



STATE BOARD OF EQUALIZATION

1000 N STREET, SACRAMENTO, CALIFORNIA
 (P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808)

(916) 445-4982

July 22, 1981

GEORGE R. REILLY
 First District, San Francisco
 ERNEST J. DRONENBURG, JR.
 Second District, San Diego
 WILLIAM M. BENNETT
 Third District, San Rafael
 RICHARD NEVINS
 Fourth District, Pasadena
 KENNETH CORY
 Controller, Sacramento
 DOUGLAS D. BELL
 Executive Secretary
 No. 81/85

TO COUNTY ASSESSORS:

ASSEMBLY BILL 20, REVALUING 1978-79 UNSECURED REAL PROPERTY

Assembly Bill 20 is one of several bills which have been introduced in response to the Lonergan decision, in which the court found that the provisions of Article XIII A did not apply to assessments on the 1978-79 unsecured roll. Assembly Bill 20 was signed by the Governor on July 21, 1981 (Chapter 242) and is effective immediately.

Of concern to assessors is Section 155.21 of the Revenue and Taxation Code which is added by Assembly Bill 20 and which goes into effect immediately. Section 155.21 authorizes a county board of supervisors to exempt from revaluation properties which were assessed for the 1978-79 unsecured roll under the provisions of Article XIII A, provided the board adopts a finding that the cost of such revaluation would exceed the net revenues which would result from the revaluation.

The following represents our understanding of Section 155.21. This was developed after conferring with Mr. Dave Doerr, consultant to the Assembly Revenue and Taxation Committee.

Section 155.21(a)

1. This section relates to the issue of whether the county must revalue the real property on the 1978-79 unsecured roll if the property was valued by either the Proposition 13 criteria or the Proposition 13/Proposition 8 criteria (the lower of the factored base-year value or the current market value). It sets forth the mechanism whereby the supervisors may make a determination that the cost of revaluation would be in excess of the revenue involved, and adoption of such determination would exempt the properties from revaluation pursuant to the authority granted by Section 7 of Article XIII of the California Constitution.
2. The finding must relate to the reappraisal issue in the aggregate and not to individual assessments. It must be determined that the total cost of reappraising, billing, collecting, and refunding would exceed the net amount of revenue shift.

3. If the net revenue shift exceeds the total cost, then the board of supervisors is not authorized to adopt the finding, and all 1978-79 unsecured real property assessments are subject to reassessment and rebilling or refund.
4. If the estimated costs exceed the estimated revenue shift, then the board of supervisors may hold a hearing, make a determination that the costs would exceed the revenue shift, and exempt the assessed values that would have resulted from a revaluation.
5. The finding must relate both to additions to the real property assessments and to reductions. If the supervisors elect to exempt increases, they must also include decreases. All real property assessments on the 1978-79 unsecured assessment roll must be included in the finding.
6. In determining the revenue side of the cost-benefit equation, the following must be considered:
 - a. Increases and decreases in assessed value must be offset to arrive at a net assessed value in the aggregate.
 - b. The net assessed value will be extended at the 1977-78 secured roll rate.
 - c. The full amount of taxes must be considered, including county, city, school, and district property taxes.
7. The cost element of the cost-benefit equation must consider the following:
 - a. Costs include those involved as a result of revaluation, including reappraisal, billing, and collecting.
 - b. Costs do not include billing and collecting costs which are required to correct the tax rate (from the Article XIII A rate to the 1977-78 secured rate).
 - c. Costs do not include revenue losses due to reductions in assessments.
8. The reference to June 30, 1981 is intended to provide a reference point in time. It means that the supervisors are to consider the 1978-79 assessment roll after allowing for roll corrections made through June 30, 1981.
9. Once it is determined by the supervisors that a revaluation is not cost effective and that all 1978-79 unsecured real property is exempt from this particular revaluation, there will be no reappraisals for individual reductions. The bill is silent on the question of allowing the taxpayer to file claims for reduction.

Section 155.21(b)

The purpose of this subsection is to restate that the finding is to be based on the 1978-79 assessed values as corrected through June 30, 1981.

Section 155.21(c)

This subsection reiterates the provisions in Section 155.21(a) concerning the decision to be made by the county boards of supervisors. If the aggregate impact of the revaluation will be a reduction in revenues and the net amount of such reduction (refunds) is greater than the aggregate cost of revaluing, then the board of supervisors is not authorized to adopt the finding provided by subsection (a).

Section 12 of Assembly Bill 20

This section restates the legislative intent, points out the unusual nature of the problem, and reiterates that the test of aggregate costs versus aggregate (net) revenues is consistent with the intent of Section 7 of Article XIII of the Constitution.

General

It is intended that the decision to revalue real property assessments on the 1978-79 unsecured roll or to exempt them under Section 155.21 be made independent of consideration for refunds which may be made available pursuant to Assembly Bill 11.

We believe that the Legislature intended that the supervisors base their finding on estimates. Presumably, the supervisors would ask the assessor to provide estimates of the number of 1978-79 assessments involved, the net effect on assessed value, and the cost to revalue all 1978-79 unsecured real property assessments. The extent of documentation for these estimates is a matter for the supervisors to determine.

We will inform you if there are further significant developments relating to Assembly Bill 20. Please contact Charlie Knudsen if you have questions or comments regarding this legislation. His telephone number is (916) 445-4982.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:hlo
AL-01-0358A