

Highway One

is designated an All-American Road by the U.S. Department of Transportation. The designation means it has features that do not exist elsewhere in the United States, and is scenic enough to be a tourist destination in itself.



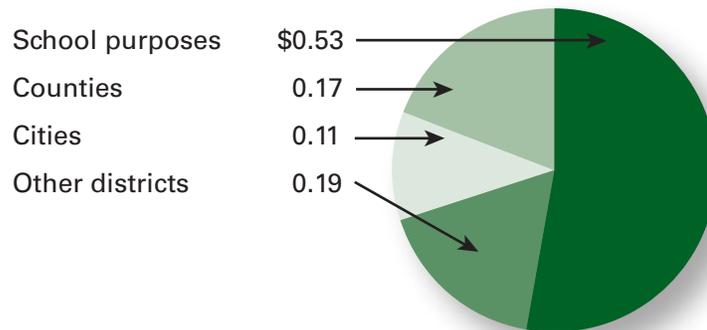
Revenues

California property tax levies for fiscal year 2006-07 totaled \$43.16 billion, an increase of 12.6 percent from the previous year's total of \$38.34 billion. County-assessed property values increased \$375 billion during 2006-07 to reach \$4.28 trillion for the 2007-08 tax year.

In 2007, the BOE set the values of state-assessed properties, primarily privately owned public utilities and railroads, at \$71.68 billion for the 2007-08 roll. This was a \$4.08 billion increase from 2006-07 values. State-assessed properties will produce an estimated \$741 million in local property tax revenues for the state's 58 counties in 2007-08.

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

2006-07 General Property Tax Dollar



Programs

Under its constitutional mandate, the BOE 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 BOE assesses the property of regulated railroads and specified public utilities, and assesses and collects the private railroad car tax and timber yield tax.

The divisions discussed in this section were reorganized effective January 1, 2007. See organizational chart in the Appendix page 84.

General Property Taxes

County-assessed property values for the 2007-08 roll increased 9.6 percent over the previous year, less than last year's 12.3 percent rise. Gains in nonresidential property values were responsible for much of the increase. Slowdowns in residential real estate prices and sales reduced growth in residential values. Even with the reduced residential real estate activity, total property assessments grew faster than the long-term average, as county-assessed property values increased an average of 8.6 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 BOE 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 2007-08, the BOE-adopted assessed value for private railroad cars totaled \$561.3 million. The total assessed value reflects the application of a 60.97 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 2007-08 General Fund is \$6.15 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

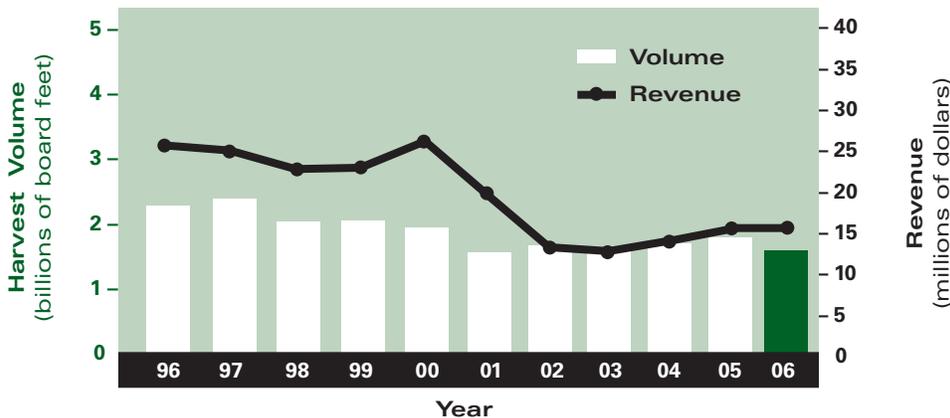
Timber owners pay the 2.9 percent timber yield tax based on the immediate harvest value of trees harvested for wood products. Revenues are returned to the counties where the timber was harvested. Calendar year 2006 revenues totaled \$15.69 million.

Timber harvest volume decreased in 2006, to 1.63 billion board feet. The total value of the year’s harvest also decreased to \$534.1 million. The number of registered timber owners increased after several years of decline. As of June 30, 2007, there were 2,084 active program registrants, compared with 1,989 timber owners registered at the end of June 2006. Thirty timber owners paid approximately 82 percent of the tax collected in 2006.

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

County-Assessed Properties Division

The County-Assessed Properties Division develops property tax assessment policies and informational materials to guide county assessors and local assessment appeals boards. The division conducts periodic Assessment Practices Surveys of each county assessor's office and issues reports to state and local officials.

In 2006-07, the BOE issued survey reports for the counties of Alameda, Amador, Kern, Mendocino, Mono, Orange, Solano, and Tehama. Copies of the reports are found in the "Property Taxes" section of the BOE's website: www.boe.ca.gov.

Additionally, 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 also collects and administers the state's timber yield tax, described on [page 21](#). Timber Tax Section staff gathers data on timber harvest sales and develops timber harvest value schedules for consideration by the BOE's Timber Advisory Committee and approval by the Board Members. The division also registers timber owners who harvest timber, and collects the timber yield tax.

In 2006-07, County-Assessed Properties 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). Additionally, Pamphlet 48, Property Tax Exemptions for Religious Organizations, was updated and distributed.
- Issued 85 advisory Letters to Assessors.
- Responded by telephone to more than 10,000 outside inquiries regarding property tax matters, prepared 640 written responses, and responded to 391 inquiries from users of the BOE's website.
- Reviewed 5.5 million homeowners' exemption claims, revealing nearly 37,000 duplicate claims and saving \$2.5 million in state tax subvention payments to counties.
- Reviewed over 1,950 claims for Organizational Clearance Certificates and 290 Claims for Supplemental Clearance Certificates associated with the welfare exemption.

- Reviewed approximately 2,550 periodic filings of organizations holding Organization Clearance Certificates to ensure continued qualifications for the welfare exemption.
- Conducted 49 formal appraisal courses and workshops attended by more than 1,300 students. Also reviewed results of web-based, self-study training sessions which were taken by 95 students.
- Developed five web-based, self-study training sessions titled Appraisal Process, Assessment of Vessels, Assessment of Water Companies, Basic Appraisal and Personal Property Valuation and Audit.
- Sent more than 11,700 questionnaires to legal entities, including corporations and partnerships, resulting in the reassessment of 3,465 parcels owned by 415 legal entities.

State-Assessed Properties Division

The State-Assessed Properties Division provided the Board Members with value indicators for state-assessed properties, described on [page 20](#), and allocated the BOE-determined value of those properties to the counties where the properties are located. The division also audited the financial records of utility and transportation companies for property tax purposes and was responsible for the valuation of private railroad cars located in California. Since 1977, their audits have resulted in adjusted property tax assessments of more than \$15.46 billion, yielding additional property tax revenue for local governments.

Tax Area Services Section

The Tax Area Services Section continued to maintain maps of more than 10,049 revenue district boundaries that encompass 60,350 tax rate areas, helping to ensure the proper allocation of local tax revenue to counties, cities, and special tax districts.

Appeals

Local assessments 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 more information regarding appeals filed with the BOE in 2006-07, see [“Appeals,” on page 57.](#)

Court Decisions

Proved Reserves Not the Sole Measure for Determining Fair Market Value

The Fifth Appellate District Court determined that proved reserves, as valued by Property Tax Rule 468, are not the sole measure of determining the fair market value of an oil and gas interest in property. The Court of Appeal found that a company's purchase of mineral rights included more than just the right to remove oil and gas from the land. The purchase also included the right to explore for and develop the oil and gas reserves. Such rights fall under the definition of land and land includes the right to use the property for all lawful purposes.

California Minerals v. County of Kern (2007) 152 Cal.App.4th 1016

Completion of New Construction Is Not Tied to Final Inspection

After a property owner sued the County of Santa Clara for assessing property taxes on a residence upgrade that was not yet completed, the Court of Appeal Sixth Appellate District found that local ordinances, such as the date of a property's final inspection, do not establish the date of completion of new construction. Instead, the date of completion of new construction is defined by Revenue and Taxation Code section 75.12. The date of completion of new construction is the date the property is available for use and either approved for occupancy or when the outward appearances of the property clearly indicate that it is immediately usable for the purposes intended.

Georgiev v. County of Santa Clara (2007) 151 Cal.App.4th 1428



*Thirty-one miles of old
Highway 101 showcase over
51,000 acres of breathtaking
redwood trees.*

Legislation

Disaster Relief Homeowners' Exemption

Allows persons whose homes were destroyed in specified governor-declared disasters to retain the homeowners' exemption on their property while rebuilding. Also provides local governments with funds to replace property tax revenue losses that will occur when assessments are reduced due to the disaster.

Assembly Bill 1798, Chapter 896, Statutes of 2006; effective September 30, 2006

Assembly Bill 2735, Chapter 897, Statutes of 2006; effective September 30, 2006

Disaster Relief Base Year Value Transfers

Increases from three years to five years the time period a property owner has to acquire or construct a property to replace one damaged or destroyed in a governor-declared disaster that occurred after July 1, 2003 and remain eligible for a base year value transfer.

Assembly Bill 1890, Chapter 317, Statutes of 2006; effective September 18, 2006

High Tech Companies Valuation Factor Study

Requires BOE to conduct a study to update the information used for the annual valuation factors for nonproduction computers, semiconductor manufacturing equipment, and biopharmaceutical industry equipment and fixtures. Also establishes a rebuttal presumption of correctness if the factors are used to determine the value of this equipment.

Assembly Bill 2182, Chapter 417, Statutes of 2006; effective January 1, 2007

State-Assessed Railroad Property—New Countywide System

Converts the property tax assessment and revenue allocation procedures for state-assessed unitary railroad property to a similar countywide system used for other state-assessed properties. Additionally, creates an exception for a newly built loading facility constructed by a railroad company in which twenty percent of the cost is to be allocated to the tax rate area where the facility is located.

Assembly Bill 2670, Chapter 791, Statutes of 2006; effective January 1, 2007

Legislation (Continued)

State Video Franchises

Establishes a new system for acquiring a franchise that provides video and cable TV service from the state rather than individual local governments. With respect to property tax issues, includes legislative intent language that the legislation does not change the valuation of cable TV possessory interests, or the existing jurisdiction of the BOE and county assessors with respect to the assessment of these properties.

*Assembly Bill 2987, Chapter 700, Statutes of 2006;
effective January 1, 2007*

Property Tax Omnibus Bill**Floating Homes**

Provides that the change in ownership provisions related to manufactured homes located on leased land will be similarly applied to a change in ownership of a floating home located on leased land (for example, a berth).

Senior and Disabled Base Year Transfers

Allows base year value transfers to be granted on a prospective basis if a claim is filed after the designated filing period.

Disaster Relief Applications

Deletes extraneous language related to the period of time to respond to an assessor's request to file an application for disaster relief.

Timber Yield Tax Offers in Compromise

Allows the BOE to accept offers in compromise under the Timber Yield Tax program.

*Assembly Bill 3076, Chapter 364, Statutes of 2006;
effective January 1, 2007*

Public Utilities – Qualified Electric Properties

Changes the allocation of property tax revenues derived from state-assessed qualified electric generation facilities, substation facilities, and transmission lines newly constructed by a public utility and placed in service on or after January 1, 2007.

*Senate Bill 1317, Chapter 872, Statutes of 2006;
effective January 1, 2007*

**Property Tax
Omnibus Bill**
(Continued)

Possessory Interest – Military Housing

Related to the possessory interest exemption available to a private contractor's interest in military housing projects, defines the phrase "military facility under military control" as a military base that restricts public access to the military base.

*Senate Bill 1400, Chapter 251, Statutes of 2006;
effective January 1, 2007*

Welfare Exemption - Hosting Weekly Meetings

Simplifies the documentation needed when a nonprofit organization receiving the welfare exemption allows other qualifying nonprofit groups to hold weekly meetings without jeopardizing its exemption.

Welfare Exemption – Limited Liability Companies

Includes governmental entities as qualifying members of a limited liability company and makes corrective changes to the welfare exemption regarding limited liability companies.

Veterans' Organizations Exemption

Expressly provides that the BOE review claims for organizational clearance certificates for the veterans' organization exemption and issue certificates to organizations that meet the requirements.

Section 11 Appeal Filing Deadline

Changes filing deadline to July 20 for filing a reassessment petition on a publicly owned property.

Grandparent-Grandchild Change in Ownership Exclusion

Modifies Legislative intent language in Section 2 of Chapter 48 of the Statutes of 1987 related to the step transaction doctrine to specifically extend its provisions to the grandparent-grandchild exclusion.

*Senate Bill 1607, Chapter 224, Statutes of 2006;
effective January 1, 2007*

Legislation (Continued)

Disabled Veterans' Exemption Omnibus Bill**Supplemental Assessments – Late-Filed Claims**

Increases the partial exemption provided to a disabled veteran to 90 percent if a claim is filed after the general 30-day filing period.

Delayed Disability Ratings

Specifically provides that the effective date of the exemption is the effective date of the disability.

Portability of Exemption

Expressly provides that any administrative mechanism may be used to grant the full amount of the exemption to a newly qualifying home: that is, the annual property tax bill, a supplemental assessment, or an escape assessment. In addition, expressly provides for the exemption to be appropriately prorated.

Social Security Numbers and Confidentiality of Claims

Adds requirement for social security numbers or other identifying information to be provided on the claim to monitor duplicate claims. Additionally, expressly provides that the claims are not open to public inspection.

Senate Bill 1637, Chapter 677, Statutes of 2006; effective January 1, 2007



The Santa Cruz Boardwalk has roots that go back to 1865, but the Boardwalk, as we know it today, opened in 1907.

Regulations

- Rule 140** **Welfare Exemption Requirements for Low-Income Housing Properties**
- Rule 140 defines and makes specific the terms “regulatory agreement,” “deed restriction,” “federal low-income tax credits,” “government financing,” “lower income households,” and “other legal document.”
- Title 18, California Code of Regulations, section 140; effective July 23, 2006*
- Rule 140.1** **Requirements for Managing General Partner of Limited Partnership for Welfare Exemption for Low-Income Housing Properties**
- Rule 140.1 defines the term “managing general partner” of a limited partnership, and makes specific the requirements the managing general partner must meet in order for the low-income housing property, owned and operated by the limited partnership, to qualify for the welfare exemption.
- Title 18, California Code of Regulations, section 140.1; effective July 23, 2006*
- Rule 140.2** **Requirements for Supplemental Clearance Certificate for Limited Partnership for Welfare Exemption for Low-Income Housing Properties**
- Rule 140.2 clarifies the requirements for the supplemental clearance certificate. The limited partnership must have a managing general partner that is a qualified nonprofit organization and meet the requirements of Revenue and Taxation Code section 214, subdivision (g).
- Title 18, California Code of Regulations, section 140.2; effective July 23, 2006*
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- Rule 143** **Requirements for Irrevocable Dedication Clause and Dissolution Clause for Organizational Clearance Certificate for Welfare Exemption**
- Rule 143 clarifies the irrevocable dedication clause and dissolution clause required to be in the organizational documents in order to qualify for the welfare exemption under Revenue and Taxation Code section 214.
- Title 18, California Code of Regulations, section 143; effective July 23, 2006*