that the interspousal exclusion may apply; and to reference the parent-child and grandparent-grandchild exclusions.

Title 18, California Code of Regulations, section 462.040; effective January 29, 1999

Legal Entities

Rule 462.180, *Change in Ownership—Legal Entities*, was revised to interpret Revenue and Taxation Code sections 60, 61, 62, 63, 63.1, and 64, which govern transfers of ownership



Willms Ranch, Stanislaus County

interests in legal entities; to clarify rule provisions relating to transfers; and to update references to types of transactions and legal entities.

Title 18, California Code of Regulations, section 462.180; effective April 8, 1999

Exempt Timber

Rule 1024, *Exempt Timber*, was added to interpret Revenue and Taxation Code section 38116, which exempts from the timber yield tax timber harvests so low in value that the tax would amount to less than the cost of administration and collection. A timber operation whose harvest value is \$3,000 or less within a calendar quarter is exempt.

Title 18, California Code of Regulations, section 1024; effective April 8, 1999