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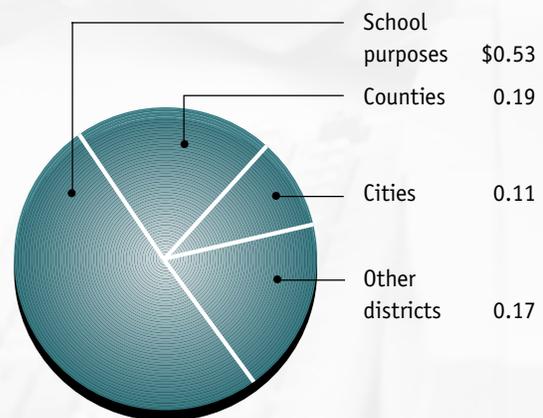
California property tax levies for fiscal year 1999-00 totaled \$22.89 billion, an increase of 6.9 percent from the previous year's total of \$21.42 billion. County-assessed property values increased \$176 billion during 1999-00 to reach \$2.29 trillion for the 2000-01 tax year.

In early 2000, state-assessed properties—primarily privately owned public utilities and railroads—were valued by the Board at \$63.03 billion for the 2000-01 roll, a \$5.38 billion decrease from the values set for the 1999-00 roll. In 2000-01, the state's 58 counties will receive an estimated \$693 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.

1999-00 General Property Tax Dollar

Average State Allocation



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, the total value of county-assessed property rose 8.3 percent for fiscal year 2000-01. Expanded activity in residential and nonresidential construction, increased home prices, and high levels of real estate sales combined to boost property values. The increase was a significant jump from 1999-00, when the value of county-assessed property rose by 7.1 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. In general, a county can reappraise real property at current market value only when there is a change in ownership or new construction. Otherwise, under Proposition 13, value increases for individual properties cannot exceed 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; and
- 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 261 car companies for taxes totaling \$6.34 million.

As required by the Federal Railroad Revitalization and Regulatory Reform Act, the Board applied an assessment ratio of 76.15 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 \$6.74 million in fiscal year 1999-00.

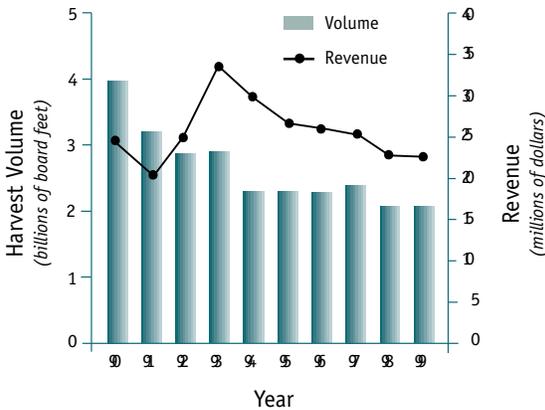
Additional information on the private railroad car tax can be found in the Appendix on pages A-21 and A-22 and in the foldout chart inside the back cover of this report.

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 1999 revenues totaled \$23.25 million.

Timber Yield Tax

Annual Revenue and Harvest Volume 1990-1999



Timber harvest volume and value both increased by less than one percent in 1999. Harvest volume expanded by 0.2 percent, to 2.14 billion board feet; harvest value increased 0.7 percent, to \$764 million. The number of registered timber owners dropped during the year. As of June 30, 2000, there were nearly 2,770 active program registrants, compared with 2,950 timber owners registered at the end of 1998-99.

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 assessment 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 1999-00, Policy, Planning, and Standards Division staff

- Completed and published statewide surveys on assessors' practices regarding
 - The use of minimum percent good factors in assessing business property,
 - Assessment coordination between the real property and business property divisions of the assessor's office, and
 - Assessment of taxable possessory interests.
- Revised 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*.
- Revised various sections of the Assessors' Handbook to reflect statutory and regulatory changes, including AH 267, *Welfare, Church, and Religious Exemptions*, and AH 504, *Assessment of Personal Property and Fixtures*.
- Issued 105 advisory *Letters to Assessors*.
- Responded by telephone to more than 2,800 outside inquiries regarding property tax matters, prepared more than 1,100 written responses, and responded to more than 120 inquiries from users of the Board's Internet site.
- 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 19,700 welfare exemption claims involving more than 26,000 properties.
- Conducted 53 formal courses and workshops attended by more than 1,600 appraisers.

- Sent 26,000 questionnaires to legal entities, including corporations and partnerships, resulting in the reassessment of 6,680 parcels owned by 514 legal entities.
- Continued to maintain more than 11,000 revenue district boundaries that encompass 59,191 Tax Rate Areas, which helps 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 15, 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 resulted in adjusted property tax assessments of more than \$8.48 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 1999-00, final survey reports were published for ten counties: Butte, Contra Costa, Fresno, Nevada, Placer, San Diego, Trinity, Tuolumne, Yolo, and Yuba.

The Division also collects and administers the state's timber yield tax, described on page 15. Timber Tax Section staff gather data on timber

harvest sales and develop timber harvest value schedules for consideration by the Board's Timber Advisory Committee and approval by the Board members, register timber owners who harvest timber, and collect the timber yield tax. This year the section changed the timber valuation and tax reporting system from reliance on the age class of the harvested trees (old growth or new growth) to a method that relies on log size. The new system simplifies tax reporting and reduces errors.

Appeals

Local assessment appeals boards review appeals of county-assessed property values. 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 1999-00, see "Appeals," on page 48.

Court Decisions

Computer Software Programs

The Board's 1996 amendment to Property Tax Rule 152 clarified what constitutes a computer's basic operational program, which is taxable, as contrasted with other, separate programs which are not taxable under Revenue and Taxation Code section 995. This clarification is consistent with legislative intent not to assess "unbundled" computer programs — software programs not included in the price of the hardware.

Hahn v. State Board of Equalization (1999)
73 Cal.App.4th 985

Amendment of Applications for Reduction in Assessment

Property Tax Rule 305(e) prohibits a taxpayer who has filed an application for reduced assessment from requesting, after the filing deadline, additional or different relief. Therefore, the appeals board properly denied a taxpayer's untimely request to amend its original application to include the underlying real property, when that original application concerned only personal property and fixtures.

Helene Curtis, Inc. v. Assessment Appeals Board (1999)
76 Cal.App.4th 124

Exempt Business Inventories of Nonprofessional Service Enterprises

Form letters of nonprofessional service enterprises, if delivered incidental to the service, qualify as exempt business inventory under Revenue and Taxation Code section 129 and Property Tax Rule 133. This is true whether they are sent to a customer or to a third party designated by a customer.

Transworld Systems, Inc. v. County of Sonoma (2000)
78 Cal.App.4th 713

Polluted Condition of Property Considered When Determining Fair Market Value

Under Revenue and Taxation Code section 110, the fair market value of contaminated property is the price at which the property would sell on the open market, considering its polluted condition.

Mola Development Corporation v. Orange County Assessment Appeals Board No. 2 (2000)
80 Cal.App.4th 309

Rebuttable Presumption That Improvement Bond Amount is Included in Purchase Price

A 1998 amendment to Revenue and Taxation Code section 110 added the rebuttable presumption that the amount of an improvement bond is included in the purchase price of a property. This amendment was a clarification of existing law and applied to applications for changed assessment pending when it was enacted.

Huson v. County of Ventura (2000) 80 Cal.App.4th 1131

Refund in Property Tax Suit Based upon Amount Sought in Claim for Refund

Under Revenue and Taxation Code sections 5142 and 5143, a taxpayer who files a property tax refund action can recover no more than the amount sought in its underlying claim for refund.

Mission Housing Development Company v. City and County of San Francisco (2000) 81 Cal.App.4th 522

Legislation

Business Property Statement Filing Dates

Establishes April 1 as the due date for the business property statement and May 7 as the filing deadline. Sets May 31 as the uniform statewide deadline for modifying timely filed statements.

Assembly Bill 704, Chapter 334, Statutes of 1999;
effective January 1, 2000

Seismic Safety Improvements

Deletes the July 1, 2000, sunset date and indefinitely extends the new-construction exclusion available for the construction or installation of seismic safety retrofitting improvements that use earthquake-hazard mitigation technologies.

Assembly Bill 1291, Chapter 504, Statutes of 1999;
effective January 1, 2000

Welfare Exemption — Low-Income Housing

Low-Income Rental Housing — Qualifications

Deletes a provision that allowed rental housing owned and operated by qualifying nonprofit organizations to qualify for the welfare exemption when at least 20 percent of the occupants were lower-income households. Requires the nonprofit organization to have a recorded deed restriction or an enforceable and verifiable agreement with a public agency limiting the property's use to low-income housing.

Low-Income Homes For Sale — Simplified Renewal Filings

Permits nonprofit corporations that build or rehabilitate homes for sale at cost with a zero-interest loan to annually renew the welfare exemption for those properties by returning a postcard instead of filing an annual application.

Low-Income Homes For Sale — Vacant Land Held For Construction

Extends the welfare exemption to vacant land owned by a nonprofit corporation that builds or rehabilitates low-income homes for sale at cost with a zero-interest loan, provided the land is intended for future construction of such homes.

Assembly Bill 1559, Chapter 927, Statutes of 1999; effective October 10, 1999, operative January 1, 2000

Taxpayers' Bill of Rights — Private Railroad Car and Timber Yield Tax

- Authorizes the Board to relieve interest when the taxpayer fails to pay tax because of the Board's unreasonable error or delay.
- Authorizes the Board to enter into a written installment-payment agreement and to provide for advance notice of termination of the agreement, in specified circumstances.

- Authorizes the Board to return levied property in specified circumstances.
- Specifies, for the timber yield tax only, when interest shall begin to accrue on a notice of determination for repayment of an erroneous refund, to conform with other Board-administered tax and fee laws.
- Adds, for the timber yield tax only, an alternative procedure for using a deficiency determination in recovering an erroneous refund, to conform with other tax and fee laws.

Assembly Bill 1638, Chapter 929, Statutes of 1999; effective January 1, 2000

Fire Detection Systems

Classification and Ownership

Clarifies that for purposes of the new construction exclusion, a fire-detection system should not be classified as personal property. Specifies that no part of the "system" should be disqualified from the exclusion because it is owned or controlled by a person other than the owner of the property where the system was constructed or installed.

Components

Includes in the definition of a fire-detection system any equipment used to transmit fire-alarm activations and related signals to a remote location.

Assembly Bill 1694, Chapter 200, Statutes of 1999; effective July 28, 1999

Resident Purchases of Mobilehome Parks

Tenant Participation Level

Some mobilehome park tenants use the services of an interim holding entity to facilitate the purchase of their mobilehome parks. This bill grants such tenants an additional six-month period, as specified, to achieve a 51 percent tenant participation rate.

Tenant-In-Common Ownership Group

Adds a “tenant-in-common ownership group” to the list of entities eligible to act as interim holding entities for tenant purchases of mobilehome parks.

Senate Bill 42, Chapter 603, Statutes of 1999; effective October 10, 1999

Underground Storage Tanks*Tanks*

Provides a new construction exclusion for the improvement, upgrade, or replacement of an underground storage tank to comply with federal, state, or local regulations, and establishes that the work shall be considered “normal maintenance and repair.”

Structures

Provides that when a structure, or any portion of it, must be reconstructed as a consequence of completing specified work on an underground storage tank, the reconstruction shall be considered “normal maintenance and repair” if the resulting structure is substantially equivalent to the prior structure in size, utility, and function.

Senate Bill 933, Chapter 352, Statutes of 1999; effective September 7, 1999

Tree and Vine Freeze Damage

Restarts the four-year exemption period for newly planted fruit and nut trees that required pruning to the trunk or bud union as a result of the December 1998 freeze.

Senate Bill 1014, Chapter 291, Statutes of 1999; effective September 1, 1999

Property Tax Omnibus Measure*Section 515 Housing — Subsidy Payments*

Prohibits assessors from including interest subsidy payments in the income approach to value of Section 515 housing programs.

Parent-Child Transfers

Ensures that in a series of parent-child transfers of property where the parties were unaware of the change-in-ownership exclusion, the property owner is not precluded from receiving the exclusion in the future.

*Contaminated Land —**Proposition 1 Implementation*

Provides statutory implementation for Proposition 1, approved by voters in the November 1998 election to give property tax relief to innocent owners of contaminated land. Implements the Legislature’s authority 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.

*Indian Housing Authority-Owned**Low-Income Housing Projects*

Creates an exemption for low-income housing owned and operated by a housing entity of a federally designated Indian tribe.

*Assessment Appeals Boards —**Conflict of Interest Provisions*

With respect to (1) employees of the office of the clerk of the county board of equalization or county assessment appeals board, (2) assessment appeals board members, (3) alternate assessment appeals board members, and (4) assessment hearing officers,

- Requires the specified persons to immediately notify the clerk of the assessment appeals board when they file an appeal application on their own behalf or decide to represent a spouse, parent, or child in an assessment appeal.
- Requires that the presiding judge of the superior court appoint an assessment appeals panel of three “special alternate assessment appeals board members” when any of the specified persons

represent their spouse, parent, or child in an assessment appeal. Deletes the provision requiring that special alternate members must reside in the county where the appeal is filed.

- Prohibits the specified persons from representing an assessment appeal applicant for compensation.

Senate Bill 1231, Chapter 941, Statutes of 1999; effective January 1, 2000

Assessment Appeals Boards

Mandatory Training

Requires that newly appointed assessment appeals board members take an introductory training course.

Eligibility Requirements

Requires minimum qualifications for new appointees to assessment appeals boards in counties with a population of at least 200,000. The previous population threshold was one million residents.

Senate Bill 1234, Chapter 942, Statutes of 1999; effective January 1, 2000

Regulations

Trade-Level Valuation

Rule 10, *Trade Level for Tangible Personal Property*, was revised to conform with current statutes by deleting provisions for valuation of business inventory for property tax assessment purposes because such inventory is no longer assessable, and to specify and clarify the application of the trade-level principle in valuing certain kinds of tangible personal property.

Title 18, California Code of Regulations, section 10; effective May 25, 2000

Business Inventory Exemption

Rule 133, *Business Inventory Exemption*, was revised to clarify that business inventory includes

new and used oak barrels used in the production of wine or brandy, provided they impart chemical compounds of the oak to the wine or brandy, and to specify that such barrels are not considered business inventory when they no longer impart chemical compounds to their contents.

Title 18, California Code of Regulations, section 133; effective July 26, 2000

Welfare Exemption

Rule 137, *Application of the Welfare Exemption to Property Used for Housing*, was adopted to clarify how the welfare exemption applies to property of qualified nonprofit organizations that is used for housing.

Title 18, California Code of Regulations, section 137; effective December 31, 1999

Liquefied Petroleum Gas Tanks

Rule 153, *Liquefied Petroleum Gas Tanks*, was adopted to provide guidance on the valuation of liquefied petroleum gas tanks and to provide for uniformity in their assessment.

Title 18, California Code of Regulations, section 153; effective May 28, 2000

Local Assessment Equalization

Rule 301, *Definitions and General Provisions*, was revised to more precisely set forth the definitions that govern construction of the local equalization rules.

Title 18, California Code of Regulations, section 301; effective April 22, 2000

Rule 302, *The Board's Function and Jurisdiction*, was revised to more precisely describe the functions of appeals boards in the exercise of their jurisdiction.

Title 18, California Code of Regulations, section 302; effective April 22, 2000



Rule 305, *Application*, was revised to more precisely set forth the contents of and provisions for amendment of an application, filing requirements, and provisions for consolidation of applications by an appeals board.

Title 18, California Code of Regulations, section 305; effective June 30, 2000

Rule 305.1, *Exchange of Information*, was revised to clarify and to make specific statutory provisions governing exchanges of information.

Title 18, California Code of Regulations, section 305.1; effective April 22, 2000

Rule 305.2, *Pre-Hearing Conference*, was adopted to provide authority for boards of supervisors to establish and prescribe notice procedures for prehearing conferences.

Title 18, California Code of Regulations, section 305.2; effective April 22, 2000

Rule 305.5, *Base Year Value Presumption*, was revised to correct definitions and to correct the time periods for appeals of base year values.

Title 18, California Code of Regulations, section 305.5; effective April 22, 2000

Rule 306, *Copy of Application, Amendment, and Correction to Assessor*, was revised to specify that the

clerk shall transmit to the assessor copies of written requests for amendments or corrections.

Title 18, California Code of Regulations, section 306; effective June 30, 2000

Rule 307, *Notice of Hearing*, was revised to update notification methods and to change the exceptions for requiring a notice no less than 45 days before a hearing.

Title 18, California Code of Regulations, section 307; effective April 22, 2000

Rule 308, *Request for Findings*, was revised to clarify that preparation of findings is conditioned upon the payment of the required fee or deposit and to add the statutory provisions for the required payment of attorney's fees.

Title 18, California Code of Regulations, section 308; effective April 22, 2000

Rule 308.5, *Disqualification of a Board Member or Hearing Officer*, and Rule 308.6, *Application for Equalization by Member, Alternate Member, or Hearing Officer*, were revised to specify that disqualification procedures apply to hearing officers and to make changes to conform with statutory requirements.

Title 18, California Code of Regulations, sections 308.5 and 308.6; effective April 22, 2000

Rule 309, *Hearing*, was revised to add an exception to the requirement that an appeals board hear and decide an application within two years; to specify the period of time for which the applicant's opinion of value remains on the roll if enrolled as a result of the appeals board failing to hear and decide the application within two years; and to clarify the notice and hearing procedures to be followed upon denial of an application.

Title 18, California Code of Regulations, section 309; effective April 22, 2000

Rule 310, *Selection of Board Chair*, was revised to make references gender neutral.

Title 18, California Code of Regulations, section 310; effective April 22, 2000

Rule 311, *Quorum and Vote Required*, was revised to clarify that an applicant's demand for a hearing before a full board or before a full, three-member panel of an assessment appeals board is conditional; if only a quorum is present and the applicant demands a full board, the board may request that the applicant waive the two-year time limitation period and deny the demand if the applicant does not make such a waiver.

Title 18, California Code of Regulations, section 311; effective April 22, 2000

Rule 312, *Hearings Recorded*, was revised to allow for video recording of hearings and designation of a stenographer's transcript as the official record of proceedings.

Title 18, California Code of Regulations, section 312; effective April 22, 2000

Rule 313, *Hearing Procedure*, was revised to clarify the presentation of the case, the application of the evidentiary presumptions affecting the burden of proof, and the types of evidence that board members and hearing officers may not consider in their decision on an application.

Title 18, California Code of Regulations, section 313; effective April 22, 2000

Rule 316, *Examination of Applicant by Board*, was revised to clarify that an applicant may be examined on all issues within a board's jurisdiction, including change in ownership and new construction determinations, and to change slightly the procedures for board approval of a stipulation.

Title 18, California Code of Regulations, section 316; effective April 22, 2000

Rule 317, *Personal Appearance by Applicant; Appearance by Agent*, was revised to clarify and consolidate the provisions governing persons required to appear at hearing.

Title 18, California Code of Regulations, section 317; effective April 22, 2000

Rule 318, *Property in Common Ownership*, Rule 319, *Appearance by Corporation*, and Rule 320, *Appearance by Members of Family* were repealed, and those provisions have been incorporated as amendments to Rule 317, *Personal Appearance by Applicant; Appearance by Agent*.

Title 18, California Code of Regulations, sections 318, 319 and 320; effective April 22, 2000

Rule 321, *Burden of Proof*, was revised to clarify the operation of evidentiary presumptions in assessment appeals proceedings.

Title 18, California Code of Regulations, section 321; effective April 22, 2000

Rule 322, *Subpoenas*, was revised to specify when requests must be made for board issuance of subpoenas, the scope of subpoena requests, and limitations on subpoenas issued close to or after the beginning of a hearing.

Title 18, California Code of Regulations, section 322; effective April 22, 2000



Rule 323, *Postponements and Continuances*, was revised to set forth procedures for requesting and granting postponements and continuances.

Title 18, California Code of Regulations, section 323; effective April 22, 2000

Rule 324, *Decision*, was revised to clarify issues decided by a board in the exercise of its jurisdiction, to specify the details that must be included in a decision, and to describe the considerations upon which the board may base its decision.

Title 18, California Code of Regulations, section 324; effective April 22, 2000

Rule 325, *Notice and Clarification of Decision*, was revised to define the effective date of a decision and to set forth the requirements for issuing a written notice of decision and the manner of preparing and clarifying findings of fact.

Title 18, California Code of Regulations, section 325; effective April 22, 2000

Rule 326, *Reconsideration and Rehearing*, was revised to add that a board may reconsider a decision under specified circumstances.

Title 18, California Code of Regulations, section 326; effective April 22, 2000

Valuation and Enrollment of Trees and Vines

Rule 466, *Valuation and Enrollment of Trees and Vines*, was repealed to eliminate redundancy and, to some extent, inconsistency between regulatory and statutory provisions.

Title 18, California Code of Regulations, section 466; effective January 4, 2000

Taxable Possessory Interests

Rule 467, *Taxable Possessory Interests*, was repealed to eliminate redundancy between regulatory provisions.

Title 18, California Code of Regulations, section 467; effective December 29, 1999

Mining Properties

Rule 469, *Mining Properties*, was revised to clarify new statutory provisions requiring that assessments made on or after January 1, 1999, shall consider each leach pad, tailing facility, and settling pond on a mineral property a "separate appraisal unit" to allow for their declines in value as depreciating assets.

Title 18, California Code of Regulations, section 469; effective August 13, 1999

Enforceably Restricted Property

Rule 470, *Enforceably Restricted Property*, was repealed to eliminate redundancy and, to some extent, inconsistency between regulatory and statutory provisions.

Title 18, California Code of Regulations, section 470; effective January 12, 2000

Assessment of Companies Generating and Selling Electricity

As a result of legislation restructuring the electrical industry, Rule 905, *Assessment of Companies Generating and Selling Electricity*, was adopted to interpret and clarify the constitutional authority of the Board to assess property owned or used by "companies transmitting or selling electricity."

Title 18, California Code of Regulations, section 905; effective November 27, 1999