



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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Executive Director

May 20, 1991

TO COUNTY ASSESSORS AND  
OTHER INTERESTED PARTIES:

No 91/40

PROPERTY TAX RULE 2  
THE VALUE CONCEPT

On September 12, 1990, the State Board of Equalization held a public hearing on Property Tax Rule 2, The Value Concept. In response to public comment, the staff proposes further changes to rule 2.

Subdivision (a) is changed to delete the language proposed in the published version, relating to the unencumbered or unrestricted fee simple interest in real property, and restores the first sentence to its existing language without any change. The change also adds the second sentence as a separate paragraph, to clarify that the definition of "full value", "full cash value", "cash value", "actual value", and "fair market value" as applied to real property refers to the value of the unencumbered or unrestricted fee simple interest.

In accordance with Government Code Section 11346.8(c), the changed version of rule 2 is being placed in the rulemaking file and mailed today to interested parties that commented orally or in writing or that asked to be informed of such revisions. If you wish to review the rulemaking file, it is available for your inspection in Room 134 at this address.

Comments received by June 4, 1991, will be before the Board when the Board considers adoption of the changed version. Please mail comments to this address to the attention of Janice Masterton, Regulations Coordinator.

If you have questions regarding the content of the regulation, please call John Hagerty, Deputy Director, Property Tax, at (916) 445-1516.

Sincerely,

Cindy Rambo  
Executive Director

CR:ms  
0021R/71

RULE 2. THE VALUE CONCEPT

(a) In addition to the meaning ascribed to them in the Revenue and Taxation Code, the words "full value", "full cash value", "cash value", "actual value", and "fair market value" mean the price at which a property [the unencumbered or unrestricted fee simple interest in real property / subject to legally enforceable governmental restrictions] // if [ , if ] exposed for sale in the open market with a reasonable time for the seller to find a purchaser [in an arms length transaction], would transfer for cash or its equivalent under prevailing market conditions [ / between parties who have knowledge of the uses to which the property may be put, both seeking to maximize their gains and neither being in a position to take advantage of the exigencies of the other. ]

[When applied to real property, the words "full value", "full cash value", "cash value", "actual value" and "fair market value" mean the price at which the unencumbered or unrestricted fee simple interest in the real property (subject to any legally enforceable governmental restrictions) would transfer for cash or its equivalent under the conditions set forth in the preceding sentence.] THE FULL VALUE // FULL CASH VALUE // CASH VALUE // ACTUAL VALUE /

and/fair/market/value/of/real/property/being/appraised/upon  
a/purchase/of/other/transfer/consolidating/a/change/in  
ownership/as/defined/in/section/60,/et/seq./of/the/Revenue  
and/Taxation/Code/shall/be/the/purchase/price/paid/in/such  
transaction/unless/there/is/substantial/evidence/that/the  
purchase/price/in/an/open/market/transfer//The  
purchase/price/shall,however,/be/rebuttably/presumed/to/be  
the/fair/market/value//fair/market/value//cash/value//actual  
value//of/fair/market/value//of/the/terms/of/the  
transaction/were/negotiated/by/arms/length/between/a  
knowledgeable/transferor/and/transferee/whether/of/which  
could/take/advantage/of/the/exigencies/of/the/other/  
Purchase/price/as/used/in/the/section/is/the/cash  
consideration/provided/by/the/purchaser/of/on/his/benefit/  
value/in/money/whether/paid/in/money/of/otherwise/

(b) When valuing real property (as described in paragraph (a)) as the result of a change in ownership (as defined in Revenue and Taxation Code, Section 60, et seq.) for consideration, it shall be rebuttably presumed that the consideration valued in money, whether paid in money or otherwise, is the full cash value of the property. The presumption shall shift the burden of proving value by a preponderance of the evidence to the party seeking to overcome the presumption. The presumption may be rebutted by evidence that the full cash value of the property is significantly more

or less than the total cash equivalent of the consideration paid for the property. A significant deviation means a deviation of more than 5% of the total consideration.

(c) The presumption provided in this section shall not apply to:

(1) The transfer of any taxable possessory interest.

(2) The transfer of real property when the consideration is in whole, or in part, in the form of ownership interests in a legal entity (e.g., shares of stock) or the change in ownership occurs as the result of the acquisition of ownership interests in a legal entity.

(3) The transfer of real property when the information prescribed in the change in ownership statement is not timely provided.

(d) If a single transaction results in a change in ownership of more than one parcel of real property, the purchase price shall be allocated among those parcels and other assets, if any, transferred based on the relative fair market value of each.

Reference: Article 2, Chapter 3, Part 2, Division 1, Revenue and Taxation Code  
Sections 110, 110.1, 401, Revenue and Taxation Code

Authority: Section 15606, Government Code

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