

CATHEDRAL
ROCKS



Property Taxes

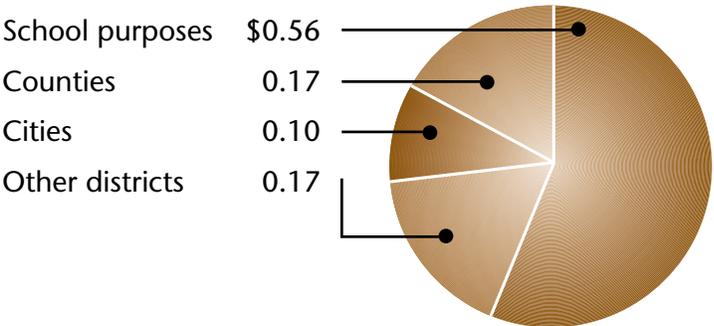
Revenues

California property tax levies for fiscal year 2004-05 totaled \$34.52 billion, an increase of 8.5 percent from the previous year's total of \$31.81 billion. County-assessed property values increased \$347 billion during 2004-05 to reach \$3.48 trillion for the 2005-06 tax year.

In May 2005, the Board set the values of state-assessed properties, primarily privately owned public utilities and railroads, at \$67.0 billion for the 2005-06 roll. This was a \$1.36 billion increase from 2004-05 values. State-assessed properties will produce an estimated \$729 million in local property tax revenues for the state's 58 counties in 2005-06.

For detailed property tax information, please see the [Appendix, pages A-4 through A-22](#).

2004-05 General Property Tax Dollar





Programs

Under its Constitutional mandate, 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 timber yield tax.

General Property Taxes

County-assessed property values for the 2005-06 roll increased 11.1 percent over the previous year. Record high home sales, sharply increased home prices, and gains in new construction were major factors contributing to the growth. The gain was greater than last year's 8.3 percent rise. County-assessed property values increased an average of 6.8 percent per year over the past 10 years.

Proposition 13, passed by California voters in 1978, imposed a property tax rate of one percent of the property's full cash value, with limited exceptions. In addition, it allows reappraisal of real property at current fair market value only when there is a change in ownership or upon completion of new construction. Otherwise, Proposition 13 limits annual increases in the value of real property to the previous year's California Consumer Price Index for all items, up to a maximum of two percent.

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

Private railcar owners pay the private railroad car tax on railcars operated in California. For 2005-06, the Board-adopted assessed value for private railroad cars totaled \$639.4 million. The total assessed value reflects the application of a 71.51 percent assessment ratio as required by the Federal Railroad Revitalization and Regulatory Reform Act. The estimated private railroad car tax revenue for the state's 2005-06 General Fund is \$6.98 million.

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

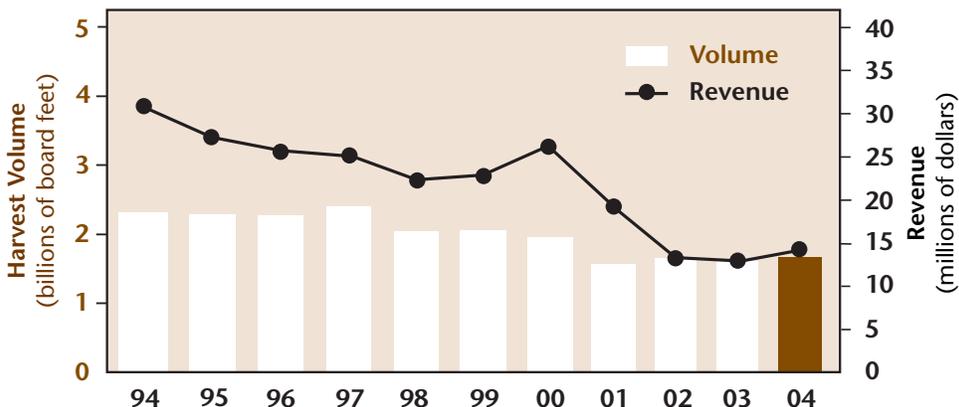
Timber owners pay the 2.9 percent timber yield tax based on the immediate harvest value of trees harvested for wood products. Revenues are returned to the counties where the timber was harvested. Calendar year 2004 revenues totaled \$14.44 million.

Timber harvest volume increased slightly in 2004, to 1.71 billion board feet. The total value of the year's harvest also increased to \$500.1 million. The number of registered timber owners continued to decline. As of June 30, 2005, there were 2,007 active program registrants, compared with 2,015 timber owners registered at the end of June 2004. Thirty timber owners paid approximately 77 percent of the tax collected in 2004.

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.

Timber Yield Tax

Annual Revenue and Harvest Volume





Operations

Assessment Policy and Standards Division

The Assessment Policy 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. Division staff also maintain all property tax rate area maps in California.

In 2004-05, Assessment Policy and Standards Division staff provided the following services to local governments and the public:

- Updated three sections of the *Assessors' Handbook* to reflect current, annually collected data: *Residential Building Costs* (AH 531), *Rural Building Costs* (AH 534), and *Equipment Index and Percent Good Factors* (AH 581).
- Revised one section of the *Assessors' Handbook* to reflect statutory and regulatory changes; *Welfare, Church, and Religious Exemptions* (AH 267).
- Conducted the rulemaking process to amend two Property Tax Rules: Rule 305.3, *Application for Equalization Under Revenue and Taxation Code section 469*, and Rule 1045, *Administration of the Annual Racehorse Tax*.
- Developed and issued to county assessors and other interested parties the *Guidelines for the Assessment of Enforceably Restricted Historical Properties*.
- Issued 107 advisory *Letters To Assessors*.
- Responded by telephone to more than 3,500 outside inquiries regarding property tax matters, prepared 51 written responses, and responded to 312 inquiries from users of the Board's website.
- Reviewed 5.5 million homeowners' exemption claims, revealing nearly 29,700 duplicate claims and saving \$2 million in state tax subvention payments to counties.
- Reviewed approximately 1,200 claims for organizational clearance certificates and 500 claims for supplemental clearance certificates associated with the welfare exemption.
- Reviewed approximately 2,500 periodic filings of organizations holding organizational clearance certificates to ensure continued qualification for the welfare exemption.
- Conducted 45 formal appraisal courses and workshops attended by more than 1,325 students.



- Sent more than 12,649 questionnaires to legal entities, including corporations and partnerships, resulting in the reassessment of 12,649 parcels owned by 259 legal entities.
- Continued to maintain maps of more than 9,800 revenue district boundaries that encompass 56,658 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 Members 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 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 \$13.20 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 reports to state and local officials. The division also performs supplemental surveys of larger counties to determine whether the assessors have complied with recommendations made in the survey reports.

In 2004-05, the Board issued survey reports for the counties of Alpine, Butte, Colusa, Contra Costa, Glenn, Placer, Sacramento, San Bernardino, San Luis Obispo, and Trinity. Copies of the reports are found in the "Property Taxes" section of the Board's website: www.boe.ca.gov.

The division also collects and administers the state's timber yield tax, described on [page 19](#). 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. They also register timber owners who harvest timber, and collect the timber yield tax.



Appeals

Local assessment appeals boards hear and decide appeals of county-assessed property values. The elected Members of the Board hear and decide 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 outside their boundaries. For information regarding appeals filed with the Board in 2004-05, see [“Appeals,”](#) on page 51.



John Muir

He helped inspire President Theodore Roosevelt’s conservation programs, including establishing Yosemite as a national park. He and other supporters formed the Sierra Club “to make the mountains glad.”



Court Decisions

Electric Generation Facilities

Article XIII, section 19, of the California Constitution grants the Board of Equalization assessment jurisdiction over public utilities, regardless of whether or not such entities are regulated by the California Public Utilities Commission. Public utilities, which include all independent electric generation facilities that have dedicated their property to public use, are subject to unit valuation under article XIII, section 19 in that such property is valued annually by the Board at its fair market value, and is not valued based upon the limitations imposed on the assessment of real property by Proposition 13. Revenue and Taxation Code section 721.5 and California Code of Regulations, title 18, section 905, which shifted the assessment of certain independent electric generation facilities from local assessment to the Board, therefore do not violate the terms of the California Constitution.

Independent Energy Producers Assn., Inc. v. State Bd. of Equalization (2004)
125 Cal.App.4th 425

Legislation

Revenue Allocation— Special Exception

Provides that the property tax revenues from a power plant that will be constructed by a merchant power generator, but then sold to a public utility, be allocated only to those entities in the tax rate area where the property is located. This is similar to the provisions for state-assessed merchant owned power plants.

Assembly Bill 2558, Chapter 640, Statutes of 2004; effective January 1, 2005

Low Income Housing— Tax Credits

Prohibits the assessor, when appraising any property under the income method of appraisal, from considering as income the benefit of federal and state low-income housing tax credits allocated by the California Tax Credit Allocation Committee.

Assembly Bill 2846, Chapter 786, Statutes of 2004; effective January 1, 2005

Parent-Child Change in Ownership Exclusion— Million Dollar Tracking

Makes optional county reporting of parent-child change in ownership exclusions to the Board for purposes of monitoring the \$1 million benefit limit, but encourages counties to continue to report transfers.

Assembly Bill 2853, Chapter 889, Statutes of 2004; effective September 29, 2004

Legislation (Continued)

Appeals— Two-Year Period

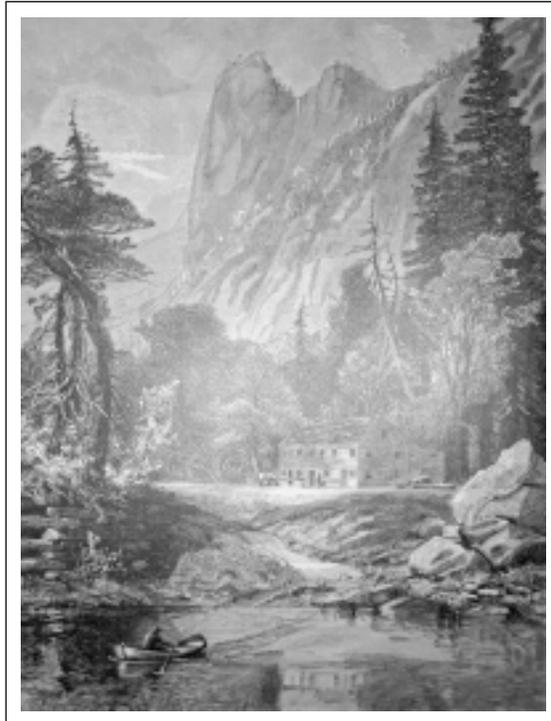
Clarifies that when an assessment appeal application on a base year value is not heard and decided within two years of filing an appeal, the taxpayer's opinion of value will become the taxable value of the property until the appeal is decided. For other types of appeals, that is, decline in value, personal property, and so forth, the taxpayer's opinion of value will be enrolled for the tax year covered by the application.

Assembly Bill 2857, Chapter 768, Statutes of 2004; effective January 1, 2005

Welfare Exemption— Limited Liability Companies

Expressly provides that limited liability companies may qualify for the welfare exemption. Specifies that the Board adopt regulations to specify the ownership, organizational, and operational requirements for a limited liability company to qualify for the welfare exemption.

Assembly Bill 3073, Chapter 354, Statutes of 2004; effective August 30, 2004



Hutchings's Hotel

James Hutchings organized the first party of sightseers to enter Yosemite in 1855, and shortly after bought and renovated the first hotel. This lithograph of "Hutchings House" gave people across the country one of their first looks at Yosemite. But getting there was not easy. Hutchings reports 800 visitors to Yosemite in his first nine years of business.



Legislation (Continued)

Environmentally Contaminated Property

Improves the administration of base year value transfer provisions for contaminated property. Also allows for inflation adjustments in the equal or lesser than value comparison, giving affected property owners some protection from being disqualified due to inflation.

Assembly Bill 3073, Chapter 354, Statutes of 2004; effective August 30, 2004

Possessory Interests—Military Housing

Provides that a developer/operator's interest in rental housing located on leased land on a military base, as specified, is not a possessory interest because it lacks the element of independence.

Senate Bill 451, Chapter 853, Statutes of 2004; effective January 1, 2005

Disabled Veterans' Exemption—Annual Increase

Increases the amount of the disabled veterans' exemption annually by an inflation factor beginning with the January 1, 2006 lien date.

Senate Bill 764, Chapter 544, Statutes of 2004; effective September 16, 2004, but operative January 1, 2006

Disaster Relief—Homeowners' Exemption

Allows persons whose homes were damaged or destroyed in the 2003 Southern California fires, the 2003 Paso Robles Earthquake, or the 2004 San Joaquin Delta levee break to retain the homeowners' exemption on their property while it is being reconstructed.

Senate Bill 1147, Chapter 792, Statutes of 2004; effective September 25, 2004

Williamson Act—Cancellation Value Appeals

No longer allows a landowner to appeal a disputed determination of current unrestricted fair market value to the county board of equalization. It instead authorizes the state Department of Conservation or the landowner to request a formal review by the assessor of the determination of fair market value. The assessor is required to either revise the valuation or confirm the accuracy of the original valuation.

Senate Bill 1820, Chapter 794, Statutes of 2004; effective January 1, 2005

Assessment Appeals Board Membership Qualifications

Makes technical and housekeeping improvements to laws related to the eligibility requirements for assessment appeals board membership. Expressly includes property appraisers certified by the Board of Equalization as fulfilling the minimum five years' professional experience, which makes an appraiser eligible for nomination to the appeals board.

Senate Bill 1831, Chapter 407, Statutes of 2004; effective January 1, 2005



Legislation (Continued)

Maps to Assessor— County Option

Allows a county board of supervisors to enact a requirement whereby specified maps may be filed with the assessor via a “resolution” or “board order.”

Senate Bill 1832, Chapter 194, Statutes of 2004; effective January 1, 2005

Property Tax Omnibus Bill

This bill contains Board of Equalization sponsored provisions:

Works of Art Exemption

Eliminates the requirement for taxpayers claiming the exemption to personally appear before the assessor.

Aircraft – Aerospace Museum Exemption

Eliminates the requirement for taxpayers claiming the exemption for aircraft displayed in an aerospace museum to sign the claim form before a member of the assessor’s office or a notary public.

Historical Aircraft Exemption

Eliminates the requirement for taxpayers claiming the historical aircraft exemption to sign the annual claim form before a notary public or a member of the assessor’s office.

Escape Assessments

Eliminates a requirement that escape assessments for prior years be noted on the assessment roll.

Aircraft Property Statements

Lists additional information required to be provided on the aircraft statement.

Newly Elected Assessors

Clarifies the start of the 30-day period within which a person elected or appointed to the office of assessor must obtain a temporary appraiser’s certificate from the Board.

Senate Bill 1880, Chapter 200, Statutes of 2004; effective January 1, 2005

Regulations

Welfare Exemption— Limited Liability Companies as Qualifying Entities

Rule 136, *Limited Liability Companies as Qualifying Organizations for the Welfare Exemption*, was adopted to clarify that organizations eligible for the welfare exemption include limited liability companies wholly owned by qualified organizations if they meet specific organizational and operating requirements.

Title 18, California Code of Regulations, section 136; effective January 1, 2005



Regulations (Continued)

Change in Ownership— Government Action or Eminent Domain Proceedings

Rule 462.500, *Change in Ownership of Real Property Acquired to Replace Property Taken by Governmental Action or Eminent Domain Proceedings*, was amended to interpret the term “comparability” to substantially conform to the concept of “like-kind” property in Internal Revenue Code section 1031. The amendments also define the terms “displaced,” “real property,” and “adjusted base year value.”

Title 18, California Code of Regulations, section 462.500; effective December 18, 2004



Horse-drawn Coach

By 1871, Big Oak Flat Road opened, clearing the way for the first horse-drawn stage. The three-day trek required many horse changes. In all, it took 96 horses to bring a stage from Merced to the rim of the valley, and then down its cliff walls to the bottom. The era of the stage coach would last some 40 years.