STATE OF CALIFORNIA

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April 27, 1978

78/77

TO COUNTY ASSESSORS, COUNTY COUNSELS,
AND OTHER INTERESTED PARTIES:

PROPERTY TAX RULE 45

On April 18, 1978, the State Board of Equalization adopted on an emergency basis Property Tax Rule 45, Separate Determination of Value for Owner-Occupied Residential Dwellings. A copy of the rule as adopted is attached. It is contemplated a public hearing will be scheduled in Sacramento in July. You will be notified of the date and time of the hearing thirty days prior thereto.

The rule was adopted in order to provide guidelines to assessors regarding the requirement under Section 401.6 of the Revenue and Taxation Code, to make separate determinations of the value attributable to the residential dwelling and the value of the remainder of the property.

Sincerely,

Janice Masterton

Janice Masterton
Calendar Clerk

JM/k
Enclosure

State of California

BOARD OF EQUALIZATION

PROPERTY TAX DEPARTMENT

PROPERTY TAX RULES AND REGULATIONS

Chapter 1. State Board of Equalization – Property Tax
Subchapter 1. Valuation Principles and Procedures

Rule No. 45. SEPARATE DETERMINATION OF VALUE FOR OWNER-OCCUPIED RESIDENTIAL DWELLINGS

Reference: Section 401.6, Revenue and Taxation Code

The assessor is required to assess the land and improvements on the entire parcel of land for which the homeowners' property tax exemption is claimed or for which an affidavit of eligibility under Revenue and Taxation Code, Section 253.6 has been timely filed, and if necessary, to make separate determinations of the value attributable to the residential dwelling and the value of the remainder of the property.

Where a separation of value is required, the value of a residential dwelling shall be segregated in accordance with accepted appraisal principles. These principles shall be applied in the segregation of values of all properties being appraised in accordance with the cyclical reappraisal plans mandated by Revenue and Taxation Code, Section 405.6, beginning with those appraisals completed for the 1979 roll. When a segregation of value is required prior to 1979 but the assessment does not represent a current appraisal, the assessor will make a segregation based upon known data using appropriate methods which include, but are not limited to, division by (1) living unit, (2) square footage of improvement area, or (3) market value of similar but separate properties.

The value attributable to an owner-occupied residential unit is the value the subject unit contributes to the total property value.

(a) OWNER-OCCUPIED DWELLING INCORPORATED IN MULTIPLE-USE IMPROVEMENTS. Where a residential dwelling unit is incorporated in or appurtenant to an improvement whose partial use is other than that of an owner-occupied dwelling the assessor shall, when making a segregation of the value attributable to the residential dwelling, allocate a portion of the value to the multi-dwelling or multi-purpose improvement and a portion of value to the land upon which it is built. The contributing value of the dwelling unit and its site may be determined using any or all of the accepted approaches to value.

It is necessary to allocate the values determined by the segregation between land and improvements prior to enrollment. Allocated land values may be determined for this purpose by applying the same ratio of land to improvement value that exists in the total property appraisal.

(b) OWNER-OCCUPIED DWELLING ON MULTIPLE-USE LAND. Where an owner-occupied residential dwelling is located upon a parcel whose use is not exclusively as a residential site, the assessor must determine what portion of the land surrounding the dwelling is reasonably necessary for use of the dwelling as a home.

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Rule No. 45. SEPARATE DETERMINATION OF VALUE FOR OWNER-OCCUPIED RESIDENTIAL DWELLINGS. (Continued)

The area attributable to the site is dependent upon, but not limited to, zoning, other natural and/or statutory restrictions, and the highest and best use to which the property can be put. The site should be large enough to encompass all necessary services and ancillary improvements, but the segregation must be documented if the site is larger than the minimum allowed by local zoning. The site shall encompass only those improvements that are directly related to the property's use as a dwelling site.

The contributing value of an owner-occupied dwelling on multiple-use land can be determined by:

(1) Estimating the fair market value of the residential land and improvements as if this portion of the property were a separate parcel, using any accepted appraisal technique. This method is appropriate when zoning regulations would allow this portion of the total property to be separately sold.

(2) Determining the market value of the improvements and adding a land value equal to a prorated share of the entire parcel's land value plus the value of site improvements such as fill, grading, landscaping and wells.

History: Adopted April 18, 1978, effective April 21, 1978.