



STATE BOARD OF EQUALIZATION

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May 31, 2007

Honorable Rick Auerbach
Los Angeles County Assessor
Attn:
500 W. Temple Street, Room 320
Los Angeles, CA 90012

Re: Assessment Jurisdiction of Vehicles Subject to DMV Registration

Dear Mr. :

This is in response to your e-mail message addressed to Acting Assistant Chief Counsel Robert Lambert. In that e-mail message, you asked whether Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures* ("AH 504") accurately describes the assessment procedures for vehicles subject to registration with the California Department of Motor Vehicles ("DMV"). In our opinion, the advice contained in AH 504 is correct.

Background and Facts

On page 123 of AH 504, the Board provides the following guidance applicable to the assessment of vehicles subject to DMV registration:

Other types of property, sometimes used in the ordinary course of business, that may be required to be registered by DMV include truck mounted equipment and relocatable offices. Equipment that is permanently attached to a licensed vehicle is not subject to local property taxation because it is considered part of the vehicle. When this equipment is attached to the vehicle the assessee is required to notify DMV so that the value of the vehicle can be adjusted. *(However, it is not assessable regardless of whether it is actually registered with DMV.)*
[Emphasis added.]

Your office is concerned that the italicized advice cited above contradicts the internal Personal Property Handbook ("Handbook") published by your office. In that Handbook, your office issues the following instructions to its auditor-appraisers:

Mounted Equipment. The DMV considers equipment permanently installed in or attached to a motor vehicle to be an integral part of the vehicle. The combined values of the equipment and vehicle are used when computing the license fee. When investigating such equipment, the vehicle's registration card should be

examined to determine if the equipment value was included in the license fee. The value of mounted equipment not included in the license fee is assessable.

On its face, the advice issued by the Board in AH 504 recommends that your office refrain from enrolling all equipment mounted on vehicles subject to DMV registration. Such a recommendation contradicts the instructions in your office's Handbook to the extent that the Handbook instructs your staff to enroll the mounted equipment if that equipment is not reflected in the value on which the vehicle license fee ("VLF") is based.

Law and Analysis

Does AH 504 accurately describe the assessment procedures for vehicles subject to DMV registration?

Yes. Vehicles subject to DMV registration are assessed VLF in lieu of all locally assessed property tax. New equipment permanently mounted on such vehicles must be reported to the DMV so that the DMV can adjust the value on which the VLF is based. Such equipment is not subject to local property tax.

As you are aware, all property in this state is taxable (or assessable) unless it is exempt by the Constitution or statutes. (Cal. Const., art. XIII, §§ 1 and 2.) While most personal property is locally assessed by county assessors, motor vehicles are subject to the Vehicle License Fee Law. (Rev. & Tax. Code, § 10701, et seq.) Section 10751 of the Revenue and Taxation Code¹ imposes a fee:

[F]or the privilege of operating upon the public highways in this state any vehicle of a type which is subject to registration under the Vehicle Code. . . .

Under the statute, the VLF is lieu of all ad valorem taxes. Section 10758 provides:

The license fee imposed under this part is in lieu of all taxes according to value levied for state or local purposes on vehicles of a type subject to registration under the Vehicle Code whether or not the vehicles are registered under the Vehicle Code. (Emphasis added.)

These statutory provisions establish that the VLF is "in lieu of all taxes according to value" and that the VLF applies to all vehicles subject to DMV registration "whether or not the vehicles are registered." In our opinion, the VLF operates as an in lieu fee and takes the place of all ad valorem taxation on all vehicles subject to DMV registration. Such provisions preempt the enrollment of any locally-assessed property taxes on these vehicles.

In addition, subdivision (c) of section 10753, requires property owners to report any modifications or additions to motor vehicles in excess of \$2,000 to the DMV. That information will allow the DMV to increase the vehicle's value on which the VLF is based. Again, this fee

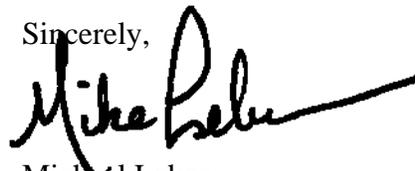
¹ All statutory references are to the Revenue and Taxation Code, unless otherwise specified.

assessment on modifications or additions to motor vehicles is in lieu of all locally assessed ad valorem property tax.

Lastly, this advice is consistent with our prior opinion on this topic. In a letter dated February 27, 1998, Tax Counsel Janet Saunders opined that a vehicle issued a "Certificate of Planned Non-Operation" by the DMV was not subject to locally-assessed property tax despite the fact that the vehicle's owner paid no VLF for the year in question. Ms. Saunders concluded that vehicle was not assessable because it was subject to DMV registration. (Copy attached.)

The views expressed in this letter are only advisory in nature. They represent the analysis of the Board staff based on present law and the facts set forth herein. Therefore, they are not binding on any person or public entity.

Sincerely,

A handwritten signature in black ink that reads "Mike Lebeau". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Michael Lebeau
Senior Tax Counsel

ML:jh

Prop/Prec/Vehicles&Vessels/07/06-685.ml.doc

cc: Honorable
County Assessor

Mr. David Gau, MIC:63
Mr. Dean Kinnee, MIC:64
Mr. Todd Gilman, MIC:70