



STATE OF CALIFORNIA

**STATE BOARD OF EQUALIZATION**

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BURTON W. OLIVER  
*Executive Director*

November 18, 1991

91/79

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

RULE 2, THE VALUE CONCEPT

Following a scheduled public hearing on September 12, 1990, the State Board of Equalization amended Property Tax Rule 2, The Value Concept. The rule as amended became effective September 25, 1991.

Enclosed for your information is a final printed copy of the rule.

If you have any questions regarding the content of this rule, please contact Mr. Richard Ochsner, (916) 445-4588. If you wish extra copies of this rule, please write to State Board of Equalization, Document Design and Control Unit, P.O. Box 942879, Sacramento, CA 94279-0001.

Sincerely,

Burton W. Oliver  
Executive Director

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Enclosures  
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BOARD OF EQUALIZATION  
PROPERTY TAX RULES

Chapter 1. State Board of Equalization — Property Tax  
Subchapter 1. Valuation Principles and Procedures

**Rule 2. THE VALUE CONCEPT.**

References: Sections 110, 110.1, 401, Revenue and Taxation Code; *Carlson v. Assessment Appeals Board No. 1* (1985) 167 Cal. App. 3d 1004; *Dennis v. County of Santa Clara* (1989) 215 Cal. App. 3d 1019.

(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, if exposed for sale in the open market with a reasonable time for the seller to find a purchaser, 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.

(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.

History: Adopted June 21, 1967, effective July 23, 1967.

Amended December 17, 1975, effective January 25, 1976.

Amended October 9, 1984, effective September 20, 1985.

Amended July 24, 1991, effective September 25, 1991.