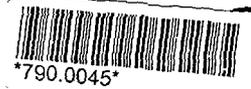


STATE OF CALIFORNIA



STATE BOARD OF EQUALIZATION

20 N STREET, SACRAMENTO, CALIFORNIA
(P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808)
(916) 445-4982

CONWAY H. COLLIS
First District, Los Angeles
ERNEST J. DRONENBURG, Jr.
Second District, San Diego
WILLIAM M. BENNETT
Third District, Kernfield
RICHARD NEVINS
Fourth District, Pasadena
KENNETH CORY
Controller, Sacramento
DOUGLAS D. BELL
Executive Secretary
No. 83/132

December 16, 1983

TO COUNTY ASSESSORS:

QUESTIONS AND ANSWERS REGARDING SUPPLEMENTAL ASSESSMENTS

Here is the second letter in our series on supplemental assessments under Senate Bill 813 and Assembly Bill 399.

Sincerely,

Verne Walton
Verne Walton, Chief
Assessment Standards Division

VW:wpc
AL-12-1387A

- QUESTION 1: When property under construction transfers, is the new owner/builder eligible for the exclusion under Section 75.12? *
- ANSWER 1: Upon application, the new owner/builder could receive the exclusion. However, there would be a supplemental assessment for the change in ownership, including the construction completed to date of transfer, and the new owner would have to apply for exclusion prior to beginning any construction.
- QUESTION 2: Would a developer be eligible for exclusion in regard to the street improvements (e.g., sewer lines, grading, paving, sidewalks, etc.) that he puts on his own land?
- ANSWER 2: Section 75.12 excludes any newly constructed real property if the property is held for sale. So long as the developer applies prior to commencement of construction, the exclusion under this section would apply.
- QUESTION 3: If a builder properly applies for and receives the exclusion under Section 75.12 and subsequently uses the property in contradiction to the section, how would the property be handled for purposes of supplemental assessment?
- ANSWER 3: The new construction would be appraised at its new base-year value as of the date of completion of new construction, and it would be enrolled on the supplemental roll as of the date the contradictory use commenced. For example, if the new construction was completed in June of 1984 and then occupied by the owner in February of 1985, the property would be subject to supplemental assessment for four-twelfths of the 1984-85 fiscal year.
- QUESTION 4: What should happen when, in 1988, you find a change in ownership that occurred in August of 1985?
- ANSWER 4: There would be an escape assessment entered on the supplemental roll for the 1985-86 supplemental assessment, and there would be an escape assessment on the regular roll for the appropriate number of years (i.e., four years if a recorded transfer and eight years if unrecorded).

* Unless otherwise indicated, all references are to the Revenue and Taxation Code.

- QUESTION 5: What tax rate should be applied in the above instance?
- ANSWER 5: The tax rate to be applied would be the tax rate that would have been applied had the assessment been processed timely.
- QUESTION 6: If a supplemental assessment is less than fifteen hundred dollars, can it be exempted under Section 155.20?
- ANSWER 6: No. The exemption afforded under Section 155.20 applies to the entire property and not just a portion thereof.
- QUESTION 7: How should leasehold improvements be handled for purposes of supplemental assessments?
- ANSWER 7: Assuming they are newly constructed real property not otherwise excluded (i.e., fixtures), leasehold improvements are subject to supplemental assessment. Section 2188.2 states that improvements owned by a person other than the owner of the land on which they are located may be assessed separately from the land if requested by either the owner of the improvements or the owner of the land. Whether newly constructed leasehold improvements are separately assessed or not, they would be placed on the supplemental roll on change in ownership or completion of new construction.
- QUESTION 8: Would a possessory interest be subject to supplemental assessment?
- ANSWER 8: Yes. A possessory interest is a real property interest subject to the assessment limitations of Article XIII A. The creation, renewal, sublease, or assignment of any taxable possessory interest is a change in ownership requiring reappraisal and a supplemental assessment assuming the change in ownership occurs after July 1, 1983.
- QUESTION 9: Would there be a negative supplemental assessment and resultant refund when a possessory interest terminates and goes back to the government?
- ANSWER 9: No. The taxable possessory interest would have been valued according to its anticipated term, and the fact that it is not renewed simply means that the taxable interest terminates.
- QUESTION 10: Would leveling of land be subject to supplemental assessment?
- ANSWER 10: If the leveling qualifies as new construction, it would be subject to supplemental assessment unless subject to the exclusion under Section 75.12.

QUESTION 11: A property with a March 1, 1983 roll value of \$50,000 sells April 15, 1983 (before the effective date of SB 813) for \$100,000 and then sells again in August of 1983 for \$120,000. How would the supplemental assessment be calculated?

ANSWER 11: Assuming the sale price of \$120,000 was representative of market value, that would become the new base-year value. From that amount you would subtract the taxable value on the current roll (i.e., \$50,000) yielding a supplemental assessment of \$70,000. The interim sale for \$100,000 would not come into play since that transaction was not subject to a supplemental assessment. The supplemental roll legislation is not applicable before July 1, 1983.



STATE BOARD OF EQUALIZATION

420 N STREET, SACRAMENTO, CALIFORNIA
 (P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808)
 (916) 445-4982

WILLIAM M. BENNETT
 First District, Kentfield

CONWAY H. COLLIS
 Second District, Los Angeles

ERNEST J. DRONENBURG, JR.
 Third District, San Diego

RICHARD NEVINS
 Fourth District, Pasadena

KENNETH CORY
 Controller, Sacramento

DOUGLAS D. BELL
 Executive Secretary

June 20, 1985

No. 85/73

TO COUNTY ASSESSORS:

SUPPLEMENTAL ASSESSMENTS AND EVENTS
OCCURRING BETWEEN MARCH 1, 1983 AND JULY 1, 1983

The subject of this letter has been the subject of two previous letters to assessors. In letter to assessors numbered 83/132 and dated December 16, 1983, we included the following question and answer:

QUESTION 11: A property with a March 1, 1983 roll value of \$50,000 sells April 15, 1983 (before the effective date of SB 813) for \$100,000 and then sells again in August of 1983 for \$120,000. How would the supplemental assessment be calculated?

ANSWER 11: Assuming the sale price of \$120,000 was representative of market value, that would become the new base-year value. From that amount you would subtract the taxable value on the current roll (i.e., \$50,000) yielding a supplemental assessment of \$70,000. The interim sale for \$100,000 would not come into play since that transaction was not subject to a supplemental assessment. The supplemental roll legislation is not applicable before July 1, 1983.

In February of 1984, we issued letter to assessors number 84/18 that reversed this position. As stated in that follow-up letter, we learned that it was the intent of the Legislature to exclude from supplemental assessment those events occurring during the "window period."

More recently, our legal staff has again reviewed the statutes relative to this issue. It is their opinion that these statutes do not allow any latitude for us to interpret legislative intent. Rather, the meaning of the statutory language is clear and unambiguous. Therefore, we must revert to our original "strict" reading of the law. The position stated in question and answer number 11 in letter number 83/132 is the one you should follow, and you should disregard letter number 84/18.

Sincerely,

Verne Walton

Verne Walton, Chief
 Assessment Standards Division