



STATE BOARD OF EQUALIZATION

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No. 79/112

June 29, 1979

TO COUNTY ASSESSORS AND INTERESTED PARTIES:

PROPERTY TAX RULES 460 - 471

Enclosed are proposed revisions to Property Tax Rules 460 through 471. The Board authorized the staff to distribute the drafts to the assessors for review and comment with the understanding that the Board would consider them upon the signing into law of Assembly Bill 1488.

Please submit your comments and suggestions to the Assessment Standards Division at the earliest possible date.

Sincerely,

Verne Walton, Chief
Assessment Standards Division

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Enclosures

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(a) Sections 1 and 2 of Article XIII A of the Constitution provide for a limitation on property taxes and a procedure for establishing the current taxable value of locally assessed real property by reference to a base year full cash value which is then modified annually to reflect the inflation rate not to exceed two percent per year.

(b) The following definitions govern the construction of the terms in the rules pertaining to Sections 1 and 2 of Article XIII A.

(1) BASE YEAR. The assessment year 1975-76 serves as the original base year. Thereafter, any assessment year in which real property, or a portion thereof, is purchased, is newly constructed, or changes ownership shall become the base year used in determining the full value for such real property, or a portion thereof.

(2) FULL CASH VALUE.

(A) The full cash value of real property means the "full cash value" as defined in Section 110 of the Revenue and Taxation Code, as of:

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1. The lien date in 1975, for the base year 1975-76, or "full cash value" as defined in Section 110.1 of the Revenue and Taxation Code, as of the lien date 1975 for properties with a 1975-76 base year, or

2. The "full cash value" as defined in Section 110 of the Revenue and Taxation Code as of the date such real property is purchased, is newly constructed, or changes ownership after the 1975 lien date, the full cash value of which shall be enrolled on the lien date next succeeding the date when such real property, or portion thereof, is purchased, is newly constructed, or changes ownership.

(B) If real property has not been appraised pursuant to Section 405.5 of the Revenue and Taxation Code to its appropriate base year full cash value, then the assessor shall reappraise such property to its full cash value for the appropriate base year lien date. Such reappraisals may be at any time, notwithstanding the provisions of Section 405.6 of the Revenue and Taxation Code but 1975-76 base year values must be determined prior to July 1, 1980.

(3) RESTRICTED VALUE. Restricted value means a value standard other than full cash value prescribed by the Constitution or by statute authorized by the Constitution.

(4) FULL VALUE. Full value (appraised value) means either the full cash value or the restricted value.

(5) INFLATION RATE. For each lien date after the lien date in which the base year full value is determined, the full value of real property shall be modified to reflect the percentage change in cost of living, as defined in Section 2212 of the Revenue and Taxation Code; provided that such value shall not reflect an increase in excess of 2 percent of the taxable value of the preceding lien date.

(6) TAXABLE VALUE. Taxable value means the base year full value adjusted for any given lien date as required by law or the full cash value for the same lien date, whichever is less.

(7) FULL CASH VALUE BASE. Full cash value base means the base year value of real property appropriately indexed to the lien date for which the roll is being prepared.

(8) PROPERTY TAX RATE. The property tax rate is the rate calculated in accordance with the ad valorem tax limitations prescribed by Section 1 of Article XIII A of the Constitution.

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Rule No. 461. (Cal. Adm. Code) REAL PROPERTY VALUE CHANGES.

(a) Section 2 of Article XIII A of the California Constitution provides that real property shall be reappraised if purchased, newly constructed (Section 463) or a change in ownership occurs (Section 462) after the original base year. A purchase is any transfer of title or right to the use, occupancy, possession or profit a prendre of real property, or portion thereof, for a consideration, other than a transfer included in the definition of change of ownership or specifically excluded therefrom by Section 462. The creation of a private interest in nontaxable publicly owned property and publicly owned property subject to tax under Section 11 of Article XIII of the Constitution, which constitutes a possessory interest as the term is defined in Section 21 (b) of this code, is regarded as a purchase regardless of the period of the interest. Such an interest shall be appraised as its full value as of the date of creation.

(b) Unless otherwise provided for in this chapter, real property which was not subject to valuation in any prior base year, such as newly discovered or additional proved oil and gas reserves, shall be appraised at full value on the lien date immediately following discovery.

(c) The prior year taxable value of real property, or portion thereof, physically removed from the site shall be

deducted from the property's prior year taxable value, provided that such net taxable value shall not be less than zero. The net value shall be appropriately adjusted to reflect the percentage change in the cost of living and then compared to the current lien date full cash value to determine taxable value.

(d) For the tax year 1979-80 and tax years thereafter the assessor shall prepare an assessment roll containing the prior year's taxable value appropriately indexed or the current lien date full cash value, whichever is less the full cash value base of property adjusted to reflect factors causing the then current full value of property to be less than its full cash value base.

Declines in value will be determined by comparing the current lien date full value of the appraisal unit as of the lien date to the full cash value base of the same unit- to the adjusted base year full value of the same unit for the current lien date. Land and improvements constitute an appraisal unit except when measuring declines in value caused by disaster, in which case land shall constitute a separate unit. For purposes of this subsection fixtures and other machinery and equipment classified as improvements constitute a separate appraisal unit.

When the current full value of property is less than its full cash value base base year full value adjusted to the current

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lien date, the full value shall be enrolled as the current taxable value and shall constitute a new base year value.

(e) The taxable value of real property damaged or destroyed by a misfortune or calamity is to be adjusted in accordance with the Revenue and Taxation Code. If the property is restored, the assessor shall on the lien date following restoration enroll it at its former value plus the appropriate inflation adjustment, unless:

1. The full value of the restored property as of the lien date is less than the ~~full cash value base~~ adjusted base year full value in which case the lower value shall be enrolled as the new base year value, or

2. It is determined that new construction has occurred in which case the property's value shall be enrolled as provided in Section 463.

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Rule No. 462. (Cal. Adm. Code) CHANGE IN OWNERSHIP.

There shall be a reappraisal of real property as of the date of the change in ownership of that property. The reappraisal will establish a new base year full value and will be enrolled on the lien date following the change in ownership.

A "change in ownership" in real property occurs when there is a transfer of a present interest in the property, including the right to beneficial use thereof, the value of which is substantially equal to the value of the fee interest. Except as otherwise provided in this section, "change in ownership" refers to all transfers of property, whether voluntary, involuntary or by operation of law, by grant, devise, inheritance, trust contract of sale, addition or deletion of an owner, property settlement, or any other change in the method of holding title, whether by voluntary or involuntary transfer or by operation of law or any other means. A change in the name of an owner of property not involving a change in ownership is excluded from the term "transfer" as used in this section.

(a) A transfer of the full fee title to land and/or improvements or a portion thereof by any means is a change in ownership requiring reappraisal of the property or portion thereof transferred. This includes transfers of units in planned developments as defined in Section 11003 and 11003.1 of the Business and Professions Code, units in cooperative housing developments controlled

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by cooperative housing corporations as defined in Section 17265 of the Revenue and Taxation Code and condominiums as defined in Section 783 of the Civil Code.

If a unit or lot within a cooperative housing corporation, community apartment project, condominium, planned development, shopping center, industrial park, or other residential, commercial, or industrial land subdivision complex with common areas or facilities is purchased or otherwise changes ownership as defined in this section, only the unit or lot transferred and the share in the common area reserved as an appurtenance of such unit or lots shall be reappraised.

The transfer of an undivided interest in property does not constitute a change of ownership in the entire property except as provided in (h) (2) and (4) while the transfer of a divided interest results in a change in ownership only in the property or portion thereof transferred, if:

(1) The transfer is between or among co-owners and does not result in a change to the proportional interests held by the co-owners prior to the transfer, such as a partition of a tenancy in common, or

(2) The transfer creates or transfers any joint tenancy interest and after such creation or transfer the transferor is one of the joint tenants.

(3) The transfer creates or transfers a co-owner's interest between spouses.

(4) The transfer terminates a joint tenancy or tenancy in common but is to a spouse or former spouse in connection with a property settlement agreement or decree of dissolution of a marriage or legal separation.

(5) The transfer terminates a joint tenancy and returns property to the person or entity that originally placed it in joint tenancy.

(6) The transfer is of an undivided interest of less than five percent, provided, however, that transfers to affiliated transferees during any assessment year shall be accumulated for the purpose of determining the percentage transferred.

Transfers of undivided interests to one or more transferees who are or who become, by virtue of the transfer, co-owner(s) of property or portion thereof, shall be considered affiliated and transfers to one or more of them shall be accumulated for any assessment year for purposes of determining the percentage transferred. When the accumulated interest transferred is 5% or more only that portion of the property represented by the percentage transferred shall be reappraised.

(b) A transfer of equitable title is a change in ownership.

(c) The creation, renewal, sublease, or assignment of a taxable possessory interest in tax exempt real property for any term is

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a change in ownership except when the interest, whether an estate for years or an estate for life, is created by a reservation in an instrument deeding the property to a tax exempt governmental entity.

~~(e)~~ (d) The creation, sublease or assignment of the right to beneficial use and possession of taxable or nontaxable real property and the transfer of the lessor's interest in any leased property constitutes a change in ownership of real property or not as follows:

(1) The creation sublease or assignment of a taxable possessory interest or of a lease in real property for a term or the remainder of a term in excess of 10 years is a change in ownership of the interest transferred, of a leasehold interest in real property for a term of 35 years or more or the transfer of a leasehold interest with a remaining term of 35 years or more or the termination of a leasehold interest which had an original term of 35 years or more is a change in ownership.

The calculation of the term of a lease for purposes of this section shall include renewal options.

(2) The creation, sublease or assignment or termination of a lease for 10 years or less in taxable property of a leasehold interest in taxable property for a term of less than 35 years, including renewal options, is not a change in ownership.

(3) The transfer of a lessor's interest regardless of the term of the lease in taxable real property subject to a lease with a remaining term, including renewal options, of less than 35 years is a change in ownership.

- (a) The transfer of a lessor's interest in property subject to a lease in excess of 10 years is a change in ownership only to the extent of the reversionary interest transferred.
- (b) The transfer of a lessor's interest in property subject to a lease for 10 years or less is a change in ownership of the entire property transferred, including the leasehold interest.
- (c) The transfer of a lessor's interest in property subject to one or more leases in excess of 10 years and one or more leases of 10 years or less is a change in ownership to the extent of the reversionary interest(s) in the property subject to the lease(s) in excess of 10 years and to the extent of the property transferred, including the leasehold interest(s) in the property subject to the lease(s) of 10 years or less.
- (A) The transfer of a lessor's interest in taxable real property subject to multiple leases, one or more of which is for a period of less than 35 years and one

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or more of which is for a period of 35 years or more, is a change of ownership only to the extent of the property subject to a lease(s) of less than 35 years.

Note: The determination of the term of possession for a lease or a taxable possessory interest shall be pursuant to the provisions of Section 23 of this code.

~~(d)~~ (e) Foreclosure.

(1) Mortgage or deed of trust foreclosed by judicial action is a sufficient change in ownership only:

- (A) After the period of redemption has passed and property has not been redeemed, or
- (B) Upon redemption when title vests in the original debtor's successor in interest.

(2) Deed of trust foreclosed by trustee's sale shall cause a reappraisal after the sale has taken place.

~~(e)~~ (f) Tax deed and tax sale. A tax sale to the state will not cause reappraisal, but a sale by the state of tax-deeded property will cause reappraisal. The reappraisal will take place whether the original owner redeems from the state or a new owner purchases from the state.

(f) Inter vivos trust. A change in ownership occurs upon the creation of, and the transfer of real property to, a revocable or irrevocable inter vivos trust. Similarly, the revocation of the trust by the trustor constitutes a change in ownership. A change in ownership does not occur, however, upon the cessation of a precedent interest which entitles the owner of what was a future interest to the immediate possession and enjoyment of such real property.

(g) Trusts - creation and termination. (1) The transfer of real property to a trust is a change in ownership at the time of transfer unless:

- (A) The transferor or the transferor's spouse is the present beneficiary of the trust, or
- (B) The trust is revocable, or
- (C) The transferor retains the reversion and the beneficial interest(s) created does not exceed 12 years in duration.
- (D) The exemption afforded interspousal transfers applies.
- (E) The transfer is from one trust to another and meets the requirements of (A), (B), (C) or (D).

(2) The termination of a trust or portion thereof constitutes a change in ownership unless: (A) the trust was for less than 12 years duration and on termination the property reverts to the

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trustor or the trustor's spouse or (B) the exemption afforded interspousal transfers applies.

~~(g)~~ (h) Partnership. Real property which is contributed to either a limited or general a partnership or which is acquired, by purchase or otherwise, by the partnership is a change in ownership of such real property, regardless of whether the title to the property is held in the name of the partnership or in the name of one or more individual partners, with or without reference to the partnership. The transfer of any interest in real property by a partnership to a partner or any other person or entity constitutes a change in ownership. Partnership property is owned by the partners as tenants in partnership and any addition or deletion of a partner, therefore, constitutes a change in ownership of the partnership real property. The purchase or transfer of an ownership interest(s) in a partnership(s), e.g., the addition or deletion of partners, is not a change in ownership in partnership property.

(i) Corporations. (1) The purchase or transfer of corporate stock(s) is not a change in ownership in corporate property unless:

(A) The stock is in a cooperative housing corporation,

as defined in Section 17265 of the Revenue and Taxation Code, and the transfer conveys the exclusive right to occupancy to corporate property or a portion thereof, or

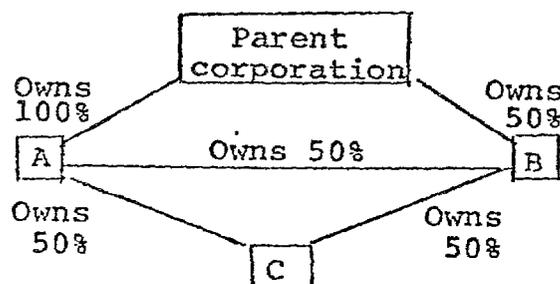
(B) One corporation obtains control of more than 50% of the voting stock, exclusive of any shares owned by directors, of another corporation.

(2) Transfers of real property between or among affiliated corporations, including those made to achieve a corporate reorganization by merger or consolidation shall not be a change of ownership if:

(A) The voting stock of the corporation making the transfer and the voting stock of the transferee corporation are each owned 100% by a corporation related by voting stock ownership to a common parent; and

(B) The common parent corporation owns directly 100% of the voting stock of at least one corporation in the chain or chains of related corporations.

Simple example



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A transfer of real property by P, A, B, or C to any of the other three corporations would not be a change in ownership, e.g., a transfer by C which is wholly owned by A and B to B which is wholly owned by A and P would not be a change in ownership because of those relationships and the fact P owns 100% of A.

(3) The purchase or transfer of stock or membership certificates in a housing cooperative is not a change in ownership provided the cooperative was financed under one mortgage, was insured under Section 202, 213, 221(d)(3), 221(d)(4), or 236 of the National Housing Act, as amended, or was financed by a direct loan from the California Housing Finance Agency and the Regulatory and Occupancy Agreements were approved by the respective insuring or lending agency.

(j) Interspousal transfers. Notwithstanding any other provision of Sections 460 through 471 of this code, a change in ownership shall not include any interspousal transfer, including, but not limited to:

- (1) Transfers to a trustee for the beneficial use of a spouse, or the surviving spouse of a deceased transferor, or by a trustee of such a trust to the spouse of the trustor,
- (2) Transfers which take effect upon the death of a spouse,
- (3) Transfers to a spouse or former spouse in connection with

a property settlement agreement or decree of dissolution of a marriage or legal separation, or

(4) The creation, transfer, or termination, solely between spouses, of any co-owner's interest.

~~(h)~~ (k) The following transfers do not constitute a change of ownership:

- (1) The transfer of bare legal title.
- ~~(2)~~ Any interspousal transfer to create or terminate a community property or joint tenancy interest.
- ~~(3)~~ (2) Any transfer caused by the substitution of a trustee pursuant to the terms of a security or trust instrument.
- ~~(4)~~ Any transfer between or among joint tenants whether voluntary, involuntary or by operation of law.
- ~~(5)~~ (3) Any transfer to an existing assessee for the purpose of perfecting title to the property.
- ~~(6)~~ (4) Any transfer resulting in the creation, assignment, or reconveyance of a security interest not coupled with the right to immediate use, occupancy, possession or profits.
- ~~(7)~~ Any transfer of stock of a corporation vested with legal title which does not convey to the transferee(s) the exclusive right to occupancy and possession of the real property or portion thereof.

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- (5) Any transfer by an instrument whose terms reserve to transferor, the transferor's spouse or both of them an estate for years or an estate for life. When such reserved estates both terminate and if the provisions of this section relating to trusts and interspousal transfers do not provide otherwise, a change in ownership shall be deemed to have occurred.
- (6) Any purchase, redemption or other transfer of the shares or units of participation of a group trust, pooled fund, common trust fund, or other collective investment fund established by a financial institution.
- (7) Any contribution of real property to an employee benefit plan or the creation, vesting, transfer, distribution or termination of a participant's or beneficiary's interest in such a plan. The terms used herein shall have the meaning ascribed to them by the Employee Retirement Income Security Act of 1974.

{i} (1) Date of change in ownership. For purposes of reappraising real property as of the date of change in ownership of real property, the following dates shall be used:

{i} Sales. The date all parties' instructions have been met in an escrow or the date the essential elements of a contract of sale have been met.

In the event that the foregoing dates cannot be ascertained, the change in ownership shall be the date of recordation of the deed or similar document evidencing transfer of either legal or equitable title.

(1) Sales. (a) Where the transfer is evidenced by recordation of a deed or other document, the date of recordation shall be rebuttably presumed to be the date of ownership change.

This presumption may be rebutted by evidence proving a different date to be the date all parties' instructions have met in escrow or the essential elements of a contract of sale have been met.

(b) Where the transfer is accomplished by an unrecorded document, the date the transferee obtained the right to possession and/or beneficial use shall be rebuttably presumed to be the date of ownership change. This presumption may be rebutted by evidence proving a different date.

(2) Leases. The date the lessee has the right to possession.

(3) Inheritance (by will or intestate succession). The date of death of the decedent.

(4) Inter vivos trusts. The date the trust instrument is executed or revoked by the trustor.

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(4) Trusts.

(A) Revocable. The date the trust becomes irrevocable.

(B) Irrevocable. The date the trust instrument is executed.

NOTE: Refer to subsection (g) for trust transfer exemptions.

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Rule No. 463. NEWLY CONSTRUCTED PROPERTY

- (a) "Newly constructed" or "new construction" means and includes:
- (1) Any physical addition to land or improvements, including fixtures such as adding land fill, other than for the purpose of landscaping, retaining walls, curbs, gutters or sewers to land or constructing a new building or swimming pool or changing an existing improvement so as to add to its square footage or to incorporate an additional fixture, as that term is defined in this section.
 - (2) Any substantial physical alteration of land which converts the property to a different use.
 - (3) Any physical alteration of any improvement which converts the improvement or any portion thereof to the substantial equivalent of a new structure or portion thereof or converts to a new use the portion of the structure that has been altered.

Excluded from alterations that qualify as "newly constructed" is construction or reconstruction performed for the purpose of normal maintenance and repair, e.g., interior or exterior painting, replacement of roof coverings or the addition of aluminum siding.

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- (4) Any physical alteration of any fixture which converts it to the substantial equivalent of a new fixture or any substitution of a new fixture.
- (b) For purposes of this rule, "fixture" is defined as an improvement whose use or purpose directly applies to or augments the process or function of a trade, industry, or profession.
- (c) When real property, or a portion thereof, is newly constructed after the 1975 lien date, the assessor shall ascertain the full value of such "newly constructed property" as of the date of completion. This will establish a new base year full value for only that portion of the property which is newly constructed, whether it is an addition or alteration. The taxable value on the total property shall be determined by adding the full value of new construction to the taxable value of preexisting property reduced to account for the taxable value of property removed during construction. The full value of new construction is only that value resulting from the new construction and does not include value increases not associated with the new construction.
- (d) New construction in progress on the lien date shall be appraised at its full value on such date and each lien date thereafter until the date of completion, at which

time the entire portion of property which is newly constructed shall be reappraised at its full value.

- (e) For purposes of this section, the date of completion is the date the property or portion thereof is available for use for the purposes intended. In determining whether the real property or a portion thereof is available for use, consideration shall be given to the date of the final inspection by the appropriate governmental official, or, in the absence of such inspection, the date the prime contractor fulfilled all of his contract obligations, or in the case of fixtures, the date of the completion of testing of machinery and equipment.
- (f) Newly constructed property does not include real property which is reconstructed after a disaster where the full value of such real property, as reconstructed, is substantially equivalent to its full value prior to the disaster. If the values are not substantially equivalent, the assessor shall on the lien date following restoration:
1. Enroll the restored property at its former value plus or minus the appropriate inflation adjustment, or
 2. Enroll the current market value of the restored property if the current market value is less than the value found in Item 1 above, or
 3. Enroll the value found in Item 1 above plus the market value of any newly constructed property if it is determined that

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new construction has occurred as provided in Section 463(a).

- (g) For property under construction or restoration as a result of disaster which changes ownership (or has its value determined by a court or appeals board) prior to the completion of construction or restoration, the value of the land and existing improvements shall be determined as of the date of the change in ownership (or pursuant to the court or board determination), but the value of the new construction shall be determined as of the date of completion in accordance with the provisions of section (c) of this rule.

This subsection does not apply to the valuation of property which changes ownership between the date the property is damaged and the date restoration begins.

Rule No. 464. (Cal. Adm. Code) EXEMPTIONS.

Reference: Sections 110, 110.1, 110.5, 110.6, Revenue and Taxation Code.

Article XIII A does not repeal any property tax exemptions granted or authorized by the Constitution on or before July 1, 1978. The property tax rate shall apply to the current taxable value less any exemptions applicable to a specific property. Examples of the application of partial exemptions are as follows:

(a) Homeowners' exemption. The property tax rate applies to the current taxable value of property qualifying for the homeowners' exemption less the value of the exemption.

(b) Veterans' exemption. The sum of 25 percent of the taxable value of taxable assets and 100 percent of the current full cash value as defined in Revenue and Taxation Code Section 110 for non-taxable assets will determine the limitation for the veterans' property tax exemption. Article XIII A contains no provision for reconsidering the granting of the exemption prior to 1978. The property tax rate applies to the current taxable value of property qualifying for the veterans' exemption less the value of the exemption.

(c) Disabled veterans' exemption. The property tax rate applies to current taxable value of property qualifying for the disabled veterans' property tax exemption less the value of the exemption.

History: Adopted June 29, 1978, effective July 3, 1978.

Rule No. 465. (Cal. Adm. Code) NONPROFIT GOLF COURSES.

When appraising real property used exclusively for nonprofit golf course purposes in accordance with the provisions of Section 10 of Article XIII of the California Constitution, the assessor shall for the 1979 lien date and thereafter ascertain the value of such property on the basis of such use, plus the full value attributable to any mineral rights, as of the appropriate base year, regardless of the date such property qualified under the constitution provisions, without regard to any of the provisions of Section 2 of Article XIII A of the California Constitution or its implementing legis-
lation.

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Rule No. 466. (Cal. Adm. Code) VALUATION AND ENROLLMENT OF TREES
AND VINES

The base year value of fruit and nut trees, vines, bushes, or other perennials when planted in orchard, grove, or vineyard form whether or not enforceably restricted shall be the most recent of the following:

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out
- (a) The full value as of the 1975 lien date.
 - (b) The full value as of the date of planting, or
 - (c) The full value as of the date of a change in ownership.

The full value of trees and vines exempted by Article XIII, Section 3 (i), of the State Constitution shall not be enrolled until the lien date following the expiration of the exemption:

All fruit and nut trees and vines when planted respectively in orchard or vineyard form shall be exempt as provided by law.

Upon becoming subject to tax, previously exempt trees and vines shall be valued for the 1979 date and thereafter as follows:

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- (a) Those planted in land enforceably restricted shall be annually valued pursuant to the provisions of section 470 without regard to the provisions of section 2 of Article XIII A of the Constitution.

- (b) Those planted in land not enforceably restricted shall be enrolled at their base year value appropriately adjusted to reflect annual increases in the consumer price index not to exceed two percent or at their full value for the current lien date, whichever is less.

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(1) The base year for trees and vines planted in land not enforceably restricted shall be the year they became subject to taxation unless that year was prior to 1975 in which case the base year is 1975.

(c) Perennials, other than trees and vines, planted for their commercial production on enforceably restricted land shall be valued annually as provided in section 470. If they are planted on land not enforceably restricted, they shall be valued and have the same base year as the land unless planted after lien date 1975 in which case the year of planting shall be their original base year.

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Rule 467. (Cal. Adm. Code) TAXABLE POSSESSORY INTERESTS.

For the 1979 lien date and thereafter the assessor shall ascertain the full value of all taxable possessory interests as defined in Section 21 of this code and created prior to March 1, 1975, as of that date. Possessory interests newly created subsequent to March 1, 1975, shall be appraised at their full value as of the date of creation.

Possessory interests renewed, extended, subleased or assigned for a term in excess of ten years any term shall be appraised at their full value as of the date of the renewal, extension, or as of the date the sub-lessee or assignee obtains the right to occupancy or use of the property.

New improvements erected for the purpose of exercising the rights granted by the possessory interest held in land shall be valued as of the date of the completion of construction. When improvements owned by the holder of the possessory interests are in the course of construction for a period that covers more than one lien date, they shall be appraised in accordance with Section 463.

If the current full value of any possessory interest declines changes for any reason to a value that is less than its full cash value base the current assessment shall reflect that decline base year value appropriately adjusted to the lien date for which the roll is being prepared that lower value shall be enrolled.

Rule No. 469. (Cal. Adm. Code) MINES AND QUARRIES.

Reference: Sections 110, 110.1, 110.5, 110.6, Revenue and Taxation Code.

Organic and inorganic minerals and rocks are natural substances of the earth, and are classified as land. The volume of minerals or rocks of acceptable quality that may be removed from the land under existing economic and operating conditions are classified as reserves. The creation of reserves by exploration or by development constitutes an addition to real property and the production of the minerals or rocks from a reserve constitutes a removal of real property.

(a) The full value of a mine or quarry is its base year full value adjusted for the depletion of reserves. The value of the depleted reserves shall be determined annually employing the economic data that applied to the establishment of the reserves in the base year.

(b) The base year of new reserves shall be the year in which either development or mining occurs.

History: Adopted June 29, 1978, effective July 3, 1978.

Amended September 26, 1978, effective October 2, 1978.

Rule No. 470. (Cal. Adm. Code) OPEN-SPACE- ENFORCEABLY RESTRICTED PROPERTY.

Reference: Sections 110, 110.1, 110.5, 110.6, Revenue and Taxation Code.

All open-space lands "enforceably restricted" within the meaning of Sections 421 and 422 of the Revenue and Taxation Code shall have a base year restricted value determined by one of the following methods:

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- (a) If enforceably restricted prior to the 1975 lien date with no subsequent change in ownership, the base year full value is the 1975 restricted value.
 - (b) If an enforceable restriction is entered into subsequent to the 1975 lien date and no change in ownership has occurred, the base year full value is the value as if restricted in 1975.
 - (c) If a change in ownership has occurred subsequent to the 1975 lien date, the base year full value shall be the restricted value redetermined as of the date of the most recent change in ownership, regardless of the effective date of the enforceable restriction.

All base year restricted values shall be modified annually by the inflation rate. Subsequent land improvements such as wells and land leveling, will be valued by capitalizing the income attributable to the land improvements using the capitalization rate prescribed in Section 423 (b) of the Revenue and Taxation Code.

When an open-space contract is cancelled, pursuant to the provisions of Sections 51280 through 51285 of the Government Code, the full cash value of the land shall be the appropriate base year full cash value as modified annually by the inflation rate.

When an open-space contract is not renewed it shall be phased out under the provisions of Section 426 of the Revenue and Taxation Code; "the full cash value of the land" shall be the base year full cash value modified annually by the inflation rate. The value of the land by capitalization of income shall be the base year restricted value modified annually by the inflation rate.

History: Adopted June 29, 1978, effective July 3, 1978.
Amended September 26, 1978, effective October 2, 1978.

Commencing with the 1979 lien date, all property enforceably restricted pursuant to Section 8 of Article XIII of the California

Constitution shall be valued for property tax purposes pursuant to Article 1.5, Open Space Land (commencing with Section 421) and Article 1.9, Historical Property (commencing with Section 439) of Chapter 3 of Part 2 of the Revenue and Taxation Code.

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When enforceable restrictions are cancelled or terminated by non-renewal as provided by the Revenue and Taxation Code, the full cash value referred to therein shall be the base year value as modified annually by the inflation rate.

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Rule No. 471. (Cal. Adm. Code) TIMBERLAND.

Consistent with the intent of the provisions of Section 3(j) of Article XIII of the California Constitution and the legislative interpretation thereof, the base year value for land which has been zoned as timberland pursuant to Sections 51110 or 51113 of the Government Code shall be ascertained for the 1979 lien date and thereafter from the 1977 statutory most recent board-adopted timberland site class value schedule and shall be modified annually by the inflation rate.

If, on or after March 1, 1979, timberland, or a portion thereof, is purchased, or otherwise undergoes a "change in ownership" as that phrase is defined in Section 462, its base year value shall be ascertained from the most recent board-adopted timberland site class value schedule to be adopted by the Board on or before January 1, 1980. Base year values for timberland which changes ownership on or after March 1, 1980, shall be ascertained from the board-adopted timberland site class value schedule in effect as of the date of change in ownership.

Values determined as provided in this section shall be enrolled on the lien date next succeeding the date when the timberland, or a portion thereof, changed ownership. Each year following enactment of a new base year value that value shall be modified by the annual inflation rate.

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