

735.0000 RETIREMENT SYSTEMS (PUBLIC) PROPERTY

See Personal Property

735.0010 Partnership. Real property transferred from the California Public Employees Retirement System (CalPERS) to a partnership in which CalPERS is the majority partner is not exempt from property taxation. The property tax exemption for property owned by the state extends only to property owned directly by CalPERS and not to property owned by a legal entity in which CalPERS holds an ownership interest. Thus, a transfer of real property from CalPERS to such a partnership would result in a change in ownership of the property and, absent an applicable exclusion, reassessment of the property. C 6/4/99.

735.0015 Possessory Interests. While the purchase of investment real property by such nontaxable governmental entities as the Public Employees Retirement System requires that any pre-existing leases of the property be enrolled as taxable possessory interests, such acquisition does not, in and of itself, cause the creation of any taxable possessory interests within the meaning of Revenue and Taxation Code section 61(b). While such a purchase results in the separate assessment of any pre-existing leasehold interests as possessory interests, those interests were neither created nor transferred by the sale of the real investment property to the governmental entity. Only when such pre-existing leasehold interests are themselves renewed, extended, or assigned within the meaning of Revenue and Taxation Code section 61(b) does a change in ownership occur. C 4/29/96.

735.0040 State Retirement System. Government Code section 7510(b)(1) requires that language in lease documents inform lessees that the possessory interest tax will be based on a pro rata square footage allocation of the acquisition full-cash value, and section 7510(b)(5) mandates that the subdivision apply to the assessment, computation and collection of taxes for the 1992-93 and subsequent fiscal years. C 4/18/97.

735.0050 Valuation/In-Lieu Fee. Government Code section 7510 allows public retirement systems to purchase properties for investment purposes but also provides for the payments of in-lieu fees by the systems to reimburse local entities for the losses of tax revenues caused by purchases subsequent to the enactment of section 7510 in 1982.

The fee is payable if the purchased property is located within the boundary of the public retirement system, and it is calculated based on the article XIII A of the California Constitution market value of the property at the time of purchase less the value of the possessory interest assessed to the tenant.

If the purchased property is located outside the public retirement system's boundary, section 7510 is inapplicable. Such property is assessed pursuant to article XIII, section 11 of the California Constitution. C 9/23/88.