



STATE BOARD OF EQUALIZATION

1020 N STREET, SACRAMENTO, CALIFORNIA
(P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808)
(916) 445-4982

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Executive Secretary
No. 80/175

December 5, 1980

TO COUNTY ASSESSORS:

RECENT DEVELOPMENTS REGARDING THE
1978-79 UNSECURED ROLL

As you are all undoubtedly aware, in issuing unsecured tax bills for the 1978-79 fiscal year, 22 counties used the secured tax rate for the 1977-78 fiscal year. The remaining 36 used the reduced rate prescribed by Article XIII A of the California Constitution.

In resolving this issue, the California Supreme Court in Board of Supervisors v. Lonergan, 27 Cal. App. 3d 870, filed 8/14/80, and Hanson v. County of Los Angeles, 27 Cal. App. 3d 855, filed 8/14/80, held that the provisions of Article XIII A of the California Constitution were inapplicable to property on the 1978-79 unsecured roll. This means that all property upon the 1978-79 unsecured roll should receive the 1977-78 secured roll rate and that the real property should be valued without application of the value limitation contained in Article XIII A.

Accordingly, the proper treatment for the 1978-79 unsecured roll would be as follows:

1. The tax rate applicable to all unsecured property, exclusive of aircraft taxed under Section 5391 of the Code, would be the 1977-78 secured roll rate.
2. The tax rate applicable to aircraft taxed under Revenue and Taxation Code, Section 5391, should be 1.5 percent of market value.
3. The unsecured real property should be valued without consideration of the value limitations imposed by Article XIII A of the California Constitution.

Due to the anticipated administrative problems in implementing the court's decision, Assembly Bill 2196 was signed by the Governor on September 30, 1980 (Chapter 1354). As urgency legislation, it took immediate effect and provides as follows:

1. Local agencies that applied the Article XIII A tax rate limitation to assessments on the 1978-79 unsecured roll shall not collect the additional tax at the 1977-78 secured roll rate until July 1, 1981.
2. Local agencies that applied the 1977-78 secured roll tax rate to properties on the 1978-79 unsecured roll are forbidden from spending, during the 1980-81 fiscal year, those revenues collected from the unsecured roll which exceed the amount the local agency would have collected had it applied the Article XIII A tax rate limitation.

The court decision addressed both tax rate and valuation, while Assembly Bill 2196 applies only to the general tax rate effect on revenues. Although corrections to real property assessed values are subject to correction in accordance with the court decision, it appears that the Legislature intends to enact legislation that will affect the assessment, taxation, and disposition of revenues applicable to the 1978-79 unsecured roll. Therefore, it would be advisable to delay mass correction of that roll until July 1, 1981.

Following are four different procedures that the counties may have followed in preparing and billing their 1978-79 unsecured roll assessments. Also discussed are advisable actions depending upon the procedure used.

1. County valued the unsecured real property under the Article XIII A guidelines and billed at the 1 percent rate.

Suggested Action

Mass correction of the roll should be delayed until July 1, 1981. Individual corrections (including escapes) resulting from audits, assessment appeals, discovery of errors, etc., should also be delayed whenever possible.^{1/}

If it is necessary to make a correction before July 1, the value of real property should be revised to reflect the value unencumbered by Article XIII A. The net correction must be billed or refunded at the 1 percent rate and the taxpayer should be informed that additional corrections will probably be made after July 1, 1981.

2. County valued the unsecured real property at market value and used the 1 percent rate.

^{1/} However, there is no reason to delay a correction that would result in total cancellation of the assessment.

Suggested Action

No mass action may be taken until July 1, 1981. Except for total cancellations, individual corrections (including escapes) resulting from audits, assessment appeals, discovery of errors, etc., should also be delayed whenever possible.

If it is necessary to make a correction before July 1, the net correction must be billed or refunded at the 1 percent rate and the taxpayer should be informed that additional corrections will probably be made after July 1, 1981.

3. County valued the unsecured real property under the Article XIII A guidelines and used the 1977-78 secured rate.

Suggested Action

Mass correction of the roll should be delayed until July 1, 1981. Except for total cancellations, individual corrections (including escapes) resulting from audits, assessment appeals, discovery of errors, etc., should also be delayed whenever possible.

If it is necessary to make a correction before July 1, the value of real property should be revised to reflect the value unencumbered by Article XIII A. Any resulting increase should be billed at the 1977-78 secured rate, but the revenues collected for the difference between the 1 percent rate and the 1977-78 rate must be retained until July 1, 1981. Value decreases could be refunded at the 1977-78 secured rate.

4. County valued the unsecured real property at market value and used the 1977-78 secured rate.

Suggested Action

Mass correction of the roll is not necessary. Individual corrections and escapes can be made as necessary. Any increase should be billed at the 1977-78 secured rate, but the difference between the 1 percent rate and the 1977-78 secured rate must be retained until July 1, 1981.

General Aircraft

We previously advised you that for 1978-79, aircraft taxed under Section 5391 of the Revenue and Taxation Code were subject to the 1 percent rate rather than the statutory 1.5 percent rate.

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This has been reversed by the Hanson and Loneragan decision, and it is our view that Assembly Bill 2196 has no effect on the general aircraft billings. Nevertheless, we believe it would be prudent to delay correction of the 1 percent billings until July 1, 1981.

Questionnaire

This Board will undoubtedly be asked by the Legislature to provide information regarding the effects of the Loneragan and Hanson decisions. Also, questions are anticipated concerning the applicability of Proposition 8 on the 1978-79 secured roll (see letter to assessors 80/129). Please fill out the enclosed questionnaire and return it to the Assessment Standards Division by January 15, 1981.

If you have questions or comments, contact Charlie Knudsen at (916) 445-4982.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:ebv
Enclosure
AL-01-0423A

County _____

QUESTIONNAIRE REGARDING THE EFFECT OF RECENT
COURT DECISIONS ON THE 1978-79 ASSESSMENT ROLL

Valuation

1. What is the valuation basis of real property assessments on the 1978-79 unsecured roll? Please list the status as of June 30, 1980.

- a. Market value as of 3-1-78
- b. Base year value plus CPI factor
- c. Lower of base year value (plus CPI) or market value
- d. Other (describe) _____

Questions #2 through #5 do not apply to counties that valued 1978-79 unsecured real property at current market value.

2. Approximately how many assessments are subject to real property valuation correction due to the Lonergan and Hanson decisions?

3. When do you plan to correct the assessments?

- a. Immediately
- b. Wait until July 1, 1981
- c. Other (describe) _____

4. What do you estimate will be the cost to correct the 1978 unsecured real property assessments?

- a. \$ _____
- b. _____ man-hours (professional and clerical)
- c. No estimate available, but probably minimal
- d. No estimate available, but probably substantial

Comment _____

5. What is the estimated effect on the 1978-79 unsecured roll in terms of full value?

- a. No idea, probable increase in full value
- b. Estimate \$ _____ increase in full value
- c. Little or no net change
- d. Estimate \$ _____ decrease in full value
- e. No idea, probable decrease in full value

Tax Rate

6. What tax rate was in effect for 1978-79 unsecured assessments (except for general aircraft) as of June 30, 1980?

- a. 1 percent (plus bonds)
- b. 1977-78 secured rate

7. For counties that used the 1 percent rate, can you estimate the total tax dollar effect of correcting to the 1977-78 secured rate?

- a. Yes. Estimate \$ _____ additional taxes
- b. No

8. What tax rate was in effect for general aircraft for 1978-79 as of June 30, 1980?

- a. 1 percent (no bonds)
- b. 1 percent (plus bonds)
- c. 1 1/2 percent

9. For counties that used the 1 percent rate for general aircraft, can you estimate the total tax dollar effect on correcting to 1 1/2 percent?

a. Yes Estimate \$ _____ additional taxes

b. No

10. For counties that used the 1 percent rate for general aircraft, when does the county plan to correct to 1 1/2 percent?

a. Immediately

b. Wait until July 1, 1981

c. Other (describe) _____

11. Miscellaneous changes to the 1978-79 unsecured roll are frequently necessary due to audits, discovery of errors, etc. Please check the box that best describes how you plan to process such roll changes.

a. Defer all such changes until July 1, 1981

b. Defer such corrections to July 1, 1981 except when:

Taxpayer requests immediate correction

Correction totally cancels assessment

Collection of tax may be jeopardized by delay

Other (describe) _____

c. Continue to process corrections without delay

Proposition 8

12. What is the valuation basis of real property assessments on the 1978-79 secured roll as of June 30, 1980?

a. Base year value plus CPI factor

b. Lower of base year value plus CPI or market value

c. Other (describe) _____

Questions 13 through 15 do not apply to counties that valued 1978-79 real property at the lower of base year value plus CPI or market value.

- 13. On May 15, 1980, the Court of Appeal for the Fourth District held that Proposition 8, which allowed for recognition of declines in value, was applicable to the 1978-79 tax year (State Board of Equalization v. San Diego County Assessment Appeals Board, 105 Cal. App. 3d 813). What are your plans for correcting 1978-79 secured assessments to the lower of market value or base year value plus CPI?

- / / a. Immediately
- / / b. Other (describe) _____

- 14. What do you estimate will be the cost to correct the 1978 secured real property assessments?

- / / a. \$ _____
- / / b. _____ man-hours (professional and clerical)
- / / c. No estimate available, but probably minimal
- / / d. No estimate available, but probably substantial

Comment _____

- 15. What is the estimated effect on the 1978-79 secured roll in terms of full value?

- / / a. Estimate \$ _____ decrease in full value
- / / b. Little or no change

Please return this questionnaire by January 15, 1981 to the Assessment Standards Division, State Board of Equalization, P. O. Box 1799, Sacramento, CA 95808. Feel free to attach comments pertaining to the effect of the court decisions on your county.

Name of Preparer _____
 Title _____
 Telephone _____
 Date _____