

**Amend Revenue and Taxation Code Sections 744 and 749 to extend from December 31 to March 1 of the following year the deadline for the Board of Equalization to decide state assessee appeals.**

**Source: Honorable Bill Leonard**

### **Existing Law**

**State Assessee Property Valuation Process.** Each year, the Valuation Division of the Board's Property and Special Taxes Department prepares value indicators for state-assessed property as of the January 1 lien date in that year, and submits its value indicators and value recommendations to the Board. For unitary property, values are established by the Board at a public hearing the following May.

**Assessee Review and Comment.** Prior to the Board's annual valuation, a state assessee may review the staff's annual capitalization rate study and its work papers related to value indicators for *unitary* property. The Board also provides a state assessee with the opportunity to make a presentation to the Board, either in person or in writing, regarding capitalization rates and other matters affecting the Board's valuation of its property. The Board holds public meetings in February and April for these purposes.

**Notification of Value.** After the Board establishes annual values for all state-assessed property, all state assessees are sent notices of assessment that also provide information on the procedure for appealing assessments.

Notices of assessment are mailed by May 31 for unitary property. A property's assessed value becomes final after July 20 of the same calendar year in which the notice is provided for unitary property, unless the assessee files a petition for reassessment.

After receiving the notice of assessment, a state assessee may obtain, by written request, a copy of the appropriate staff capitalization rate study and the final calculations of value indicators relevant to the property to which the notice pertains. If requested, this information must be provided to the assessee prior to the deadline for filing a petition for reassessment (i.e., an appeal).

**Petitions for Reassessment.** For unitary property, a petition for reassessment may be filed no later than July 20. The petition for reassessment must be in writing and must state:

- The name of the property owner;
- The assessee's opinion of the property's value; and

- The precise elements of the Board's valuation being contested. (Appraisal reports, financial studies, and other materials relevant to value must be included and submitted with the petition for reassessment.)

If the assessee wants an oral hearing before the Board, the request must be included in the petition. Otherwise, the Board will consider the merits of the written petition and the Board staff's written recommendation and make its decision at a public meeting (on a nonappearance agenda).

The Board hears petitions for reassessment between the date a timely petition is received and December 31 of the same year. The law requires that the Board hear and decide all petitions no later than December 31.

**Payment of Taxes.** State-assessed property taxpayers pay their taxes in semi-annual installments due on December 10 and April 10. The amount due is based on the Board-adopted value from May, so it does not depend on the outcome of a pending tax appeal. If an appeal is granted and the assessment is reduced, the taxpayer normally receives a credit for the following year's property taxes, plus statutory interest from the date the additional taxes were paid.

### **This Proposal**

This proposal would extend the deadline from December 31 of the year that the petition is filed to March 1 of the following year for the Board to hear and decide petitions. This proposal is intended to alleviate several problems that the current December 31 deadline causes:

- There is insufficient time for the Appeals Division of the Board's Legal Department to conduct an Appeals conference for cases in which such a conference may help resolve the dispute.
- It creates workload, scheduling, and staffing problems for the Board because all state-assessee appeals for the year must be heard and decided in a three-month period.
- The current deadline does not provide adequate time for some taxpayers to respond to the Valuation Division's briefs, respond to the Appeals Division's hearing summaries, gather and provide additional evidence to support their positions, etc.

The extension of the Board's final decision on an appeal of up to 60 days would not impact the amount of taxes ultimately paid. Consequently, this proposal would have no impact on property tax revenues. Taxpayers are required to pay their taxes by the statutory deadlines, regardless of any appeals pending before the Board. If taxes are reduced in a successful appeal, the taxpayer receives a credit toward the following year's property taxes, plus interest. The interest is

calculated from the date the taxes were paid and it does not depend on the date the Board heard or decided the taxpayer's appeal.

Extending the deadline for the Board to decide property tax appeals would not result in any additional costs for the Board or for taxpayers. In some cases, the extended timeline would allow the Board to redirect limited staff resources by allowing complex disputes to be resolved through the Appeals Conference process. The conference process would involve fewer staff resources than a full Board hearing which involves the staff resources of each of the five Members.

*Revenue and Taxation Code Section 744 is amended to read:*

744. (a) The board shall notify the petitioner of its decision on a petition for reassessment by mail and shall make written findings and conclusions if requested at or prior to the commencement of the hearing. The board shall send a periodic report of its decisions and any written findings and conclusions thereon to each county in which affected state-assessed property is situated. The findings shall fairly disclose the board's determination of material factual issues and shall contain a statement of the method or methods of valuation used by the board in valuing the property. Notwithstanding the requirement for a statement of method or methods, the board's approval of a settlement of a lawsuit contesting the value of state-assessed property shall be sufficient disclosure when value is determined in accordance with a board-approved settlement. Decisions of the board on petitions for reassessment of state-assessed property shall be completed on or before ~~December 31~~ March 1 of the year after the petition was filed.

(b) When the value of an assessee's state-assessed property is determined, after a hearing on a petition for reassessment, to be different from the value originally adopted by the board, the board shall determine the year in which the corrected value is to be entered on the roll. The correct value may be entered on the roll for the fiscal year in which the determination is made, or the difference between the original and the corrected value may be entered as an increase or decrease in the assessment for the succeeding fiscal year. If the corrected value is entered on the roll for the fiscal year in which it is determined, and the board roll has been transmitted to the county auditors, the board shall make the corresponding changes in allocations and transmit the roll corrections to the county auditor.

(c) If the amount of the correction is to be entered on the roll for the succeeding fiscal year, an amount is to be added in lieu of interest. If the correction results in a reduction in assessed value, there shall be added to the reduction, in lieu of interest, 9 percent of the difference between the original assessed value and the reduced assessed value. If the correction

results in an increase in assessed value, there shall be added to the increase, in lieu of interest, 9 percent of the difference between the original assessed value and the increased assessed value.

*Revenue and Taxation Code Section 749 is amended to read:*

749. Section 743 shall be applicable to hearings on petitions for correction of an allocated assessment and the board shall notify the petitioner of its decision by mail. The decision shall include written findings and conclusions of the board if requested at or prior to the commencement of the hearing. Decisions of the board on petitions for correction of an allocated assessment shall be completed on or before ~~December 31~~ March 1 of the year after the petition was filed.