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100 N STREET, SACRAMENTO, CALIFORNIA
 P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808

(916) 445-4982

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No. 79/28

February 5, 1979

TO COUNTY ASSESSORS:

REVISIONS AND ADDITIONS TO OPEN-SPACE STATUTES

On September 25, 1978 the Governor approved Assembly Bill 1625, Chapter 1120. This bill modifies the Revenue and Taxation Code sections relating to agricultural preserves and becomes effective January 1, 1979. The following specific sections of the bill involve the assessor's responsibilities.

Section 12 adds Section 51283.1 to the Revenue and Taxation Code and requires consideration of an additional payment for deferred taxes when a contract is cancelled. In this section the assessor is required to determine the following values:

- (1) "The unrestricted assessed value,..." Under current law this value is 25 percent of the factored base year (Rule 460) market value.
- (2) "The current restricted assessed value,..." Under current law this value is 25 percent of the factored base year restricted value as determined in accordance with Rule 470.
- (3) "The base year unrestricted assessed value,..." In this context the term "base year" is not the same as the base year defined in Board Rule 460. For contracts in existence for 10 years or less, this value is the assessed value for the year prior to the initiation of the enforceable restriction. For contracts in existence for more than 10 years, this value is calculated by interpolation as prescribed in Section 51283.1(a)(3)(B).
- (4) "The base year restricted assessed value...." The referenced base year value is not the same as the base year restricted value as determined in accordance with Board Rule 470. For contracts in existence for 10 years or less, this value is the assessed value for the first year of the enforceable restriction. For contracts in existence for more than 10 years, this value is calculated by interpolation as prescribed in Section 51283.1(a)(4)(B).

These values determined by the assessor will be used to calculate the additional fee described in Section 51283.1(b), (c), (d), and (e).

Section 15 of Assembly Bill 1625 amends Section 423 of the Revenue and Taxation Code. The areas of particular concern are:

February 5, 1979

- (1) The wording of Revenue and Taxation Code Section 423(a)(1) was changed to insure that use of average area rents, and the consideration of terms and conditions of the leases and the uses permitted, in the determination of the fair market rent for a specific property.
- (2) Section 423(a)(3) was revised to eliminate the six-year limitation when considering crop rotation.
- (3) Section 423(b)(3) was expanded to clarify the tax rate component. Special district charges that are excluded from the specified component should be deducted as expenses.
- (4) Section 423(e) was added. This section provides, when specified in the contract, that the restricted value cannot exceed market value. Under current law (Article XIII A of the California Constitution as amended by Proposition 8) this would require the comparison of the factored restricted base year value, the currently computed restricted value, and the current market value. The lowest of the three would be enrolled; a new base year is established if current restricted or market value is enrolled.
- (5) Section 423(f) was added. This section requires, when it is so specified in the contract, that improvements which contribute to the income of the land be included in the restriction and valued in the same manner as land. Improvements which contribute to the income of the land do not include residences, which are separately valued in accordance with Section 428 of the Revenue and Taxation Code.

Please refer procedural questions to John McCoy of the Assessment Standards Division, (916) 445-4982.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:sk