



STATE BOARD OF EQUALIZATION

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No. 91/59

September 3, 1991

TO COUNTY ASSESSORS:

SUPPLEMENTAL ASSESSMENT OF FIXTURES

The Executive Committee of the California Assessors' Association requested Board staff present its current position on the captioned topic in letter format.

Briefly stated, our position is that fixtures are subject to supplemental assessment when they qualify as new construction or as a change in ownership unless the fixtures are normally valued as a separate appraisal unit from the structure.

Our interpretation is based upon Section 75.5 of the Revenue and Taxation Code, which defines property subject to supplemental assessment as "real property, other than fixtures which are normally valued as a separate appraisal unit from a structure, and mobilehomes . . . ." This language makes it clear that fixtures are exempt from supplemental assessment only if the fixtures are normally "valued" as a separate appraisal unit.

"Valued" is not defined, but we believe it means the appraisal of an entire unit as opposed to an allocation of the unit. If the entire property is appraised by an income approach or a sales approach and then the appraised value is allocated to land, structures, fixtures, personal property, etc., the fixtures are "valued" as part of the appraisal unit and are subject to supplemental assessment. If the land and structures are appraised as one unit--say by an income or sales approach--and the machinery and equipment (M&E) fixtures are appraised separately--say by the cost approach--then the M&E fixtures are not subject to supplemental assessment.

It should be noted that the statutes and rules classifying property do not distinguish between M&E fixtures and building fixtures. A passenger elevator in a building could be defined as a fixture. Since buildings are normally appraised as a unit (cost approach for an individual building) or as part of a larger unit (income or sales approach for the entire property), a passenger elevator would always be subject to supplemental assessment in the case of a change in ownership or new construction.

The determination of whether M&E fixtures are "normally valued as a separate appraisal unit" or normally valued as part of the same unit as the structure

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raises a number of significant and difficult questions. Accordingly, staff plans to distribute a questionnaire to assessors within the next month. The questionnaire will provide the basis for a special topic survey report on the subject of supplemental assessment of fixtures.

Sincerely,



Verne Walton, Chief  
Assessment Standards Division

VW:sk