STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
1020 N STREET, SACRAMENTO, CALIFORNIA
(P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808)
(916) 445-1516

GEORGE R. REILLY
First District, San Francisco
IRIS SANKEY
Second District, San Diego
WILLIAM M. BENNETT
Third District, San Rafael
RICHARD NEVINS
Fourth District, Pasadena
KENNETH CORY
Controller, Sacramento
DOUGLAS D. BELL
Executive Secretary

No. 78/144

August 16, 1978

TO COUNTY ASSESSORS:

CABLE TELEVISION APPRAISAL QUESTIONS

Here is another in the series of letters concerning implementation of Article XIIIA of the Constitution. The enclosed questions and answers illustrate the proper valuation procedures to be followed when valuing cable television systems.

Please refer inquiries to Bud Florence of our Assessment Standards Division, (916) 445-4982.

Sincerely,

Walter R. Senini
Assistant Executive Secretary
Property Tax Department

WRS:sk
Enclosures

A. QUESTIONS AND ANSWERS PERTAINING TO CABLE TELEVISION

1. QUESTION: Is machinery and equipment that is classified as an improvement subject to the 1975 rollback provisions and assessment limitations of Proposition 13?

   ANSWER: Yes.

2. QUESTION: May the 1975 appraisal of an improvement be reduced in 1978 to recognize a loss in value suffered in 1977?

   ANSWER: No. A value reduction can only be recognized when a property is physically destroyed or otherwise physically removed, or upon a revaluation due to a change in ownership.

3. QUESTION: Would the renewal of a CATV franchise for over ten years be a change in ownership?

   ANSWER: Yes, since the franchise grants the possessory use of public property; however, the change of ownership and reappraisal may only apply to the possessory interest value.

4. QUESTION: Do rate renegotiations qualify as a change in ownership?

   ANSWER: No. Most franchises provide for periodic rate renegotiations without otherwise changing the franchise.

5. QUESTION: Does the addition of subscribers with only the addition of housedrops constitute taxable additions?

   ANSWER: No. The only physical plant added (the housedrops) is not taxable to the CATV system.

6. QUESTION: Since a CATV system may be adding housedrops and miles of distribution cable as its service area grows each year, could the entire system be reappraised annually the same as construction in progress?

   ANSWER: No. Each section would be treated as complete, and its base year value determined once it began serving customers.

7. QUESTION: Revenue and Taxation Code, Section 105, was recently revised to classify telephone and utility poles and cables as improvements. This would allow CATV cable to be classified as improvements also. However, in 1975 CATV cable, in most instances, was classified as personal property. Can it be classified as an improvement for 1978 and rolled back to 1975?

ANSWER: Yes.

8. QUESTION: Could a reappraisal for 1975 be made using the income approach where the cost approach had originally been used for 1975?

ANSWER: Yes, under certain circumstances. A reappraisal should be made when the failure to respond to an assessor's request for data resulted in an assessment either lower or higher than what would have been made had all facts been known; e.g., income and expense data were not submitted requiring that the assessor rely on the cost approach. However, we believe a reappraisal should not be made where all information had been correctly supplied and utilized by the assessor.

9. QUESTION: The 1975 appraisal was the subject of an appeal board hearing. Can a reappraisal of 1975 be made for purposes of the 1978 assessment?

ANSWER: No. Property that may have escaped assessment in 1975 should be added to the appeals board's appraisal, but you cannot reappraise the property that was the subject of the hearing.

10. QUESTION: Exterior housedrops were first exempted from taxation in 1977 through a legal opinion. Can they be exempted from taxation on a 1975 rollback?

ANSWER: Yes. If exempted in 1977, it is a logical extension to allow the exemption on the rollback.