



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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TO COUNTY ASSESSORS

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No. 83/81

POSSESSORY INTERESTS IN STATE HIGHWAY REAL PROPERTY

Assembly Bill 574, which was signed into law on July 13, 1983, as Chapter 213 of the Statutes of 1983, has simplified the billing procedure for taxes on possessory interests in excess state highway property leased by Cal Trans to private parties. This bill, sponsored by Cal Trans, is an attempt to reduce the amount of paperwork connected with the taxation of these possessory interests. It is effective for the 1984-85 tax roll.

Section 104.10 of the Streets and Highways Code requires Cal Trans to annually pay to the county 24 percent of the revenues received from the rent or lease of excess state highway properties located in that county. Section 104.13, which was amended by this bill, formerly provided that any person who leased excess state highway property from the department could receive credit against their rent, or a refund in some cases, for possessory interest taxes they had paid on the leased property. This credit or refund was deducted from the annual rent payment made to the county.

Revised Section 104.13 requires Cal Trans to act as agent for the payment of these possessory interest taxes. The department must annually submit to the county assessor a list of all state highway property, including that property deemed excess, which is located in the county. The county will send the PI tax bills directly to the department, who shall pay them from the 24 percent rent allocation. If the rent allocation is insufficient to pay the taxes, Cal Trans must pay the county the balance due. Cal Trans will also include in its leases a statement that the department will pay all possessory interest taxes arising from the lease, but will accordingly adjust the rent charged.

This new law modifies only the billing and collecting procedures of these possessory interest taxes; it in no way affects the taxability of these interests or their statutory classification as real property.

Copies of this chapter are enclosed for your information. Please refer your questions on this bill to our Technical Services Section at (916) 445-4982.

Sincerely,

Verne Walton, Chief
Assessment Standards Division

VW:bjb
Enclosure
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