



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

450 N STREET, SACRAMENTO, CALIFORNIA  
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0080  
916-322-9569 • FAX 916-324-3984  
www.boe.ca.gov

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August 11, 2006

LTA NO. 2006/032

TO COUNTY ASSESSORS,  
COUNTY COUNSELS, AND  
OTHER INTERESTED PARTIES:

NOTICE OF PROPOSED REGULATORY ACTION  
BY THE  
STATE BOARD OF EQUALIZATION

PROPOSED TO ADOPTION RULE 474, *PETROLEUM REFINING PROPERTIES*

NOTICE IS HEREBY GIVEN:

The State Board of Equalization announces a public hearing with regard to the proposed adoption Rule 474, *Petroleum Refining Properties*, in Title 18, Division 1 of the California Code of Regulations. A public hearing on the proposed regulations will be held in Room 121, 450 N Street, Sacramento, at 9:30 a.m., or as soon thereafter as the matter may be heard, on September 27, 2006. 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 September 27, 2006.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Section 1 of article XIII of the California Constitution provides that, unless otherwise provided by the California Constitution or the laws of the United States, all property is taxable and all assessed property is taxed in proportion to its full value. Subdivision (b) of section 2 of article XIII A of the California Constitution requires that the base year value of assessed property may not increase annually by more than the inflation factor prescribed in that subdivision.

Section 51 of the Revenue and Taxation Code implements these provisions by establishing methods for adjusting the base year values of assessed real property. Subdivision (d) of section 51 provides that "real property" means "that appraisal unit that person in the marketplace commonly buy and sell as a unit, or that is normally valued separately."

The State Board of Equalization proposes to adopt Rule 474 to implement and make specific the requirements for valuation of real property, personal property, and fixtures used for the refining of petroleum. Rule 474 defines “petroleum refining property” and establishes a rebuttable presumption, for purposes of recognizing declines in value, that land, improvements, and fixtures and other machinery and equipment classified as improvements constitute one appraisal unit, except when measuring declines in value caused by disaster, in which case land constitutes a separate appraisal unit.

#### COST TO LOCAL AGENCIES AND SCHOOL DISTRICTS

The State Board of Equalization has determined that proposed Rule 474 does not impose a mandate on local agencies or school districts. Further, the Board has determined that the proposed rule will not result in direct or indirect costs or savings to any state agency, any costs to local agencies or school districts that are required to be reimbursed under Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code, or other non-discretionary costs or savings imposed on local agencies, or cost or savings in federal funding to the State of California.

#### EFFECT ON BUSINESS

Pursuant to Government Code section 11346.5, subdivision (a)(8), the Board of Equalization makes an initial determination that the adoption of Rule 474 will not have a significant statewide adverse economic impact directly affecting business because the proposed rule merely interprets and clarifies existing statutory provisions.

The rule will neither create nor eliminate jobs in the State of California nor result in the elimination of existing businesses nor create or expand business in the State of California.

The adoption of the rule will not be detrimental to California businesses in competing with businesses in other states.

The rule will not affect small business because the new rule only interprets and clarifies property tax assessment law statutory provisions and does not impose any additional compliance or reporting requirements on taxpayers.

#### COST IMPACT ON PRIVATE PERSONS OR BUSINESSES

A cost impact of \$1.4 million per year on directly affected persons or businesses is estimated. This does not represent a significant, statewide adverse economic impact on affected California businesses, as it represents a potential increase in assessed value of \$140 million spread over a value base of approximately \$32 billion, and the adoption of the rule does not impose any additional compliance or reporting requirements on private persons or businesses.

#### SIGNIFICANT EFFECT ON HOUSING COSTS

No significant effect.

## FEDERAL REGULATIONS

Rule 474 has no comparable federal regulation.

## AUTHORITY

Government Code section 15606, subdivision (a).

## REFERENCE

California Constitution, article XIII, section 1 and article XIII A, section 2, and Revenue and Taxation Code section 51.

## CONTACT

Questions regarding the substance of the proposed rule should be directed to: Ms. Carole Ruwart, Senior Tax Counsel, at P.O. Box 942879, 450 N Street, MIC:82, Sacramento, CA 94279-0082, email [Carole.Ruwart@boe.ca.gov](mailto:Carole.Ruwart@boe.ca.gov) . Telephone: (916) 322-3682; FAX: (916) 323-3387.

Written comments for the Board's consideration, requests to present testimony, bring witnesses to the public hearing and inquiries concerning the proposed administrative action should be directed to Ms. Diane Olson, Regulations Coordinator, at P.O. Box 942879, 450 N Street, MIC:80, Sacramento, CA 94279-0080, email [Diane.Olson@boe.ca.gov](mailto:Diane.Olson@boe.ca.gov) . Telephone: (916) 322-9569, FAX (916) 324-2597.

## ALTERNATIVES CONSIDERED

The Board must determine that no reasonable alternative considered by it or that has otherwise been identified and brought to its attention would be more effective in carrying out the purpose for which this action is proposed or be as effective and less burdensome to affected private persons than the proposed action.

## AVAILABILITY OF INITIAL STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS

The Board has prepared an initial statement of reasons and an underscored version (express terms) of the rule. Those 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 450 N Street, Sacramento, California. Requests for copies should be addressed to Ms. Diane Olson, Regulations Coordinator, at P. O. Box 942879, 450 N Street, MIC:80, Sacramento, CA 94279-0080, [Diane.Olson@boe.ca.gov](mailto:Diane.Olson@boe.ca.gov) .Telephone: (916) 322-9569, FAX (916) 324-2597. The express terms of the proposed regulation (rule) are available on the Internet at the Board's website <http://www.boe.ca.gov> .

## AVAILABILITY OF FINAL STATEMENT OF REASONS

The final statement of reasons will be made available on the Internet at the Board's website following its public hearing of the adoption of the rule. It is also available for public inspection at 450 N Street, Sacramento, California.

## ADDITIONAL COMMENTS

Following the hearing, the State Board of Equalization may, in accordance with law, adopt the rule if the text remains substantially the same as described in the text originally made available to the public. If the State Board of Equalization makes modifications which are substantially related to the originally proposed text, the Board will make the modified text, with the changes clearly indicated, available to the public for 15 days before adoption of the regulation. The text of the modified rule will be mailed to those interested parties who commented on the proposed regulatory action orally or in writing or who asked to be informed of such changes. The modified rule will be available to the public from Ms. Olson. The State Board of Equalization will consider written comments on the modified rule for 15 days after the date on which the modified rule is made available to the public.

Sincerely,

/s/ Gary Evans

Gary Evans, Acting Chief  
Board Proceedings Division