



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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No. 89/06

January 20, 1989

TO COUNTY ASSESSORS:

FULL CASH VALUE OF REAL PROPERTY - DEFINITION
CHAPTER 1519, STATUTES OF 1988
(ASSEMBLY BILL 3382)

Chapter 1519, Statutes of 1988, (Assembly Bill 3382) effective January 1, 1989, amends Section 110 of the Revenue and Taxation Code, which defines the meaning of "full cash value" or "fair market value", except as is otherwise provided in Section 110.1.

The amendment adds subdivision (b) which provides, in part, that for real property, other than possessory interests, being appraised upon a purchase, "full cash value" or "fair market value" shall be the purchase price paid unless it is established by a preponderance of the evidence that the property would not have transferred for that price in an open market transaction. It further provides that the purchase price shall be rebuttably presumed to be the "full cash value" or "fair market value" if the terms of the transaction were negotiated at arms length.

"Purchase price" is defined as the total consideration provided by the purchaser or on the purchaser's behalf, valued in money.

Subdivision (b) also provides that where more than one parcel of real property changes ownership in a single transaction, the purchase price shall be allocated among those parcels (and other assets, if any) based on the relative fair market value of each.

The provisions of subdivision (b) are very similar to the language adopted by the Board in its amendment to Property Tax Rule 2, effective September 20, 1985.

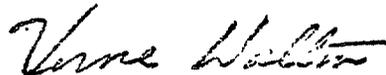
Subdivision (c) is added to Section 110 to provide that the rebuttable presumption under subdivision (b) shall not apply if the taxpayer fails to include in the change in ownership statement or the preliminary change in ownership statement any information prescribed by the Board relative to whether the terms of the transaction were negotiated at "arms length." This subdivision also requires the taxpayer to disclose on the change in ownership statement the portion of the purchase price which is allocable to each element of the transaction in the event property other than real property is included.

TO COUNTY ASSESSORS

-2-

In order that assessors may have the information needed to determine whether a particular transaction has been negotiated at "arms length," both the current change in ownership statement and the preliminary change in ownership statement will have to be revised. The Board is presently drafting these revisions.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:wpc
LEOP-11-0292G