



STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
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No. 2014/054

October 21, 2014

TO COUNTY ASSESSORS:

SALES COMPARISON APPROACH

In estimating a property's fair market value, the county assessor uses various valuation methods. The three major appraisal approaches are the comparative sales approach, the cost approach, and the income approach. Under the comparative sales approach, the assessor estimates value based on the sales price of comparable properties. In selecting comparable sales, Revenue and Taxation Code¹ section 402.5 requires sales to be sufficiently near in time, and the properties must be similar in size, quality, age, condition, utility, amenities, site location, legally permitted use, or other physical attributes to the subject property.

Effective September 15, 2014, Assembly Bill 1143 (Stats. 2014, ch. 325) updated section 402.5 to replace the term "lien date" with "valuation date" in the sentence that defines "near in time." Section 402.5 now reads:

When valuing property by comparison with sales of other properties, in order to be considered comparable, the sales shall be sufficiently near in time to the valuation date, and the properties sold shall be located sufficiently near the property being valued, and shall be sufficiently alike in respect to character, size, situation, usability, zoning, or other legal restriction as to use unless rebutted pursuant to Section 402.1, to make it clear that the properties sold and the properties being valued are comparable in value and that the cash equivalent price realized for the properties sold may fairly be considered as shedding light on the value of the property being valued. "Near in time to the valuation date" does not include any sale more than 90 days after the valuation date.

Previously section 402.5 specified that "near in time to the valuation date" did not include any sale more than 90 days after the "lien date." Substituting "valuation date" for "lien date" is a clarifying change to eliminate confusion that the term lien date means January 1. In the case of supplemental assessments, the lien date is a variable date. Specifically, section 75.54 provides that taxes on the supplemental roll become a "lien" on the date the property changes ownership or new construction is completed. Thus, this legislation does not result in any change to current assessment practices.

¹ All statutory references are to the Revenue and Taxation Code, unless otherwise provided.

Revising section 402.5 to use the term "valuation date" is consistent with Assessors' Handbook Section 502, *Advanced Appraisal* (December 1998), which provides that "the comparable sales prices must . . . have occurred no more than 90 days after the valuation date." This change is also consistent with direction given to Assessment Appeals Boards in Property Tax Rule 324(d), which reads in pertinent part:

(d) COMPARABLE SALES. When valuing a property by a comparison with sales of other properties, the board may consider those sales that, in its judgment, involve properties similar in size, quality, age, condition, utility, amenities, site location, legally permitted use, or other physical attributes to the property being valued. When valuing property for purposes of either the regular roll or the supplemental roll, the board shall not consider a sale if it occurred more than 90 days after the date for which value is being estimated. The provisions for exclusion of any sale occurring more than 90 days after the valuation date do not apply to the sale of the subject property.

If you have any questions regarding this legislation, please contact the County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee
Acting Deputy Director
Property Tax Department

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