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June 28, 1989

The Honorable William G. Copren
Assessor
Sierra County
P.O. Box 8
Downieville, CA 95936

Dear Bill:

This is in response to your letter of June 1, 1989, requesting the views of this office on the application of supplemental assessments to fixtures. Specifically, you refer to the provisions of Chapter 261 of the Statutes of 1987 (AB 297) which amended the definition of "property" for purposes of supplemental assessments (Revenue and Taxation Code section 75.5) by excluding fixtures which are normally valued as a separate appraisal unit from a structure. As I understand it, your question is whether all fixtures must be removed from the supplemental assessment when there is a change in ownership or completion of new construction triggering a supplemental assessment.

Your letter provides two examples to illustrate your question. The first example involves a newly completed hydro-electric project which was sold for \$23 million immediately after going on line. The sale price, which is considered to reflect the full cash value of the entire property appraised as a single unit, was allocated to land (\$1.7 million) and improvements (\$21.4 million) for assessment purposes. The improvement value was further allocated between structures (\$2.7 million) and fixtures (18.6 million). You ask whether the supplemental assessment should be for the total value of the single appraisal unit (\$23 million) or whether the assessment should be the total amount less the amount allocated to fixtures (\$4.5 million). You also state that in view of the significant tax difference you feel it would be incumbent upon you to develop a much more detailed appraisal of the fixture values in order to eliminate amounts which might be truly land values. You state, for example, that transmission lines are generally classified as fixtures but much of the cost is in land clearing, and excavating and refilling pole holes, which are essentially improvements to land.

The second example involves the new construction of a power generation plant. On completion of construction, the total property was valued as a single appraisal unit at \$18 million. This value was then allocated to land, improvements and the improvement value allocated between structures and fixtures, as described above. Again, you ask whether the supplemental assessment should exclude the \$16.4 million allocated to fixtures.

Chapter 261 of the Statutes of 1987 removed certain fixtures from supplemental assessments. It accomplished this by amending the definition of "property" to expressly exclude "fixtures which are normally valued as a separate appraisal unit from a structure." The chapter also amended Revenue and Taxation Code section 75.15 which imposed certain reporting requirements for fixtures. Subdivision (a) of section 75.15 refers to fixtures "other than fixtures which are included in a change of ownership or which are included in a structure and are assessed at the completion of a new construction." When interpreting the effect of Chapter 261, we think that the language of both sections 75.5 and 75.15 must be considered. While the language of section 75.5 referring to fixtures which are normally valued as a separate appraisal unit may, in isolation, contain a certain ambiguity, we think that the language of the companion section 75.15 referring to fixtures included in a change in ownership or included in a structure at the completion of new construction help to clarify the intended meaning of the language of section 75.5. Thus, where fixtures are included with other property in a single appraisal unit which changes ownership or which is newly constructed, those fixtures would not be "normally valued as a separate appraisal unit" for purposes of section 75.5 and would not be excluded from supplemental assessment. This interpretation is illustrated by your example wherein a single hydro-electric project or a power generation plant is sold or constructed and each project is valued as a single appraisal unit including both fixtures and other real property. Chapter 261 does not demonstrate an intention on the part of the Legislature to require that the assessor exclude from supplemental assessment fixtures included in the appraisal unit under these circumstances.

Our conclusion is supported, as noted in your letter, by the statement of legislative intent found in section 5 of the statute which indicates that the purpose of the change in law is to relieve assessors from the administrative burdens associated with the cost of preparing, processing and auditing taxpayer fixture reports. As also indicated in your letter, exclusion of fixtures in the circumstances you have described

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would increase rather than decrease an assessor's burdens in these situations and would frustrate the purpose of the law.

In conclusion, while there may be situations where the language of section 75.5 may present more difficult interpretational problems, the Legislature's intent, insofar as the situations you have described are concerned, is rather clear. In these situations, the fixtures should not be excluded from supplemental assessment.

Our intention is to provide timely, courteous and helpful responses to inquiries such as yours. Suggestions that help us to accomplish this goal are appreciated.

Very truly yours,



Richard H. Ochsner
Assistant Chief Counsel

RHO:cb
2036D

cc: Mr. James J. Delaney
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