



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

1020 N STREET, SACRAMENTO, CALIFORNIA
(P.O. BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)

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October 4, 1988

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Second District, Los Angeles

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Third District, San Diego

PAUL CARPENTER
Fourth District, Los Angeles

GRAY DAVIS
Controller, Sacramento

CINDY RAMBO
Executive Director

No. 88/70

TO COUNTY ASSESSORS, COUNTY
COUNSELS, ASSESSMENTS APPEALS
BOARDS, AND OTHER INTERESTED PARTIES:

**NOTICE OF PROPOSED REGULATORY ACTION
BY THE
STATE BOARD OF EQUALIZATION**

**RULE 324
DECISION**

PUBLIC HEARING: TUESDAY, NOVEMBER 29, 1988

NOTICE IS HEREBY GIVEN

The State Board of Equalization proposes to amend Rule 324, Decision, in Title 18 of the California Code of Regulations, relating to property taxes. A public hearing relevant to this action will be held in Room 102, Consumer Affairs Building, 1020 N Street, Sacramento, California, at 2:00 p.m. on Tuesday, November 29, 1988. Any person interested may present statements or arguments orally at that time and place. Written statements or arguments will be considered by the Board if received by November 29, 1988.

INFORMATIVE DIGEST

Revenue and Taxation Code Sections 1601 et seq. pertain to equalization of property tax assessments by local boards of equalization. Under existing law, most assessments arise as the result of changes in ownership (Rev. & Tax. Code, Section 60 et seq.), new construction (Rev. & Tax. Code, Section 70 et seq.) and decreases in value (Rev. & Tax. Code, Section 110). Section 1604 provides that applications for equalization may seek reductions in assessments and proportionate reductions or refunds of the taxes extended thereon, section 1603 provides that such applicants file verified written applications showing the facts claimed to require reductions in assessments, and section 1610.8 requires a local board to determine the full values of individual properties and to reduce or increase individual assessments.

And section 1611.5 requires that after equalization hearings, final determinations by local boards of equalization be supported by the weight of the evidence.

Rule 324 describes the decision process and considerations relevant to local boards of equalization or assessment appeals boards conducting equalization hearings. The proposed amendments to this rule conform the rule to article XIII A of the California Constitution and the Legislature's subsequent implementing statutes. In subdivision (a), use of acceptable valuation methods and their proper application are prescribed, and references to assessment ratios have been deleted since the current statutory scheme no longer utilizes ratios. In subdivision (b), a board's authority to determine the taxable value of property is restated and, as restated, authorizes a board to determine the taxable values of entire appraisal units which have undergone changes in ownership, new construction, or decreases in value even though applications for review might include only portions of such appraisal units. Also, a board is to determine market values of entire appraisal units whenever it is necessary to determinations of market values of any portions thereof. Former subdivision (d), stating that the board shall neither raise nor lower the entire local roll, and former subdivision (e), setting forth what written findings of fact must include, are deleted because they are merely restatements of Revenue and Taxation Code sections 1610.6 and 1611.5, respectively. And in subdivision (d), formerly subdivision (f), consideration relevant to valuing property by comparison to sales of other properties are expanded.

COST TO LOCAL AGENCIES AND SCHOOL DISTRICTS

The State Board of Equalization has determined that the proposed change does not impose a mandate on local agencies or school districts. Further, the Board has determined that the change will result in no direct or indirect cost or savings to any State agency, any local agency or school district that is required to be reimbursed under Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code or other nondiscretionary cost or savings imposed on local agencies, or cost or savings in Federal funding to the State of California.

EFFECT ON SMALL BUSINESS

The cost impact on private persons or businesses will be insignificant. This proposal will not have a significant adverse economic impact on small businesses.

AUTHORITY

Section 15606, Government Code.

REFERENCE

Article XIII A, California Constitution, Section 15606, Government Code, Section 402.1, 402.5, 1609, 1611.5, Revenue and Taxation Code.

CONTACT

Questions regarding the content of the rule should be directed to Deputy Director, Property Taxes Department, at (916) 445-1516, at 1020 N Street, Sacramento, CA 95814.

Written comments for the Board's consideration or requests to present testimony and bring witnesses to the public hearing should be directed to Janice Masterton, Assistant to Executive Director, (916) 445-6479, at the same address.

ALTERNATIVES CONSIDERED

The Board must determine that no alternative considered would be more effective in carrying out the purpose for which the action is proposed or be as effective and less burdensome to affected private persons than the proposed action.

AVAILABILITY OF STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS

The Board has prepared a statement of reasons and a strike-out and underscore version (express terms) of the proposed changes. Both of these documents and all information on which the proposal is based are available to the public upon request. The rulemaking file is available for public inspection at Room 134, 1020 N Street, Sacramento, California.

ADDITIONAL COMMENTS

In the event there are any staff memoranda included in the rulemaking file after the close of the public hearing, these memoranda will be available to the public upon request from Mrs. Masterton for a period of 15 days after the public hearing.

In the event there are any revisions sufficiently related to the published version of the rule, these revisions will be mailed to those interested parties that commented orally or in writing or that asked to be informed of such changes and will be available to the public from Mrs. Masterton for a period of 15 days before adoption.

Following the hearing, the State Board of Equalization, upon its own motion, or at the instance of any interested persons, may in accordance with law adopt the changes proposed without further notice.

Dated: September 27, 1988

STATE BOARD OF EQUALIZATION



Cindy Rambo
Executive Director

~~Rule 324. DECISION.~~

Reference: Section 1601 et seq., Revenue and Taxation Code.

(a) Acting upon the evidence properly before it the board shall determine the taxable value of the property which is the subject of the hearing, and shall designate the ratio to be applied thereto, which shall be the lowest of the ratios provided in Section 1610.8 of the Revenue and Taxation Code. The determination of the taxable value shall be supported by the weight of the evidence at the hearing.

(b) When an applicant requests a reduction in the assessed value of a portion of an improved real property (e.g., land only or improvements only) or a portion of installations which are partly real property and partly personal property (e.g., only the improvement portion or only the personal property portion of machinery and equipment), whether the reduction is requested on grounds of valuation, on grounds of misclassification or for any other cause, the board shall make a determination of the full cash value of the whole property and shall order a change in the assessed value of the part only if the assessed value of the whole requires equalization, or shall adjust the value of the parts so that each is equalized and the value of the whole property is accounted for.

(c) The board shall be bound by the same principles of evaluation that are legally applicable to the assessor.

(d) The board shall neither raise nor lower the entire local roll.

(e) When written findings of fact are made, they shall fairly disclose the board's findings on all material points raised in the application and at the hearing. The findings shall also include a statement of the method or methods of valuation used in determining the full cash value of the property, and shall be made timely after the hearing.

(f) When valuing a property by comparison with sales of other properties, the board shall consider only those sales which in its judgment are sufficiently near in time to the valuation date yet occurring no more than 90 days after the lien date, are located sufficiently near, and are sufficiently alike in respect to character, size, situation, usability, zoning or other legal restriction as to use, to the property being valued, to make it clear that the properties sold and the property being valued are comparable in value and that the cash equivalent price realized for the properties sold may fairly be considered as shedding light on the value of the property being valued. Pursuant to Section 402.1 of the Revenue and Taxation Code, the board shall presume that zoning or other legal restrictions on the use of either the properties sold or the property being valued will not be removed or substantially modified in the predictable future unless sufficient grounds as set forth in that section are presented to the board to overcome that presumption.

RULE 324. Decision.

(a) Determination of Taxable Value.

Acting upon the evidence properly before it, the Board shall determine the taxable value of the property which is the subject of the hearing. The determination of the taxable value shall be supported by the weight of the evidence presented during the hearing. The Board shall consider evidence of value derived by the use of any of the valuation methods described in section 3 of this chapter. It shall determine whether the method(s) used was (were) properly applied, considering the type of property assessed and any governmentally imposed land use restrictions, by examining the factual data, the presumptions and the estimates relied upon.

(b) Jurisdiction

The board's authority to determine the taxable value of property, while usually exercised in response to an application for equalization, is not predicated on the filing of an application nor limited by the applicant's request for relief.

When an application for review includes only a portion of an appraisal unit the board may nevertheless determine the taxable value of other portions that have undergone a change in

ownership, new construction or a decrease in value. The board shall, however, on its own motion or at the assessors' request, determine the market value of the entire appraisal unit whenever that is necessary to the determination of the market value of any portion thereof.

An appraisal unit of property is a collection of tangible assets that function together and that commonly sell as a unit or that are specifically designated as such by law.

[(c) Valuation Principles.

The Board shall be bound by the same principles of valuation that are legally applicable to the assessor.]

[(~~g~~) (d) Comparable Sales.

When valuing a property by a comparison with sales of other properties, the Board may consider those sales which, in its judgment, involve properties similar in size, quality, age, condition, utility, amenities, site location, legally permitted use, or other physical attributes to the property being valued. When valuing property for purposes of either the regular roll or the supplemental roll, the Board shall not consider a sale if it occurred more than 90 days after the date for which value is being estimated. The Board shall presume

that zoning or other legal restrictions of the types described in Revenue and Taxation Code section 402.1 on the use of either the property sold or the property being valued will not be removed or substantially modified in the predictable future unless sufficient grounds as set forth in that section are presented to the Board to overcome that presumption.

References: Article XIII A, California Constitution, Section 15606 Government Code, Section 402.1, 402.5, 1609, 1611.5, Revenue and Taxation Code

Authority: Section 15606 Government Code