SUBJECT    Classification of Property as Unitary or Nonunitary

GENERAL
The definitions and classification criteria listed in this policy statement are to provide the basis in distinguishing the classification of property as unitary, operating nonunitary, nonunitary, or nonunitary rail transportation property. This policy should guide Division appraisers in properly classifying most property on the Board Roll of State-Assessed Property. If a classification question arises on a specific property or special use property, please direct the question to a supervisor or a manager.

DEFINITIONS

Unitary Property – An integrated system of property items owned or leased by the state assessee and used in its primary operation. Special purpose or industry specific property which is leased by the state assessee will be included as unitary property. Additionally as a general rule, property leased by a state assessee, used in its unitary operations and assessed to that assessee is to be classified as unitary.

Operating Nonunitary Property – Property which the state assessee and its regulatory agency account for in operating plant accounts, but the Board considers not part of the unit in the primary function of the assessee (excludes railroad companies).

Nonunitary Property – Property which is owned by a state assessee, but not used or needed in its primary operation.

Nonunitary Rail Transportation Property – Property or property rights owned by a railroad company which are not included in the Board's unitary appraisal, but the utilization of which is considered to be a function of rail transportation property.

PROCEDURES
Property owned by a state assessee should be classified as unitary property based on the following:

1. The property is being used exclusively in the assessee's primary operation such as gas distribution, freight transportation, transmission of information, power generation, transportation by pipeline, transmission and distribution of electricity.

---

1 Revenue and Tax Code sections 723 & 723.1
2 Refer to State Assessment Manual concerning details on assessment jurisdiction for electric generation facilities and pipelines.
2. The property is being held for future use in the primary operation of the assessee and a definite plan can be documented for its development. This property must also be carried in a future use operating account.

3. The property has topography, location, governmental restrictions, or physical characteristics which requires it to protect or support other unitary property.

The following examples illustrate the application of the definitions and rules to assist in making the proper classification of property and do not cover every type of classification situation that may be encountered.

**Examples of Unitary Property**

- Land, improvements, and personal property owned or leased by a state assessee and used in its primary operation of transportation of freight by rail; gas or fluids by pipeline, canal or ditch; generation, transmission or distribution of electricity; or transmission of information by cellular, paging, or telephone

- Vacant land areas which are considered necessary to protect areas which are being utilized in the primary operation of the assessee (buffer areas required for nuclear power plants or gas storage reservoirs, slide areas near railroad tracks, drainage ditches, etc.)

- Vacant land areas which are located in land locked areas totally surrounded by sets of railroad tracks or areas adjacent to rights-of-way which are too narrow to be developed to another use

- Property which the state assessee had acquired for use in its primary operation but also now has a secondary use (areas beneath tower lines which are farmed, used for parking or storage; areas above gas storage reservoirs which are farmed)

- Railroad rights-of-way which were acquired by Congressional Grant or are franchised by a governmental agency

- Utility and railroad easements for rights-of-way

- Railroad property which is being leased to others, who in turn are acting as agents for the railroad, and they are managing the use of the property as that of rail transportation (e.g., intermodal container yards)

**Examples of Operating Nonunitary Property**

- Property owned by a state assessee [excluding railroads] and carried in its rate base which is classified as nonunitary (e.g., land on which a substation has been removed but it still is carried in the rate base)

**Examples of Nonunitary Property**

- Property owned by and assessed to a state assessee, but leased to others

- Property owned by a state assessee and not used in its primary operation
• Railroad right of way which has had the track removed or has been abandoned (includes the land under track which has had a portion severed from the operating portion)

• Property being utilized by others without a formal lease (encroached on and used for storage, parking, or growing of trees, vines, or crops)

Examples of Nonunitary Rail Transportation Property

• Railroad property leased to Amtrak, Caltrans, or transit districts

• Railroad property leased to others in which the primary use of the property involves the receipt and/or shipping of products or raw material by rail (lumber yards, liquid tank car receivers, intermodal container yards, automobile loading-unloading facilities, etc.)

• Railroad property owned by and assessed to a state assessees, but leased to others whose primary operation is that of freight transportation (owned property being leased to others but not used for freight transportation will be classified as nonunitary)

• Railroad land being leased to others at a rental substantially below market (accommodation lease) and when freight or products are being received or shipped frequently

• Station grounds used for passenger parking (Amtrak, Caltrans, Transit districts, etc.)

The following property classification codes represent unitary property:

001 Unitary Property - Land
002 Unitary Property - Improvements
003 Unitary Property - Personal Property
011 Possessory Interest - Land
012 Possessory Interest - Improvements
021 Miscellaneous Other Rights - Land
022 Miscellaneous Other Rights - Improvements
023 Miscellaneous Other Rights - Personal Property
041 Leased Land
042 Leased Improvements
043 Leased Personal Property
083 Aircraft
101 Tax-rate Area Specific - Land
102 Tax-rate Area Specific - Improvements
103 Tax-rate Area Specific - Personal Property
111 Possessory Interest - Land - Tax-rate Area Specific
112 Possessory Interest - Improvements - Tax-rate Area Specific
141 Leased Land - Tax-rate Area Specific
142 Leased Improvements - Tax-rate Area Specific
143 Leased Personal Property - Tax-rate Area Specific
181 Qualified Section 100.11 Railroad Property - Land
182  Qualified Section 100.11 Railroad Property - Improvements
183  Qualified Section 100.11 Railroad Property - Personal Prop.
201  Qualified Section 100.95 Electric Property - Land
202  Qualified Section 100.95 Electric Property - Improvements
203  Qualified Section 100.95 Electric Property - Personal Prop.
221  Fiber Optic Right of Way
401  Unitary Timber Preserve Zone (TPZ) Land
421  Gas Transmission Right of Way

The following property classification codes represent **nonunitary property**:

061  Land Exempt from Taxation Under Section 3, Article XIII.....
062  Imps Exempt from Taxation Under Section 3, ARTICLE XIII.....
091  Nonunitary Property - Land
092  Nonunitary Property - Improvements
093  Nonunitary Property - Personal Property
191  Operating Nonunitary Property - Land
192  Operating Nonunitary Property - Improvements
193  Operating Nonunitary Property - Personal Property
491  Nonunitary Timber Preserve Zone (TPZ) Land
891  Nonunitary Railroad Transportation Property - Land
892  Nonunitary Railroad Transportation Property - Improvements
893  Nonunitary Railroad Transportation Property - Personal Prop
<table>
<thead>
<tr>
<th>Property Group</th>
<th>Land</th>
<th>Improvements</th>
<th>Personal Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Property</td>
<td>001</td>
<td>002</td>
<td>003</td>
</tr>
<tr>
<td>Possessory Interest</td>
<td>011</td>
<td>012</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Other Rights</td>
<td>021</td>
<td>022</td>
<td>023</td>
</tr>
<tr>
<td>Leased Unitary Property</td>
<td>041</td>
<td>042</td>
<td>043</td>
</tr>
<tr>
<td>Exempt Property</td>
<td>061</td>
<td>062</td>
<td></td>
</tr>
<tr>
<td>Aircraft</td>
<td></td>
<td></td>
<td>083</td>
</tr>
<tr>
<td>Non-Operating Nonunitary</td>
<td>091</td>
<td>092</td>
<td>093</td>
</tr>
<tr>
<td>Tax-Rate Area Specific Unitary Property</td>
<td>101</td>
<td>102</td>
<td>103</td>
</tr>
<tr>
<td>Possessory Interest</td>
<td>111</td>
<td>112</td>
<td></td>
</tr>
<tr>
<td>Tax-Rate Area Specific Leased Unitary Property</td>
<td>141</td>
<td>142</td>
<td>143</td>
</tr>
<tr>
<td>Qualified Section 100.11 Railroad Property</td>
<td>181</td>
<td>182</td>
<td>183</td>
</tr>
<tr>
<td>Operating Nonunitary</td>
<td>191</td>
<td>192</td>
<td>193</td>
</tr>
<tr>
<td>Qualified Section 100.95 Electric Property</td>
<td>201</td>
<td>202</td>
<td>203</td>
</tr>
<tr>
<td>Fiber Optic Right of Way</td>
<td>211</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unitary TPZ Land</td>
<td>401</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas Transmission Right of Way</td>
<td>421</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonunitary TPZ Land</td>
<td>491</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonunitary Rail Transportation Property</td>
<td>891</td>
<td>892</td>
<td>893</td>
</tr>
</tbody>
</table>