

630.0000 PERSONAL PROPERTY

See Assessee

Business Inventory Exemption

Construction Equipment

Improvements Valuation

Insurance Companies

Retirement Systems (Public) Property

630.0001 Community Care Facility. The prohibitions in the Health and Safety Code against local licenses, fees, or taxes for the privilege of operating a care facility serving six or fewer persons are not applicable to property taxes imposed upon either real or personal property pursuant to section 1 of article XIII of the California Constitution or the Revenue and Taxation Code. C 9/16/87; LTA 8/1/1989 (No. 89/58).

630.0005 Electronic Data Equipment. The California Supreme Court held in *Crocker National Bank v. City and County of San Francisco*, 49 Cal.3d 881, that general purpose electronic data processing equipment are personalty and do not constitute fixtures, even when placed in a building planned and constructed as a data processing center with safety, security, cooling, power, and fire suppression systems designed into the building. This opinion continues the judicial trend of rejecting a broad definition of fixtures and restricting it to items which become permanent additions to real estate.

The proper classification of this kind of property presents a mixed question of fact and law that must receive the independent review of the court. The more usual substantial evidence test for reviewing assessors' or assessment appeals boards' actions is inapplicable. LTA 1/29/90 (No. 90/07).

630.0010 Federal Contract. Where the title clause of a federal government contract specifies that upon the contractor's procurement of personalty the title thereof vests and remains in the United States until disposition, the personalty is exempt from ad valorem property taxation notwithstanding its actual use or employment. C 3/4/94.

630.0011 Foreign Trade Zones. While section 81(o), subsection (e) of Title 19 of the United States Code Annotated (Customs Code) exempts tangible personal property from state and local ad valorem taxation when held for certain purposes in a foreign trade zone, it does not apply to property that is imported for use (for manufacturing and like uses) within a foreign trade zone. C 1/12/99.

630.0014 Community Associations. *Lake Forest Community Association v. Orange County* (1978) 86 Cal.App.3d 394, held that furnishings owned by a community association and used in its clubhouse were eligible for the household furnishings exemption in Revenue and Taxation Code section 224. However, personalty owned by a property owners' association and made available to the general public is personalty held or used in connection with a trade, profession, or business and, therefore, is excluded from that exemption. C 4/4/83.

630.0020 Insurance Company Property. The California Supreme Court held in *Mutual Life Insurance of New York v. City of Los Angeles*, 50 Cal.3d 402, that personal property owned by insurance companies is exempt from property taxation regardless of whether or not the property is used for insurance related business. LTA 5/17/90 (No. 90/40).

630.0022 Leased to Government. Absent an applicable exemption, property on the unsecured roll may be assessed to both the lessee and lessor pursuant to Revenue and Taxation Code section 405. Where the lessee is immune from state and local property taxation, the lessor thereby becomes the sole assessee and the person solely responsible

for applicable property taxes. The fact that the property is leased by a tax exempt entity does not exempt the property itself from state or local property taxes. However, a lessee under a direct financing lease agreement is considered the "true owner" of the property because the lessor retains legal title only for security reasons. Thus, property subject to such a lease agreement is tax exempt if the lessee is immune from property taxation. In determining whether an agreement constitutes a direct financing lease, the parties' intent, as manifested by the lease terms, is controlling. C 10/14/98; C 8/11/2003.

[630.0023](#) **Leased to Government.** Under a "lease to ownership plan" or a direct financing lease, the federal government lessee is considered to be the owner of the personal property if the federal government has exclusive management, responsibility, and control, and must reimburse lessor for applicable sales taxes, use and gross receipts taxes, and personal property taxes. Even though the leased property is immune from property taxes, the private lessor is responsible for filing business property statements for the property under Revenue and Taxation Code section 442(c), unless the property is specifically exempted. C 12/23/2004.

630.0024 **Penalties.** C 12/30/98. (Deleted April 2010)

[630.0025](#) **Plastic Sheets Covering Strawberry Fields.** Plastic sheets used to cover strawberry fields for the nine-month growing season are not assessable to the grower for property tax purposes if they are acquired after the lien date and disposed of before December 31. While the plastic sheets are physically attached to the ground, they are temporary and impermanent. Thus, an objective observer would not consider them to be permanently annexed to the realty. Therefore, the plastic sheets should be treated as personal property for property tax purposes. C 6/25/98.

[630.0030](#) **Retirement Systems.** Personal property owned by retirement systems, other than governmental retirement systems, is taxable. Thus, personal property of union retirement systems, pension funds, and private retirement systems is taxable. And while personal property of banks and insurance companies is not taxable, if a bank or an insurance company sets up a separate corporation to operate its retirement system, the corporation's personal property is taxable. LTA 3/6/78 (No. 78/34).

[630.0040](#) **Situs.** Where a linen supply company is operating totally intrastate, Property Tax Rule 205 (a) indicates that situs is the place where the linen is returned for cleaning. It is not correct to assess the average amount of linen supplies in a county even though the linen is returned to a business location in another county for cleaning. Assessing movable property on the basis of "average presence" has been upheld by the courts where two or more states were involved; however, situs must be determined under Rule 205 (a) where the movement is solely between counties within this state. LTA 4/16/79 (No. 79/75).

[630.0043](#) **Trailers Licensed in Oregon.** Commercial trailers that are issued permanent valid identification plates under Vehicle Code section 5014.1 are exempt from property taxation pursuant to Revenue and Taxation Code section 225, subdivision (a). Section 5014.1 was added as part of an enactment by which California entered into the International Registration Plan agreement, a reciprocity registration agreement to facilitate commercial vehicle registration and operation and provide a uniform system for the allocation and collection of commercial vehicle operating fees among the 48 contiguous states, the District of Columbia and three Canadian provinces. The agreement provides that commercial trailers registered and licensed in one of those jurisdictions is exempt from registration and licensing requirements and fees in any of the other jurisdictions. Thus, under Vehicle Code section 6852, commercial trailers registered in Oregon are accorded the same privileges as trailers

registered in California under section 5014.1, including the exemption from property taxation. C 11/17/2004.

630.0045 Valuation. The inclusion of sales tax in cost-based indicators used to value personal property held at the consumer level for property tax purposes is both required under appraisal theory and consistent with generally accepted accounting principles. It is supported by case law and violates neither the prohibition against double taxation nor general principles of valuation and appraisal. C 4/19/99.

630.0046 Valuation. If a new business in California received an exemption of the state portion of the sales tax on the purchase of manufacturing equipment pursuant to Revenue and Taxation Code section 6377, sales tax should be included as a component of cost as the exemption is not available to all similar consumers of that equipment at a similar trade level. On the other hand, when the Legislature has enacted a statutory sales tax exemption for a specific type of equipment, sold at a similar trade level, sales tax should not be included as a component of cost. C 4/11/2002.

630.0047 Valuation. While the costs necessary to transport equipment to its ultimate location of use must be capitalized, any subsequent or additional transportation costs to return the equipment for repair should not be capitalized. Such costs are beyond that necessary to place the property in service and, thus, should not be included in the value indicator when applying a cost-based valuation methodology. C 6/6/2002.

630.0049 Valuation of Leased Property. Property Tax Rule 10(d) provides that, when property is leased for a period of more than six months, the property should be valued at the fair market value price that a customer at the same trade level as the lessee would pay to purchase the property. Property Tax Rule 10(b) describes the concept of full economic cost, under which a price would be adjusted for any quantity price discount that would be appropriate for a customer at the lessee's trade level. However, a lessor must demonstrate that the particular lessee of its property is leasing more than one item of property, in order for an assessor to consider a quantity discount when determining the full economic cost of the property to the lessee. C 3/25/2003.

630.0050 Valuation Tables for Computers. The Board has approved valuation tables for personal computers (small computers whose historic cost is \$24,999 or less) and for mainframe computers (large computers whose historic cost is \$500,000 or more) for use for the March 1, 1996 lien date. The valuation factors therein were developed by analyzing resale values of personal and mainframe computers as compared to original costs; and they are intended to be applied directly to historical costs of non-production computers, computers, including related equipment, designed for general business purposes. Non-production computers do not include computers embedded in machinery and do not include equipment or computers specifically designed for use in any other application directly related to manufacturing. LTA 3/6/96 (No. 96/19).

630.0060 Vehicles – Mounted Equipment. Under Revenue and Taxation Code section 10751, vehicles subject to registration are assessed the vehicle license fee (VLF) in lieu of ad valorem taxation. New equipment permanently mounted on such vehicles must be reported to the Department of Motor Vehicles (DMV) so that the DMV can adjust the value on which the VLF is based. Such provisions preempt the enrollment of any locally-assessed property taxes on these vehicles. C 5/31/2007.