



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE ENROLLED BILL ANALYSIS

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| Date Amended: | Enrolled | Bill No: | SB 49 |
| Tax: | Property | Author: | Machado |
| Related Bills: | SB 1820 (Ch. 794, 2004) | | |

BILL SUMMARY

This bill would, with respect to an assessor's determination of a property's current fair market value for purposes of calculating a Williamson Act cancellation fee, require the assessor to re-evaluate the initial valuation when either the Department of Conservation or the property owner believes the valuation is inaccurate if additional information is submitted that the assessor believes may have a material effect on the valuation of the property.

ANALYSIS

Current Law

Pursuant to the Williamson Act, existing law provides incentives to landowners to conserve agricultural and open space land by allowing them to sign voluntary contracts with counties and cities, which enforceably restrict their land to agriculture, open space, and compatible uses for the next 10 years. The law automatically renews Williamson Act contracts each year, so that the term is always 10 years into the future. In return for these voluntary contracts, county assessors adjust downward the assessed value of Williamson Act contracted lands to reflect the value of their use as agriculture or open space for purposes of property taxation. The landowner may cancel a Williamson Act contract by giving "notice of nonrenewal," which stops the automatic annual renewals to allow the contract to expire over the next 10 years.

However, the law also permits under certain conditions for a landowner to immediately cancel the contract, which in part requires, that he or she pay the state a cancellation fee that is equal to 12.5% of the property's unrestricted fair market value. The county assessor determines the property's current unrestricted fair market value for the purpose of calculating the amount of the cancellation fee.

Beginning January 1, 2005, the law established a new procedure for the landowner to challenge the assessor's estimation of the property's unrestricted fair market value for purposes of determining the cancellation fee and additionally allowed the Department of Conservation (DOC) to challenge the assessor's value.

Specifically, the law allows the DOC or the landowner to request that the assessor make a "formal review" of its original determination and the assessor then either revises the valuation or confirms the accuracy of the original valuation. The "formal review" is the only administrative procedure available to challenge a cancellation valuation. The new provisions also authorize the DOC and the landowner to agree on a cancellation

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valuation that is different than the assessor's. In addition, the assessor may recover the costs of the formal review from the party (DOC or landowner) that initiated it.

Previously, valuation challenges were heard and decided by the local assessment appeals board or to the local county board of supervisors¹ meeting in the capacity of the assessment appeals board and only the landowner could file an appeal. The DOC had no legal standing to appeal the assessor's value determination to the assessment appeals board.

Proposed Law

This bill would amend Government Code Section 51203 to require that the assessor formally review his or her initial valuation when requested by the DOC or landowner if the requesting party submits additional information which the assessor believes may have a material effect on the valuation of the property.

This bill would also make various nonsubstantive amendments to correct typographical errors and add cross-references to other statutes.

COMMENTS

1. **Sponsor and Purpose.** The author is sponsoring this bill as a cleanup measure to last year's bill instituting the new valuation challenge procedures - SB 1820 (Machado) – Stats. 2004, Ch. 794, which was sponsored by the Department of Conservation. An August 25, 2005 letter from Senator Machado printed in the Senate Daily Journal addresses the inadvertent drafting errors made in the initial legislation that this bill corrects.
2. **Amendments.** The **June 27** amendment requires that re-evaluation requests be made by certified mail and amends Government Code Section 51283 to exclude providing specified information relevant to the valuation of the property to the landowner or DOC upon their written request if it was received by a third party. The **June 13** amendment requires the requesting party to provide additional information that substantiates a recalculation of the property and gives the assessor the discretion to determine whether the information warrants a review. As introduced, the assessor had no such discretion if a written request was made a review would be mandatory.

COST ESTIMATE

This bill would not result in any costs to the Board.

¹There are 19 counties in California where the board of supervisors also performs the duties of the county board of equalization. Alpine, Amador, Calaveras, Colusa, Del Norte, Glenn, Imperial, Inyo, Kings, Lake, Mendocino, Modoc, Napa, Plumas, San Benito, Sierra, Tehama, Trinity, Tuolumne

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REVENUE ESTIMATE

This bill has no direct revenue impact.

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