Table of Contents

Complete Rule Making File

OAL Approval

Index

1. *Final Statement of Reasons*
2. *Updated Informative Digest*
3. *Property Tax Committee Meeting, May 26, 2010, Item 2*
4. *Reporter's Transcript Property Tax Committee Meeting, May 26, 2010*
5. *Estimate of Cost or Savings, August 16, 2010*
6. *Economic and Fiscal Impact Statements, June 11, 2010*
7. *Notice of Publications*
8. *Notice to Interested Parties, June 25, 2010*
9. *Correction of Notice of Publications*
10. *Correction Notice to Interested Parties, July 23, 2010*
11. *Statement of Compliance*
12. *Public Comments: Lennart Lindstrand, Jr., Manager, Land Department, Forestland Management, July 29, 2010.*
13. *Public Comments: N. D. Fenton, Citizen and Taxpayer, Santa Cruz County, August 24, 2010.*
14. *Reporter's Transcript, Item F1, Public Hearing, August 24, 2010*
15. *Minutes, August 24, 2010, and Exhibits*

State of California
Office of Administrative Law

In re: **Board of Equalization**	**NOTICE OF APPROVAL OF REGULATORY ACTION**
Regulatory Action:	**Government Code Section 11349.3**
Title 18, California Code of Regulations	**OAL File No. 2010-0910-01 S**
Adopt sections: **Amend sections: 1020** **Repeal sections: 471**	

This action updates an existing provision (Section 1020) classifying timberlands into "timber value areas" as required by Revenue and Taxation Code section 38204. The action also repeals a post-Proposition 13 regulation (Section 471) which clarified "how timberland zoned under the provisions of Government Code section 51110 and 51113 should be assessed for property tax purposes."

OAL approves this regulatory action pursuant to section 11349.3 of the Government Code. This regulatory action becomes effective on 11/17/2010.

Date: 10/18/2010

Gordon R. Young
Senior Staff Counsel

For: SUSAN LAPSLEY
Director

Original: Ramon Hirsig
Copy: Richard Bennion

RECEIVED
OCT 20 2010
Board Proceedings

STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, Governor

OFFICE OF ADMINISTRATIVE LAW
300 Capitol Mall, Suite 1250
Sacramento, CA 95814
(916) 323-6225 FAX (916) 323-6826

SUSAN LAPSLEY
Director

MEMORANDUM

TO: Richard Bennion
FROM: OAL Front Desk
DATE: 10/21/2010
RE: Return of Approved Rulemaking Materials
OAL File No. 2010-0910-01S

OAL hereby returns this file your agency submitted for our review (OAL File No. 2010-0910-01S regarding Timber Land).

If this is an approved file, it contains a copy of the regulation(s) stamped "ENDORSED APPROVED" by the Office of Administrative Law and "ENDORSED FILED" by the Secretary of State. The effective date of an approved file is specified on the Form 400 (see item B.5). (Please Note: The 30th Day after filing with the Secretary of State is calculated from the date the Form 400 was stamped "ENDORSED FILED" by the Secretary of State.)

DO NOT DISCARD OR DESTROY THIS FILE

Due to its legal significance, you are required by law to preserve this rulemaking record. Government Code section 11347.3(d) requires that this record be available to the public and to the courts for possible later review. Government Code section 11347.3(e) further provides that "....no item contained in the file shall be removed, altered, or destroyed or otherwise disposed of." See also the Records Management Act (Government Code section 14740 et seq.) and the State Administrative Manual (SAM) section 1600 et seq.) regarding retention of your records.

If you decide not to keep the rulemaking records at your agency/office or at the State Records Center, you may transmit it to the State Archives with instructions that the Secretary of State shall not remove, alter, or destroy or otherwise dispose of any item contained in the file. See Government Code section 11347.3(f).

Enclosures

STATE OF CALIFORNIA–OFFICE OF ADMINISTRATIVE LAW

NOTICE PUBLICATION/REGULATIONS SUBMISSION

REGULAR

(See instructions on reverse)

For use by Secretary of State only

STD. 400 (REV. 01-09)

OAL FILE NUMBERS	NOTICE FILE NUMBER	REGULATORY ACTION NUMBER	EMERGENCY NUMBER
	Z-2010-0611-01	2010-0910-01S	

For use by Office of Administrative Law (OAL) only

2010 SEP 10 AM 11:25

OFFICE OF ADMINISTRATIVE LAW

ENDORSED FILED IN THE OFFICE OF

2010 OCT 18 PM 1:29

Debra Bowen

DEBRA BOWEN SECRETARY OF STATE

NOTICE | REGULATIONS

AGENCY WITH RULEMAKING AUTHORITY
State Board of Equalization

AGENCY FILE NUMBER (If any)

A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

1. SUBJECT OF NOTICE | TITLE(S) | FIRST SECTION AFFECTED | 2. REQUESTED PUBLICATION DATE

3. NOTICE TYPE
☐ Notice re Proposed Regulatory Action ☐ Other

4. AGENCY CONTACT PERSON | TELEPHONE NUMBER | FAX NUMBER (Optional)

OAL USE ONLY
ACTION ON PROPOSED NOTICE
☐ Approved as Submitted ☐ Approved as Modified ☐ Disapproved/ Withdrawn

NOTICE REGISTER NUMBER: 2010, #26-Z

PUBLICATION DATE: 6-25-2010

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S)
Timber Land

1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)

SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) **(Including title 26, if toxics related)**

SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)

ADOPT

AMEND
1020

TITLE(S)
18

REPEAL
471

3. TYPE OF FILING

☒ Regular Rulemaking (Gov. Code §11346)
☐ Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §§11349.3, 11349.4)
☐ Emergency (Gov. Code, §11346.1(b))
☐ Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.
☐ Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)
☐ Emergency Readopt (Gov. Code, §11346.1(h))
☐ File & Print
☐ Other (Specify) _____
☐ Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)
☐ Print Only

4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)

5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)
☒ Effective 30th day after filing with Secretary of State
☐ Effective on filing with Secretary of State
☐ §100 Changes Without Regulatory Effect
☐ Effective other (Specify) _____

6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY
☐ Department of Finance (Form STD. 399) (SAM §6660)
☐ Fair Political Practices Commission
☐ State Fire Marshal
☐ Other (Specify) _____

7. CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)	E-MAIL ADDRESS (Optional)
Richard E. Bennion	(916) 445-2130	(916) 324-3984	rbennion@boe.ca.gov

8. **I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.**

SIGNATURE OF AGENCY HEAD OR DESIGNEE: Diane G. Olson

DATE: September 9, 2010

TYPED NAME AND TITLE OF SIGNATORY
Diane G. Olson, Chief, Board Proceedings Division

For use by Office of Administrative Law (OAL) only

ENDORSED APPROVED

OCT 18 2010

Office of Administrative Law

Final Text of Proposed Repeal of
California Code of Regulations, Title 18, Section 471, *Timberland*, and
Proposed Amendments to California Code of Regulations,
Title 18, Section 1020, *Timber Value Areas*

~~471. Timberland.~~

~~Consistent with the intent of the provisions of Section 3(j) of Article XIII of the California Constitution and the legislative interpretation thereof, the value for land which has been zoned as timberland pursuant to Section 51110 or 51113 of the Government Code shall be ascertained for the 1979 lien date from the schedule contained in Section 434.5 of the Revenue and Taxation Code and thereafter from the most recent board-adopted timberland site class value schedule.~~

~~Note: Authority cited: Sec. 15606(c) Gov. Code Reference: Art. XIII A, Secs. 1 and 2, California Constitution.~~

1020. Timber Value Areas.

The following nine designated areas contain timber having similar growing, harvesting, and marketing conditions and shall be used as timber value areas in the preparation and application of immediate harvest values:

Area 1
Del Norte County
Humboldt County
~~Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties~~

Area 2
~~Alameda County~~
~~Contra Costa County~~
Marin County
Mendocino County
Napa County
~~Monterey County~~
~~San Francisco County~~
~~San Mateo County~~
~~Santa Clara County~~
~~Santa Cruz County~~
Sonoma County

Area 3
Alameda County
Contra Costa County

Monterey County
San Francisco City and County
San Mateo County
Santa Clara County
Santa Cruz County
~~Siskiyou County west of Interstate Highway No. 5~~

Area 4
Colusa County
Glenn County
Lake County
Shasta County west of Interstate Highway No. 5
Solano County
Siskiyou County west of Interstate Highway No. 5
Tehama County west of Interstate Highway No. 5
Trinity County ~~except that portion which is south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties~~
Yolo County

Area 5
Shasta County east of Interstate Highway No. 5
Siskiyou County east of Interstate Highway No. 5
~~Colusa County~~
~~Glenn County~~
~~Lake County~~
~~Napa County~~
~~Sacramento County~~
~~Solano County~~
~~Tehama County west of Interstate Highway No. 5~~
~~Yolo County~~

Area 6
Lassen County
Modoc County
~~Shasta County east of State Highway No. 89~~
~~Siskiyou County east of Interstate Highway No. 5~~

Area 7
Butte County
Nevada County
Placer County
Plumas County
~~Shasta County between Interstate Highway No. 5 and State Highway No. 89~~
Sierra County
Sutter County
Tehama County east of Interstate Highway No. 5

Yuba County

Area 8
Alpine County
Amador County
Calaveras County
El Dorado County
Sacramento County
San Joaquin County
Stanislaus County
Tuolumne County

Area 9
~~Alpine County~~
Fresno County
Imperial County
Inyo County
Kern County
Kings County
Los Angeles County
Madera County
Mariposa County
Merced County
Mono County
Orange County
Riverside County
San Benito County
San Bernardino County
San Diego County
~~San Joaquin County~~
San Luis Obispo County
Santa Barbara County
~~Stanislaus County~~
Tulare County
Ventura County

Note: Authority cited~~ for Article 1~~: Sections 38204 and 3870~~115606~~, Revenue and Taxation Code~~Government Code~~. Reference~~ for Article 1~~: ~~Chapters 1 and 3, Part 18.5, Division 2~~Sections 38109 and 38204, Revenue and Taxation Code.

State of California
Memorandum

Board of Equalization

To : Gordon Young
Office of Administrative Law
300 Capitol Mall, Suite 1250
Sacramento, CA 95814

Date: October 11, 2010

From : Richard Bennion
Regulations Coordinator
Board Proceedings Division, MIC: 80

2010 OCT 14 PM 1:44
OFFICE OF
ADMINISTRATIVE LAW

Subject : *OAL File No. 2010-0910-01S*
Rule 471, *Timberland,* and Rule 1020, *Timber Value Areas*

The Office of Administrative Law (OAL) is authorized to make the following substitutions and corrections in connection with the above-referenced rulemaking file:

1. OAL is authorized to substitute the enclosed revised Final Text in the rulemaking file.

2. Certification of Compliance with Revenue and Taxation Code section 38204

The State Board of Equalization (Board) consulted with the Timber Advisory Committee (TAC) and held a public hearing prior to adopting the proposed amendments to California Code of Regulations, title 18, section (Rule) 1020 in accordance with the requirements of Revenue and Taxation Code section 38204, subdivision (a). During its meeting on April 27, 2010, the TAC recommended that the Board adopt the proposed amendments to Rule 1020, as explained in Formal Issue Paper 10-005.

If you have any questions or comments, please notify me at (916) 445-2130 or email at Richard.Bennion@boe.ca.gov .

REB

Final Text of Proposed Repeal of
California Code of Regulations, Title 18, Section 471, *Timberland*, and
Proposed Amendments to California Code of Regulations,
Title 18, Section 1020, *Timber Value Areas*

~~471. Timberland.~~

~~Consistent with the intent of the provisions of Section 3(j) of Article XIII of the California Constitution and the legislative interpretation thereof, the value for land which has been zoned as timberland pursuant to Section 51110 or 51113 of the Government Code shall be ascertained for the 1979 lien date from the schedule contained in Section 434.5 of the Revenue and Taxation Code and thereafter from the most recent board-adopted timberland site class value schedule.~~

~~Note: Authority cited: Sec. 15606(c) Gov. Code Reference: Art. XIII A, Secs. 1 and 2, California Constitution.~~

1020. Timber Value Areas.

The following nine designated areas contain timber having similar growing, harvesting, and marketing conditions and shall be used as timber value areas in the preparation and application of immediate harvest values:

Area 1
Del Norte County
Humboldt County
~~Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties~~

Area 2
~~Alameda County~~
~~Contra Costa County~~
Marin County
Mendocino County
Napa County
~~Monterey County~~
~~San Francisco County~~
~~San Mateo County~~
~~Santa Clara County~~
~~Santa Cruz County~~
Sonoma County

Area 3
Alameda County
Contra Costa County

Monterey County
San Francisco City and County
San Mateo County
Santa Clara County
Santa Cruz County
~~Siskiyou County west of Interstate Highway No. 5~~

Area 4
Colusa County
Glenn County
Lake County
Shasta County west of Interstate Highway No. 5
Solano County
Siskiyou County west of Interstate Highway No. 5
Tehama County west of Interstate Highway No. 5
Trinity County~~ except that portion which is south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties~~
Yolo County

Area 5
Shasta County east of Interstate Highway No. 5
Siskiyou County east of Interstate Highway No. 5
~~Colusa County~~
~~Glenn County~~
~~Lake County~~
~~Napa County~~
~~Sacramento County~~
~~Solano County~~
~~Tehama County west of Interstate Highway No. 5~~
~~Yolo County~~

Area 6
Lassen County
Modoc County
~~Shasta County east of State Highway No. 89~~
~~Siskiyou County east of Interstate Highway No. 5~~

Area 7
Butte County
Nevada County
Placer County
Plumas County
~~Shasta County between Interstate Highway No. 5 and State Highway No. 89~~
Sierra County
Sutter County
Tehama County east of Interstate Highway No. 5

Yuba County

Area 8
Alpine County
Amador County
Calaveras County
El Dorado County
Sacramento County
San Joaquin County
Stanislaus County
Tuolumne County

Area 9
~~Alpine County~~
Fresno County
Imperial County
Inyo County
Kern County
Kings County
Los Angeles County
Madera County
Mariposa County
Merced County
Mono County
Orange County
Riverside County
San Benito County
San Bernardino County
San Diego County
~~San Joaquin County~~
San Luis Obispo County
Santa Barbara County
~~Stanislaus County~~
Tulare County
Ventura County

Note: Authority cited~~ for Article 1~~: Sections 38204 and 3870~~115606~~, Revenue and Taxation Code~~Government Code~~. Reference~~ for Article 1~~: ~~Chapters 1 and 3, Part 18.5, Division 2~~Sections 38109 and 38204, Revenue and Taxation Code.

SUMMARY OF REGULATORY ACTIONS

REGULATIONS FILED WITH SECRETARY OF STATE

This Summary of Regulatory Actions lists regulations filed with the Secretary of State on the dates indicated. Copies of the regulations may be obtained by contacting the agency or from the Secretary of State, Archives, 1020 O Street, Sacramento, CA 95814, (916) 653–7715. Please have the agency name and the date filed (see below) when making a request.

File# 2010–0907–02
AIR RESOURCES BOARD
Portable Diesel Engines & Diesel Engines On/Off Road

This action adds two engine water well drilling rigs to the list of diesel fueled vehicles and off road engines exempt from certain emissions reductions regulations; amends the portable engine and equipment registration regulations to allow these drill rigs to participate in that and to allow all participants exemption from the program's emission limitations for a limited number of engines until December 31, 2010; and amends the airborne toxic control measure for diesel smoke to exclude two engine water well drilling rigs and to allow exemption from that program's emission limitations for a limited number of engines until December 31, 2010 as well.

Title 13, 17
California Code of Regulations
AMEND: Title 13: 2025, 2449, 2449.3, 2452, 2453, 2456, 2458, 2460, 2461, 2462 and Title 17: 93116.1, 93116.2, 93116.3
Filed 10/19/2010
Effective 10/19/2010
Agency Contact: Amy Whiting (916) 322–6533

File# 2010–0914–03
AIR RESOURCES BOARD
High Global Warming Potential Refrigerants

In this regulatory action, the Air Resources Board adopts new regulations pertaining to the "Management of High Global Warming Potential Refrigerants for Stationary Sources." The purpose of these regulations is to reduce emissions of high global warming potential (high–GWP) refrigerants from stationary, non–residential refrigeration equipment and from the installation and servicing of stationary refrigeration and air–conditioning appliances using high–GWP refrigerants. These regulations implement provisions of the California Global Warming Solutions Act of 2006 (AB 32, Chapter 488, Statutes of 2006).

Title 17
California Code of Regulations
ADOPT: 95380, 95381, 95382, 95383, 95384, 95385, 95386, 95387, 95388, 95389, 95390, 95391, 95392, 95393, 95394, 95395, 95396, 95397, 95398
Filed 10/20/2010
Effective 11/19/2010
Agency Contact: Amy Whiting (916) 322–6533

File# 2010–1008–02
BOARD OF EDUCATION
California High School Exit Examination (CAHSEE) Alternative Means

The Board of Education submitted this emergency action to adopt title 5, California Code of Regulations, section 1216.1, to extend the 1/1/2011 statutory deadline for implementing alternative means for eligible students with disabilities to pass the California high school exit examination (CAHSEE). Pursuant to Education Code sec. 60852.2(b), the adoption of section 1216.1 will extend the 1/1/2011 deadline to 7/1/2012.

Title 5
California Code of Regulations
ADOPT: 1216.1
Filed 10/18/2010
Effective 10/18/2010
Agency Contact: Connie Diaz (916) 319–0584

File# 2010–0910–01
BOARD OF EQUALIZATION
Timber Land

This action updates an existing provision (Section 1020) classifying timberlands into "timber value areas" as required by Revenue and Taxation Code section 38204. The action also repeals a post–Proposition 13 regulation (Section 471) which clarified "how timberland zoned under the provisions of Government Code section 51110 and 51113 should be assessed for property tax purposes."

Title 18
California Code of Regulations
AMEND: 1020 REPEAL: 471
Filed 10/18/2010
Effective 11/17/2010
Agency Contact:
Richard E. Bennion (916) 445–2130

File# 2010–0929–02
BOARD OF PILOT COMMISSIONERS
Conflict–of–Interest Code

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun is amending its

Rulemaking File Index

Title 18. Public Revenue

Property Tax
Rules 471, *Timber Land, and*
1020, *Timber Value Areas*

1. *Final Statement of Reasons*

2. *Updated Informative Digest*

3. *Property Tax Committee Meeting, May 26, 2010, Item 2*

   - Property Tax Committee Meeting Minutes
   - Formal Issue Paper Number 10-005

4. *Reporter's Transcript Property Tax Committee Meeting, May 26, 2010*

5. *Estimate of Cost or Savings, August 16, 2010*

6. *Economic and Fiscal Impact Statements, June 11, 2010*

7. *Notice of Publications*

   - Form 400 submitted to OAL June 11, 2010
   - Notice and Proposed Text of Rule 471, and 1020
   - Email sent to Interested Parties, June 25, 2010
   - CA Regulatory Notice Register 2010, Volume No. 26-Z

8. *Notice to Interested Parties, June 25, 2010*

   The following items are exhibited:

   - Notice of Hearing
   - Initial Statement of Reasons
   - Proposed Text of Rules 471, and 1020
   - Regulation History

9. *Correction of Notice of Publications*

   - Correction Notice
   - CA Regulatory Notice Register 2010, Volume No. 30-Z

10. *Correction Notice to Interested Parties, July 23, 2010*

11. *Statement of Compliance*

12. *Public Comments: Lennart Lindstrand, Jr., Manager, Land Department, Forestland Management, July 29, 2010.*

13. *Public Comments: N. D. Fenton, Citizen and Taxpayer, Santa Cruz County, August 24, 2010.*

14. *Reporter's Transcript, Item F1, Public Hearing, August 24, 2010*

15. *Minutes, August 24, 2010, and Exhibits*

The following items are exhibited:

- Notice of Proposed Regulatory Action
- Initial Statement of Reasons
- Proposed Text of Rules 471, and 1020
- Regulation History

VERIFICATION

I, Richard E. Bennion, Regulations Coordinator of the State Board of Equalization, state that the rulemaking file of which the contents as listed in the index is complete, and that the record was closed on September 9, 2010 and that the attached copy is complete.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

September 9, 2010

Richard E. Bennion
Regulations Coordinator
State Board of Equalization

Final Statement of Reasons for Proposed Repeal of California Code of Regulations, Title 18, Section 471, *Timberland*, and Proposed Amendments to California Code of Regulations, Title 18, Section 1020, *Timber Value Areas*

Update of Information in the Initial Statement of Reasons

The factual basis, specific purpose, and necessity for the State Board of Equalization's (Board's) proposed repeal of California Code of Regulations, title 18, section (Rule) 471, *Timberland*, and adoption of amendments to Rule 1020, *Timber Value Areas*, are the same as provided in the Initial Statement of Reasons.

Current Law

Proposition 13 was adopted by the voters at the June 1978 primary election and added article XIII A to the California Constitution to limit taxation, including the taxation of real property. The Board originally adopted Rule 471, *Timberland*, as an emergency regulation in July 1978 because the adoption of Proposition 13 raised concerns about how timberland zoned under the provisions of Government Code section 51110 or 51113 should be assessed for property tax purposes. Rule 471 was subsequently amended in October 1978 and became a permanent regulation in 1979, and Rule 471 has not been amended since.

The Board originally adopted Rule 1020, *Timber Value Areas*, in 1976 in compliance with Revenue and Taxation Code section 38204, which requires the Board to "designate areas containing timber having similar growing, harvesting, and marketing conditions to be used as timber value areas for the preparation and application of immediate harvest values" after consultation with the Timber Advisory Committee (TAC). Rule 1020 designates 9 Timber Value Areas (TVAs) comprised of counties with similar growing, harvesting, and marketing conditions, and Rule 1020 has not been amended since 1977.

Proposed Repeal of Rule 471

During the May 26, 2010, Board meeting, the Board determined that Rule 471 is duplicative of statutory provisions, including Revenue and Taxation Code section 52, subdivision (b), and article 1.7 of chapter 3 of part 2 of division 1 (commencing with section 431) of the Revenue and Taxation Code, *Valuation of Timberland and Timber*; and that there is no longer any controversy or confusion regarding the assessment of timberland zoned under the provisions of Government Code section 51110 or 51113 due to the statutory provisions and the passage of time. As a result, the Board determined that it was reasonably necessary to repeal Rule 471 for the specific purpose of deleting the duplicative and unnecessary regulatory language from the California Code of Regulations.

Proposed Amendments to Rule 1020

In the fall of 2008, the TAC requested that Board staff reevaluate the existing TVAs because the TAC was concerned that California's timber marketing conditions had changed since 1977 and that these changes may warrant amendments to the TVAs. The TAC's concerns were due to the fact that the number of California sawmills decreased from approximately 200 sawmills in 1977 (when the TVAs were originally established) to approximately 30 sawmills in 2008.

As a result, Board staff reviewed the state's timber growing, harvesting, and marketing conditions and determined that the first two conditions were stable. However, staff found that a number of counties' marketing conditions had changed dramatically in the past 33 years because:

- The reduction in the number of sawmills requires logs to be hauled further for processing than they were in 1977, which increases the cost of producing timber; and
- The sources of the state's timber shifted from predominantly United States Forest Service land to privately owned timberland between 1977 and the present.

Therefore, Board staff recommended that Rule 1020 be amended so that:

1. TVA 1 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Eureka, California, and Oregon.
2. TVA 2 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Ukiah and Cloverdale, California.
3. TVA 3 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in the Davenport area of Santa Cruz County, California.
4. TVA 4 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding and Anderson, California.
5. TVA 5 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.
6. TVA 6 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.[1]
7. TVA 7 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Lincoln and Quincy, California.
8. TVA 8 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Camino and Sonora, California.

[1] One of the characteristics requiring two categories for counties whose timber markets are centered around sawmills in Redding, California, and Oregon is that TVA 5 is a Fir area and TVA 6 is a Pine area.

9. TVA 9 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Sonora, California, and Kern County.

And, Board staff recommended that the following counties (or portions thereof) be deleted from one TVA and moved to another TVA that best fits its current timber marketing conditions.

Trinity County

Board staff recommended deleting "Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties" from TVA 1 and amending TVA 4 so that it includes all of Trinity County because all of Trinity County's timber markets are now similarly centered around sawmills in Redding and Anderson, California.

Alameda County, Contra Costa County, Monterey County, San Francisco City and County, San Mateo County, Santa Clara County, and Santa Cruz County

Board staff recommended deleting Alameda County, Contra Costa County, Monterey County, San Francisco County, San Mateo County, Santa Clara County, and Santa Cruz County from TVA 2 and amending TVA 3 to include all seven counties, including the City and County of San Francisco, because these seven counties' timber markets are now centered around sawmills in the Davenport area of Santa Cruz County, California.

Napa County

Board staff recommended deleting Napa County from TVA 5 and amending TVA 2 to include Napa County because Napa County's timber markets are now centered around sawmills in Ukiah and Cloverdale, California.

Siskiyou County West of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County west of Interstate Highway No. 5" from TVA 3 and amending TVA 4 to include Siskiyou County west of Interstate Highway No. 5 because this section of Siskiyou County's timber markets are now centered around sawmills in Redding and Anderson, California.

Colusa County, Glenn County, Lake County, Solano County, Tehama County West of Interstate Highway No. 5, and Yolo County

Board staff recommended deleting Colusa County, Glenn County, Lake County, Solano County, "Tehama County west of Interstate Highway No. 5," and Yolo County from TVA 5 and amending TVA 4 to include all five counties and the portion of Tehama County west of Interstate Highway No. 5 because their timber markets are centered around sawmills in Redding and Anderson, California.

Shasta County between Interstate Highway No. 5 and State Highway No. 89 and Shasta County East of State Highway No. 89

Board staff recommended deleting "Shasta County between Interstate Highway No. 5 and State Highway No. 89" from TVA 7 and deleting "Shasta County east of State Highway No. 89" from TVA 6 and amending TVA 5 to include all of "Shasta County east of Interstate Highway No. 5" because that portion of Shasta county is a Fir area and its timber markets are centered around sawmills in Redding, California, and Oregon.

Siskiyou County East of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County east of Interstate Highway No. 5" from TVA 6 and amending TVA 5 to include that portion of Siskiyou County because it is a Fir area and its timber market is centered around sawmills in Redding, California, and Oregon.

Sacramento County

Board staff recommended deleting Sacramento County from TVA 5 and amending TVA 8 to include Sacramento County because its timber markets are centered around sawmills in Camino and Sonora, California.

Alpine County, San Joaquin County, and Stanislaus County

Board staff recommended deleting Alpine County, San Joaquin County, and Stanislaus County from TVA 9 and amending TVA 8 to include all three counties because their timber markets are centered around sawmills in Camino and Sonora, California.

Authority and Reference Notes

Furthermore, Board staff realized that the authority note for Rule 1020 cites Government Code section 15606, which generally authorizes the Board to adopt regulations concerning property taxes and the Board's own business, rather than Revenue and Taxation Code section 38701, which specifically authorizes the Board to adopt Timber Yield Tax regulations, such as Rule 1020. Therefore, Board staff recommended that the Board amend Rule 1020 so that the authority note correctly cites Revenue and Taxation Code section 38701.

In addition, Board staff realized that the reference note for Rule 1020 generally cites all of chapter 1 (commencing with section 38101), *General Provisions and Definitions*, and chapter 3 (commencing with section 38202), *Determination of Rates*, of part 18.5, *Timber Yield Tax Law*, of division 2 of the Revenue and Taxation Code, as the statutes being implemented, interpreted, and made specific by Rule 1020. However, Board staff determined that Rule 1020 specifically implements, interprets, and make specific the provisions of Revenue and Taxation Code section 38109, which defines the term "immediate harvest value," and section 38204, which requires the Board to designate TVAs for use in the preparation and application of immediate harvest values. Therefore, Board staff also recommended that the Board amend Rule 1020 so that the reference note more specifically cites Revenue and Taxation Code sections 38109 and 38204.

During the May 26, 2010, Board meeting, the Board agreed that staff's proposed amendments would ensure that each TVA listed in Rule 1020 includes the appropriate counties with similar growing, harvesting and marketing conditions, and that Rule 1020's authority and reference notes cite the correct provisions of the Revenue and Taxation Code. As a result, the Board determined that it was reasonably necessary to amend Rule 1020 for the specific purposes of re-designating the counties assigned to each of the nine TVAs to reflect the changes in the counties' marketing conditions since 1977 and ensure that the regulation's authority and reference notes cite the correct provisions of the Revenue and Taxation Code.

August 24, 2010, Public Hearing

The Board held a public hearing on August 24, 2010, and adopted the repeal of Rule 471 and amendments to Rule 1020 as originally proposed. No interested parties appeared at the public hearing. However, two interested parties did submit written public comments prior to the end of the written comment period, which the Board considered before it adopted the proposed regulatory action.

The first written comment was received on July 30, 2010, from Lennart Lindstrand, Jr., Manager, Land Department, W.M. Beaty & Associates, Inc., "a contract manager for the owners of approximately 280,000 acres of timberland in northeastern California" and supported the proposed amendments to Rule 1020. The second written comment was received on August 24, 2010, from N. D. Fenton. The comment opposed the proposed regulatory action and raised a number of objections regarding the proposed repeal of Rule 471 and amendments to Rule 1020, which are summarized and responded to below. However, N. D. Fenton's opposition appeared to be the result of some confusion regarding the affect of the Board's proposed regulatory action. Therefore, the Board did not make any changes to the proposed regulatory action in response to N. D. Fenton's comment.

The Board did not rely on any data or any technical, theoretical, or empirical study, report, or similar document in proposing or adopting the repeal of Rule 471 and the amendments to Rule 1020 that was not identified in the Initial Statement of Reasons, or

which was otherwise not identified or made available for public review prior to the close of the original public comment period.

No Mandate on Local Agencies or School Districts

The Board has determined that the adoption of the proposed repeal of Rule 471 and amendments to Rule 1020 does not impose a mandate on local agencies or school districts.

Response to Public Comment

N. D. Fenton's August 24, 2010, written comment contained 12 potential objections to the proposed rulemaking action, which are each summarized and responded to separately below. As noted above, N. D. Fenton's opposition appeared to be the result of some confusion regarding the affect of the Board's proposed regulatory action.

Comment 1: The repeal of Rule 471 will delete the definition of "timberland."

Response 1: Rule 471 does not define the term "timberland" for purposes of California property tax law or any other purposes. The definition of timberland for purposes of California property tax law is contained in article 1.7 of chapter 3 of part 2 of division 1 (commencing with section 431) of the Revenue and Taxation Code, *Valuation of Timberland and Timber*, specifically section 431, which provides that: "'Timberland' means land zoned pursuant to Chapter 6.7 (commencing with Section 51100) of Part 1 of Division 1 of Title 5 of the Government Code." And, the Board's repeal of Rule 471 cannot and will not change the statutory definition of timberland.

Comment 2: The Board's statement of the necessity and purpose for the repeal of Rule 471 is incorrect because repealing Rule 471 will delete the definition of timberland and thereby create some "controversy" as to whether land is zoned as timberland.

Response 2: Rule 471 does not define "timberland" and its repeal will not have any affect on or create any controversy as to whether land is zoned as timberland. Further, Rule 471 is duplicative of statutory provisions, including Revenue and Taxation Code section 52, subdivision (b), and article 1.7 of chapter 3 of part 2 of division 1 (commencing with section 431) of the Revenue and Taxation Code, *Valuation of Timberland and Timber*. Therefore, its repeal will not affect the assessment of timberland zoned under the provisions of Government Code section 51110 or 51113 for property tax purposes, as stated in the Initial Statement of Reasons. Furthermore, the Board has determined that it is necessary to repeal Rule 471 for the specific purpose of deleting the duplicative and unnecessary regulatory language from the California Code of Regulations, as stated in the Initial Statement of Reasons. Therefore, the Board believes that its statement of the necessity and purpose for the repeal of Rule 471 is sufficient and correct.

Comment 3: The Board has created confusion by failing to mention that Rule 471 "guides

the valuation of timberlands."

Response 3: The Board believes that the Notice of Proposed Regulatory Action and Initial Statement of Reasons are sufficiently clear to inform the public regarding the proposed repeal of Rule 471 because they explain that "The Board originally adopted Rule 471 as an emergency regulation in July 1978 because the adoption of Proposition 13 raised concerns about how timberland zoned under the provisions of Government Code section 51110 or 51113 should be assessed for property tax purposes" and that Rule 471 is duplicative of statutory provisions, including "Revenue and Taxation Code section 52, subdivision (b), and article 1.7 of chapter 3 of part 2 of division 1 (commencing with section 431) of the Revenue and Taxation Code, *Valuation of Timberland and Timber*." In addition, the Notice of Proposed Regulatory Action informed the public that they could obtain a copy of the text of Rule 471 from the Board's regulation coordinator and on the Board's Web site.

Comment 4: The Board should have discussed the affect the repeal of Rule 471 would have on "California Code" sections that use the word "timberland."

Response 4: Again, Rule 471 does not define the term "timberland" for purposes of California property tax law or any other purposes. The definition of "timberland" for purposes of California property tax law is contained in article 1.7 of chapter 3 of part 2 of division 1 (commencing with section 431) of the Revenue and Taxation Code, *Valuation of Timberland and Timber*, specifically section 431, which provides that: "'Timberland' means land zoned pursuant to Chapter 6.7 (commencing with Section 51100) of Part 1 of Division 1 of Title 5 of the Government Code." Therefore, the repeal of Rule 471 will not affect the definition of "timberland" and cannot affect the definition of "timberland" for purposes of the Revenue and Taxation Code or any other California code.

Comment 5: The repeal of Rule 471 conflicts with article XIII section 3, subdivision (j) of the California Constitution and "the Board lacks authority to repeal legislation."

Response 5: First, the repeal of Rule 471 does not affect any other constitutional, statutory, or regulatory provisions. Second, the repeal of Rule 471 does not affect article XIII, section 3, subdivision (j), of the California Constitution, which authorizes the Legislature to enact systems for exempting un-harvested timber from property tax and to provide for some other method of taxing harvested timber that promotes the continued use of timberland for the production of trees. The repeal of Rule 471 does not affect the provisions of article 1.7 of chapter 3 of part 2 of division 1 (commencing with section 431) of the Revenue and Taxation Code regarding the assessment of timberland, which the Legislature enacted pursuant to article XIII, section 3, subdivision (j) of the California Constitution. And, the repeal of Rule 471 does not affect the provisions of the Timber Yield Tax Law (Rev. & Tax. Code, § 38101 et seq.), which was also enacted by the Legislature pursuant to article XIII, section 3, subdivision (j) of the California Constitution, and provides for the taxation of harvested timber. Therefore, the statutory provisions for the assessment of timberland and the taxation of harvested timber will continue to have the same force and effect after the repeal of Rule 471, the Board will

have the same authority to enforce these statutory provisions after the repeal of Rule 471, and there is nothing about the repeal of Rule 471 that conflicts with article XIII, section 3, subdivision (j) of the California Constitution. Third, Rule 471 is a duly adopted Board regulation codified as California Code of Regulations, title 18, section 471, not a statute or constitutional provision, and the Board has authority to repeal Rule 471 pursuant to Government Code section 15606, as stated in the Notice of Proposed Regulatory Action.

Comment 6: The Board initiated a project to revise Property Tax Rules and therefore cannot revise timber tax values as part of that project.

Response 6: The property tax regulations codified in title 18 of the California Code of Regulations are commonly referred to as 'property tax rules." Rule 471 and Rule 1020 are both property tax regulations codified in title 18 and, as a result, are commonly known as and referred to as property tax rules. Therefore, the Board's proposed repeal of Rule 471 and amendments to Rule 1020 are both revisions to property tax rules. In addition, neither the proposed repeal of Rule 471 nor amendments to Rule 1020 revise timber tax values. The Board is required to separately adopt schedules setting the taxable "immediate harvest values" of timber by June 30 and December 31 of each year pursuant to Revenue and Taxation Code section 38204 and Property Tax Rule 1023, *Immediate Harvest Value*.

Comment 7: "Significant assessment problems," as defined in Property Tax Rule 371 of the same name are "occurring, because no restrictions (much less enforceable restrictions) have been placed on newly and illegally zoned 'timberlands.'"

Response 7: The proposed regulatory action has no relation to the Board's duty to survey the assessment practices of county assessors under Government Code section 15640 and the term "significant assessment problems" refers to a type of finding in such surveys. If you have concerns about what may potentially be significant assessment problems regarding county assessors' assessments of land, please contact Principal Property Appraiser Benjamin Tang in the Board's Assessment Practices Survey Section by telephone at 916-324-2682 or by email at Benjamin.Tang@boe.ca.gov.

Comment 8: "The proposal lacks assessment and reports as to whether and to what extent it will affect the creation of new businesses and the elimination of other businesses (namely timber mills: the mills who buy [timber] from property tax assessed timberlands will compete unfairly with timber mills who obtained timber from illegally assessed and zoned new timberlands that will not be properly taxed)."

Response 8: As stated in the Notice of Proposed Regulatory Action:

> Rule 471 is duplicative of statutes in the Revenue and Taxation Code and its proposed repeal will not have any effect on the assessment of timberland for property tax purposes. The proposed amendments to Rule 1020 merely re-designate the counties assigned to the TVAs to reflect changes to California's timber markets that occurred since the regulation

> was last amended in 1977, as required by Revenue and Taxation Code section 38204. Furthermore, the proposed amendments to Rule 1020 will not directly effect the Timber Yield Taxes imposed upon any specific timber owners because their taxes are dependent upon the "yield tax rate" the Board is required to adopt during December of each year pursuant to Revenue and Taxation Code sections 38202 and 38203 and the "immediate harvest values" the Board is required to adopt by June 30 and December 31 of each calendar year pursuant to Revenue and Taxation Code section 38204. Therefore, pursuant to Government Code section 11346.5, subdivision (a)(8), the Board has made an initial determination that the adoption of the proposed repeal of Rule 471 and the adoption of the proposed amendments to Rule 1020 will have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.
>
> [¶] . . . [¶]
>
> The Board is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed actions. The proposed repeal of Rule 471 and proposed amendments to Rule 1020 will not create any new compliance burdens for private persons or businesses.
>
> [¶] . . . [¶]
>
> The adoption of the proposed repeal of Rule 471 and proposed amendments to Rule 1020 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.

Further, county assessors determine whether land is zoned as timberland for purposes of determining whether the land must be assessed in accordance with Revenue and Taxation Code section 434.5, not the Board. Furthermore, the Board does not regulate the sources from which timber mills may legally purchase timber.

Comment 9: The Board has reached an incorrect conclusion regarding the affect of the closing of timber mills on the designation of timber value areas. "How is ANYTHING centered around Davenport! . . . Its population is 100 and they have . . . one large sawmill, nothing centers around them except themselves and greed. . . . An EIR [Environmental Impact Review] must be prepared, if expecting all logging . . . from 6 other counties or so to be driving our little two lane roads to Davenport." In addition, the discussion of Rule 1020 is inaccurate because it does not refer to the illustrative maps included in the Board adopted immediate harvest values schedules, which differentiate between the north and south parts of current TVAs 2 and 9 by using the designations 2N, 2S, 9N, and 9S.

Response 9: First, as explained in the Notice of Proposed Regulatory Action and Initial Statement of Reasons, TVA 3 is intended to include areas having similar growing and harvesting conditions whose timber markets are centered around sawmills in the Davenport area because the majority of the timber from these areas is hauled to sawmills in the Davenport area for processing. The Board has determined that it is necessary to amend Rule 1020 so that TVA 3 includes Alameda County, Contra Costa County, Monterey County, San Francisco City and County, San Mateo County, Santa Clara County, and Santa Cruz County because the majority of the remaining timber harvested from these counties will likely be hauled to Davenport area sawmills for processing and, as a result, whatever marketing there is of any timber remaining in these seven counties will be centered around sawmills in the Davenport area. The Board has also determined that it is necessary to amend Rule 1020 to delete "Siskiyou County west of Interstate Highway No. 5" from TVA 3 because this section of Siskiyou County's timber markets are now centered around sawmills in Redding and Anderson, California. The comment does not provide any factual basis for the Board to reach a different conclusion regarding the composition of TVA 3 and does not recommend any alternative composition of TVA 3.

Second, the amendments to Rule 1020 reflect actual statewide changes to the marketing of California timber. The amendments are not intended to and do not change the current use of land or the harvesting and marketing of timber, and they do not require any person to haul timber to a specific sawmill for processing. Therefore, the Board has determined that the proposed rulemaking action is not subject to the California Environmental Quality Act's Environmental Impact Report requirements.

Third, the maps attached to the Board-adopted immediate harvest values schedules do illustrate that the north and south parts of TVAs 2 and 9 (2N, 2S, 9N, and 9S) have traditionally had different immediate harvest values. However, the maps are not part of Rule 1020 or any other duly adopted Board regulation, and are merely illustrative. In addition, all of the counties listed in Rule 1020 are still in the TVAs currently designated by Rule 1020, including the counties currently listed in TVAs 2 and 9. Therefore, the Board is able to make the proposed amendments to Rule 1020 to revise the counties (or portions thereof) included in the TVAs without referring to the maps. However, it should be noted that it will no longer be necessary for the Board to adopt different immediate harvest values for the north and south parts of TVAs 2 and 9 after the proposed amendments to Rule 1020 are effective and the illustrative maps attached to future immediate harvest values schedules should no longer differentiate between parts of TVAs.

Comment 10: "Proposals and notice lacks required information in such general categories like" "Statement of Reasons," "Background, Authorization and summary of law relating to the regulations," "general findings on proposed regs," etc.

Response 10: The Board believes this comment is based upon a misunderstanding of the proposed regulatory action and/or the Government Code's rulemaking requirements. Furthermore, the Board believes that the comment is inaccurate and has determined that:

- The text of the proposed regulatory action complies with the requirements of Government Code section 11346.2, subdivision (a);
- The Initial Statement of Reasons complies with the requirements of Government Code section 11346.2, subdivision (b);
- The Notice of Proposed Regulatory Action complies with the requirements of Government Code section 11346.5;
- The fact that the documents satisfy the applicable Government Code requirements is clear on the face of the documents themselves; and
- There would be no reasonable purpose for the Board to reiterate how and why the documents satisfy each and every one of the applicable requirements because the Office of Administrative Law will review the documents pursuant to Government Code section 11349.1 and can fairly determine whether they contain all of the required information.

Comment 11: "Repeal and de-valuing require an EIR."

Response 11: Again, the Board believes that this comment is based upon a misunderstanding of the proposed regulatory action because the proposed regulatory action does not de-value any land or timber. County assessors separately determine the assessed value of timberland using the schedules the Board prepares pursuant to Revenue and Taxation Code section 434.5 and the Board separately sets the immediate harvest values of timber for Timber Yield Tax purposes. Furthermore, the Board has determined that the proposed rulemaking action is not subject to the California Environmental Quality Act's Environmental Impact Report requirements.

Comment 12: The rezoning of land as timberland will result in a decrease in local property tax revenue that the state would be required to reimburse, but this information is not discussed in the rulemaking documents.

Response 12: The proposed regulatory action will not rezone any land, will not decrease local property taxes, and does not create any obligation to reimburse local governments or school districts for lost property tax revenue. The proposed regulatory action will repeal an unnecessary, duplicative regulation, and revise the TVAs to reflect the current marketing conditions for California timber.

Alternatives Considered

By its motion, the Board determined that no alternative to the proposed repeal of Rule 471 and amendments to Rule 1020 would be more effective in carrying out the purposes for which the regulatory action is proposed or would be as effective and less burdensome to affected private persons than the proposed regulatory action. No alternatives to the proposed regulatory action were presented to the Board for consideration.

No Significant Adverse Economic Impact on Business

The Board has determined that the adoption of the proposed repeal of Rule 471 and amendments to Rule 1020 will not have a significant adverse economic impact on business.

The Board did not reject any reasonable alternatives to the original proposed text indicating the repeal of Rule 471 and the amendments to Rule 1020 or any alternatives that would lessen the adverse economic impact on small businesses. No alternative language was presented to the Board for consideration.

No Federal Mandate

The adoption of the proposed repeal of Rule 471 and amendments to Rule 1020 is not mandated by federal statutes or regulations.

Updated Informative Digest for Proposed Repeal of California Code of Regulations, Title 18, Section 471, *Timberland*, and Proposed Amendments to California Code of Regulations, Title 18, Section 1020, *Timber Value Areas*

There have not been any changes to the applicable laws or the general effect of the State Board of Equalization's (Board's) adoption of the proposed repeal of California Code of Regulations, title 18, section (Rule) 471, *Timberland*, and amendments to Rule 1020, *Timber Value Areas*, described in the Informative Digest included in the Notice of Proposed Regulatory Action. However, as a result of N. D. Fenton's written comment received on August 24, 2010, the Board additionally notes that:

- Rule 471 does not define "timberland" and its repeal will not have any affect on or create any controversy as to whether land is zoned as timberland;
- Rule 471 is duplicative of statutory provisions and its repeal will not affect the assessment of timberland zoned under the provisions of Government Code section 51110 or 51113 for property tax purposes;
- The repeal of Rule 471 does not affect any other constitutional, statutory, or regulatory provisions, and the statutory provisions for the assessment of timberland and the taxation of harvested timber will continue to have the same force and effect after the repeal of Rule 471;
- The amendments to Rule 1020 reflect actual statewide changes to the marketing of California timber;
- The amendments to Rule 1020 are not intended to and do not change the current use of land or the harvesting and marketing of timber, and they do not require any person to haul timber to a specific sawmill for processing; and
- The proposed regulatory action will not rezone any land, will not decrease local property taxes, and does not create any obligation to reimburse local governments or school districts for lost property tax revenue.

Rule 471

Proposition 13 was adopted by the voters at the June 1978 primary election and added article XIII A to the California Constitution to limit taxation, including the taxation of real property. The Board originally adopted Rule 471 as an emergency regulation in July 1978 because the adoption of Proposition 13 raised concerns about how timberland zoned under the provisions of Government Code section 51110 or 51113 should be assessed for property tax purposes. Rule 471 was subsequently amended in October 1978 and became a permanent regulation in 1979, and Rule 471 has not been amended since.

During the May 26, 2010, Board meeting, the Board determined that Rule 471 is not necessary. This is because there is no longer any controversy or confusion regarding the assessment of timberland zoned under the provisions of Government Code section 51110 or 51113; and Rule 471 is duplicative of statutory provisions, including Revenue and Taxation Code section 52, subdivision (b), and article 1.7 of chapter 3 of part 2 of

division 1 (commencing with section 431) of the Revenue and Taxation Code, *Valuation of Timberland and Timber*. Therefore, the Board proposed to repeal Rule 471 for the specific purpose of deleting the unnecessary and duplicative language from the California Code of Regulations.

Rule 1020

The Board originally adopted Rule 1020 in 1976 in compliance with Revenue and Taxation Code section 38204, which requires the Board to "designate areas containing timber having similar growing, harvesting, and marketing conditions to be used as timber value areas for the preparation and application of immediate harvest values" after consultation with the Timber Advisory Committee (TAC). Rule 1020 designates 9 Timber Value Areas (TVAs) comprised of counties or portions of counties with similar growing, harvesting, and marketing conditions, and Rule 1020 has not been amended since 1977.

In the fall of 2008, the TAC requested that Board staff reevaluate the existing TVAs because the TAC was concerned that California's timber marketing conditions had changed since 1977 and that these changes may warrant amendments to the TVAs. The TAC's concerns were due to the fact that the number of California sawmills decreased from approximately 200 sawmills in 1977 (when the TVAs were originally established) to approximately 30 sawmills in 2008.

As a result, Board staff reviewed the state's timber growing, harvesting, and marketing conditions and determined that the first two conditions were stable. However, staff found that a number of counties' marketing conditions had changed dramatically in the past 33 years because:

- The reduction in the number of sawmills requires logs to be hauled further for processing than they were in 1977, which increases the cost of producing timber; and
- The sources of the state's timber shifted from predominantly United States Forest Service land to privately owned timberland between 1977 and the present.

Therefore, Board staff recommended that Rule 1020 be amended so that:

1. TVA 1 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Eureka, California, and Oregon.
2. TVA 2 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Ukiah and Cloverdale, California.
3. TVA 3 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in the Davenport area of Santa Cruz County, California.

4. TVA 4 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding and Anderson, California.
5. TVA 5 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.
6. TVA 6 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.[1]
7. TVA 7 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Lincoln and Quincy, California.
8. TVA 8 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Camino and Sonora, California.
9. TVA 9 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Sonora, California, and Kern counties.

And, Board staff recommended that the following counties (or portions thereof) be deleted from one TVA and moved to another TVA that best fits its current timber marketing conditions.

Trinity County

Board staff recommended deleting "Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties" from TVA 1 and amending TVA 4 so that it includes all of Trinity County because all of Trinity County's timber markets are now similarly centered around sawmills in Redding and Anderson, California.

Alameda County, Contra Costa County, Monterey County, San Francisco City and County, San Mateo County, Santa Clara County, and Santa Cruz County

Board staff recommended deleting Alameda County, Contra Costa County, Monterey County, San Francisco County, San Mateo County, Santa Clara County, and Santa Cruz County from TVA 2 and amending TVA 3 to include all seven counties, including the City and County of San Francisco, because these seven counties' timber markets are now centered around sawmills in the Davenport area of Santa Cruz County, California.

Napa County

Board staff recommended deleting Napa County from TVA 5 and amending TVA 2 to include Napa County because Napa County's timber markets are now centered around sawmills in Ukiah and Cloverdale, California.

---

[1] One of the characteristics requiring two categories for counties whose timber markets are centered around sawmills in Redding, California, and Oregon is that TVA 5 is a Fir area and TVA 6 is a Pine area.

Siskiyou County West of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County west of Interstate Highway No. 5" from TVA 3 and amending TVA 4 to include Siskiyou County west of Interstate Highway No. 5 because this section of Siskiyou County's timber markets are now centered around sawmills in Redding and Anderson, California.

Colusa County, Glenn County, Lake County, Solano County, Tehama County West of Interstate Highway No. 5, and Yolo County

Board staff recommended deleting Colusa County, Glenn County, Lake County, Solano County, "Tehama County west of Interstate Highway No. 5," and Yolo County from TVA 5 and amending TVA 4 to include all five counties and the portion of Tehama County west of Interstate Highway No. 5 because their timber markets are centered around sawmills in Redding and Anderson, California.

Shasta County between Interstate Highway No. 5 and State Highway No. 89 and Shasta County East of State Highway No. 89

Board staff recommended deleting "Shasta County between Interstate Highway No. 5 and State Highway No. 89" from TVA 7 and deleting "Shasta County east of State Highway No. 89" from TVA 6 and amending TVA 5 to include all of "Shasta County east of Interstate Highway No. 5" because that portion of Shasta county is a Fir area and its timber markets are centered around sawmills in Redding, California, and Oregon.

Siskiyou County East of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County east of Interstate Highway No. 5" from TVA 6 and amending TVA 5 to include that portion of Siskiyou County because it is a Fir area and its timber market is centered around sawmills in Redding, California, and Oregon.

Sacramento County

Board staff recommended deleting Sacramento County from TVA 5 and amending TVA 8 to include Sacramento County because its timber markets are centered around sawmills in Camino and Sonora, California.

Alpine County, San Joaquin County, and Stanislaus County

Board staff recommended deleting Alpine County, San Joaquin County, and Stanislaus County from TVA 9 and amending TVA 8 to include all three counties because their timber markets are centered around sawmills in Camino and Sonora, California.

Board staff's recommendations where provided to the counties and the interested parties in Letter to Assessors No. (LTA) 2009/31 (August 16, 2009) and LTA 2010/08 (January

29, 2010) and both the counties and the interested parties were invited to comment. Board staff's recommendations were also presented to and supported by the TAC during it April 27, 2010, meeting. Thereafter, Board staff incorporated its recommendations into Formal Issue Paper 10-005 for the Board's consideration and discussion during its meeting on May 26, 2010. And, during that meeting, the Board determined that all of staff's proposed amendments to Rule 1020 are necessary to ensure that each TVA listed in Rule 1020 includes the appropriate counties with similar growing, harvesting and marketing conditions. Therefore, the Board proposed to amend Rule 1020 for the specific purpose of re-designating the counties assigned to each of the nine TVAs to reflect the changes in the counties' marketing conditions since 1977.

Authority and Reference Notes

Furthermore, Board staff realized that the authority note for Rule 1020 cites Government Code section 15606, which generally authorizes the Board to adopt regulations concerning property taxes and the Board's own business, rather than Revenue and Taxation Code section 38701, which specifically authorizes the Board to adopt Timber Yield Tax regulations, such as Rule 1020. Board staff also realized that the reference note for Rule 1020 generally cites all of chapter 1 (commencing with section 38101), *General Provisions and Definitions*, and chapter 3 (commencing with section 38202), *Determination of Rates*, of part 18.5, *Timber Yield Tax Law*, of division 2 of the Revenue and Taxation Code, as the statutes being implemented, interpreted, and made specific by Rule 1020. However, Board staff determined that Rule 1020 specifically implements, interprets, and makes specific the provisions of Revenue and Taxation Code section 38109, which defines the term "Immediate Harvest Value," and section 38204, which requires the Board to designate TVAs for use in the preparation and application of immediate harvest values. Therefore, Board staff also recommended that the Board amend Rule 1020 so that the authority note correctly cites Revenue and Taxation Code section 38701, and the reference note more specifically cites Revenue and Taxation Code section 38109 and 38204.

During the May 26, 2010, meeting, the Board agreed that Revenue and Taxation Code section 38701 contains the statutory authority for Rule 1020 and that Rule 1020 specifically implements, interprets, and makes specific Revenue and Taxation Code section 38109 and 38204. Therefore, the Board proposed to amend Rule 1020's authority and reference notes as recommended by staff because the amendments are necessary for the specific purpose of ensuring that the regulation's authority and reference notes cite the correct provisions of the Revenue and Taxation Code.

<u>August 24, 2010, Public Hearing</u>

The Board held a public hearing regarding the adoption of the proposed repeal of Rule 471 and amendments to Rule 1020 on August 24, 2010, and adopted the proposed regulatory action without any changes. No interested parties appeared at the public hearing. However, two interested parties did submit written public comments prior to the end of the written comment period, which the Board considered before it adopted the

proposed regulatory action.

The first written comment was received on July 30, 2010, from Lennart Lindstrand, Jr., Manager, Land Department, W.M. Beaty & Associates, Inc., "a contract manager for the owners of approximately 280,000 acres of timberland in northeastern California" and supported the proposed amendments to Rule 1020. The second written comment was received on August 24, 2010, from N. D. Fenton. The second written comment opposed the proposed regulatory action and raised a number of objections regarding the proposed repeal of Rule 471 and amendments to Rule 1020, which are summarized and responded to in the Final Statement of Reasons. However, the Board did not make any changes to the proposed regulatory action in response to N. D. Fenton's written comment because the objections appear to be the result of some confusion regarding the affect of the Board's proposed regulatory action.

BOARD OF EQUALIZATION

PROPERTY TAX COMMITTEE MEETING MINUTES

HONORABLE MICHELLE STEEL, COMMITTEE CHAIR
450 N STREET, SACRAMENTO

MAY 26, 2010 - 9:30 A.M.

ACTION ITEM

Agenda Item No: 1

Title:

Guidelines for Substantiating Additional Obsolescence for Personal Property and Fixtures

Issue:

Should the Board of Equalization adopt guidelines for substantiating additional obsolescence for personal property and fixtures?

Committee Discussion:

Committee Chair Steel opened the committee meeting by introducing the agenda item and asked staff to give a report on the issue.

Dean Kinnee, Chief, County-Assessed Properties Division, gave the Committee an overview of the interested parties process that the proposed *Guidelines* had gone through, and advised the Committee members that staff was not aware of any outstanding issues associated with the draft that was presented to them for consideration.

Ms. Steel thanked the staff for their work on the project.

Committee Action:

Member Horton made a motion to adopt the recommended *Guidelines for Substantiating Additional Obsolescence for Personal Property and Fixtures* as presented in Issue Paper 10-003. The motion was seconded by Member Yee. Without objection, the motion passed.

Agenda Item No: 2

Title:

Property Tax Rules 1020 and 471

Issue:

Should the Board of Equalization authorize publication of amendments to Property Tax Rule 1020, *Timber Value Areas*, and authorize repeal of Property Tax Rule 471, *Timberland*?

Committee Discussion:

Committee Chair Steel introduced the agenda item and asked staff to give a report on the issue.

Dean Kinnee, Chief, County-Assessed Properties Division, gave the Committee an overview of the need for the rulemaking action, and advised the Committee members that the Board's Timber Advisory Committee (TAC) had discussed the proposed rulemaking efforts for Rules 1020 and 471 at two TAC meetings. Mr. Kinnee indicated that the TAC members were in agreement with the proposed rulemaking action.

Committee Chair Steel thanked the staff and the TAC Members for their work on the Property Tax Rules.

Committee Action:

Member Yee made a motion to authorize publication of amendments to Property Tax Rule 1020, and authorize repeal of Property Tax Rule 471, as presented in Issue Paper 10-005. The motion was seconded by Member Horton. Without objection, the motion passed.

Approved: /s/ Michelle Steel
Michelle Steel, Committee Chair

/s/ Ramon J. Hirsig
Ramon J. Hirsig, Executive Director

BOARD APPROVED

At the 5/26/2010 Board Meeting

/s/ Diane G. Olson
Diane Olson, Chief
Board Proceedings Division

Issue Paper Number **10-005**

- ☐ Board Meeting
- ☐ Business Taxes Committee
- ☐ Customer Services and Administrative Efficiency Committee
- ☐ Legislative Committee
- ☒ Property Tax Committee
- ☐ Other

BOARD OF EQUALIZATION
KEY AGENCY ISSUE

Property Tax Rules 1020 and 471

I. Issue

Should the State Board of Equalization (Board) authorize publication of amendments to Property Tax Rule 1020, *Timber Value Areas*, and authorize repeal of Property Tax Rule 471, *Timberland*?

II. Alternative 1 - Staff Recommendation

Staff recommends that the attached proposals to amend Property Tax Rule 1020, *Timber Value Areas,* and repeal Property Tax Rule 471, *Timberland*, be adopted and authorized for publication (Attachment A).

III. Other Alternative(s) Considered

None

IV. Background

Under Government Code section 15606, subdivision (c), the Board is given the power and duty to prescribe rules and regulations to govern local boards of equalization and assessment appeals boards when equalizing and county assessors when assessing. In compliance with this duty, the Board has adopted Property Tax Rules relative to timber valuation procedures.

Specifically, in accordance with the provisions of Revenue and Taxation Code section 38204, the Board is required to determine timber value areas throughout California. Section 38204 provides in part:

> (a) On or before December 31, 1976, and periodically thereafter as determined by the board, the board after consultation with the Timber Advisory Committee and after public hearings held pursuant to the Administrative Procedure Act, shall designate areas containing timber having similar growing, harvesting, and marketing conditions to be used as timber value areas for the preparation and application of immediate harvest values....

In compliance with section 38204, Property Tax Rule 1020, *Timber Value Areas*, was adopted in 1976 and last amended in January 1977. While similar growing and harvesting conditions have not significantly changed since 1977, marketing conditions make it necessary to re-designate the current nine value areas (Attachment A).

Rule 471, *Timberland*, was adopted in 1978 and last amended in August 1979. The rule was implemented in conjunction with the passage of Proposition 13 when there were concerns about how certain properties subject to special assessment provisions should be treated. Since the rule is duplicative of statutory provisions, e.g., Revenue and Taxation Code section 52(b), Board staff recommends that it be repealed (Attachment A).

V. Discussion

The project to amend Rule 1020 and repeal Rule 471 was announced via Letter To Assessors (LTA) 2009/031, August 6, 2009. Few comments were received from interested parties. Subsequently, the proposed rulemaking efforts were discussed at the November 10, 2009 Timber Advisory Committee (TAC) meeting. Since few comments were received from interested parties during the first comment period, the Timber Advisory Committee decided that the rules should be reopened for possible additional comments/suggestions. The project was again announced to interested parties via LTA 2010/008, January 29, 2010. No additional comments were received from interested parties.

In a further effort to ensure that the proposed amendments to Rule 1020 were accurate, Timber Tax staff met with one timber industry representative to review data provided by that representative. Both the Timber Tax staff and the industry representative concluded that the value areas proposed by Board staff in Rule 1020 are appropriate.

The proposed rulemaking efforts were again discussed at the April 27, 2010 TAC meeting. The TAC recommended adoption of staff's proposals relative to Rules 1020 and 471 (Attachment A).

VI. Alternative 1 - Staff Recommendation

Adopt and authorize for publication amendments to Property Tax Rule 1020, *Timber Value Areas*, and repeal of Property Tax Rule 471, *Timberland*.

A. Description of Alternative 1

Staff recommends that the attached proposals to amend Property Tax Rule 1020, *Timber Value Areas,* and repeal Property Tax Rule 471, *Timberland*, be adopted and authorized for publication (Attachment A). The focus of the amendments to Rule 1020 is to ensure that the Board is in compliance with the provisions of Revenue and Taxation Code section 38204. The purpose for the recommendation to repeal of Rule 471 is to eliminate an unnecessary regulation.

Similar to the economic changes for many industries, marketing conditions for timber products throughout California have significantly changed over the past few years. Economic and environmental pressures have caused the closing of a large number of timber mills and processing facilities in California. In many instances, these facility closings have made it necessary for the timber products (e.g., logs) to be shipped further distances for processing, thereby adding to the cost of marketing the products. The proposed amendments to Rule 1020 will better align timber areas within California to reflect these added marketing costs.

Rule 471 was put in place right after Proposition 13 was enacted when there was concern/doubt about how certain properties subject to special assessment provisions should be treated. That is, would such properties still be assessed under their special provisions (California Timber Yield Tax Law) or did Proposition 13 eliminate those provisions? Over time that doubt was cleared and various statutory changes clarified matters. Therefore, Rule 471 is duplicative of statutory provisions and is no longer necessary.

B. Pros of Alternative 1

Amendments to Rule 1020 will ensure compliance with Revenue and Taxation Code section 38204 whereby timber having similar growing, harvesting, and marketing conditions will be valued similarly. Repeal of Rule 471 will eliminate an unnecessary regulation.

C. Cons of Alternative 1

None

D. Statutory or Regulatory Change for Alternative 1

Action by the Board to adopt changes to Property Tax Rule 1020 will amend Title 18 of the California Code of Regulations, chapter 1, subchapter 11, section 1020; and repeal of Property Tax Rule 471 will repeal section 471 of Title 18 of the California Code of Regulations, chapter 1, subchapter 4.

E. Operational Impact of Alternative 1

None

F. Administrative Impact of Alternative 1

1. Cost Impact

Development of Property Tax Rules is within the scope of statutory duties of the County-Assessed Properties Division and will be absorbed by existing staff.

2. Revenue Impact

None

G. Taxpayer/Customer Impact of Alternative 1

None

H. Critical Time Frames of Alternative 1

Action by the Board at its May 25, 2010 Board meeting will ensure that the rulemaking efforts can be accomplished and in effect by December 1, 2010. This will permit the new timber value areas to be used when the 2011 first and second quarter immediate harvest values are adopted at the Board's December 14, 2010 meeting (Revenue and Taxation Code section 38204).

VII. Other Alternatives

A. Description of Alternative

N/A

Preparer/Reviewer Information

Prepared by: Property and Special Taxes Department; County-Assessed Properties Division

Current as of: April 27, 2010

State of California

BOARD OF EQUALIZATION

PROPERTY TAX RULES

Chapter 1. State Board of Equalization – Property Tax
Subchapter 11. Timber Yield Tax
Article 1. Valuation of Timberland and Timber

Rule 1020. TIMBER VALUE AREAS.

Authority: Section ~~15606, Government Code~~ 38701, Revenue and Taxation Code..
Reference: ~~Chapters 1 and 3, Part 18.5, Division 2~~ Sections 38109 and 38204, Revenue and Taxation Code.

(a) The following nine designated areas contain timber having similar growing, harvesting, and marketing conditions and shall be used as timber value areas in the preparation and application of immediate harvest values:

Area 1
Del Norte County
Humboldt County
~~Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties.~~

Area 2
~~Alameda County~~
~~Contra Costa County~~
Marin County
Mendocino County
Napa County
~~Monterey County~~
~~San Francisco County~~
~~San Mateo County~~
~~Santa Clara County~~
~~Santa Cruz County~~
Sonoma County

Area 3
Alameda County
Contra Costa County
Monterey County
San Francisco City and County
San Mateo County
Santa Clara County
Santa Cruz County
~~Siskiyou County west of Interstate Highway No. 5~~

Area 4
Colusa County
Glenn County
Lake County
Solano County
Shasta County west of Interstate Highway No. 5
Siskiyou County west of Interstate Highway No. 5
Tehama County west of Interstate Highway No. 5
Trinity County ~~except that portion which is south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties~~
Yolo County

Area 5
~~Colusa County~~
~~Glenn County~~
~~Lake County~~
~~Napa County~~
~~Sacramento County~~
Shasta County east of Interstate Highway No. 5

Siskiyou County east of Interstate Highway No. 5
~~Solano County~~
~~Tehama County west of Interstate Highway No. 5~~
~~Yolo County~~

Area 6
Lassen County
Modoc County
~~Shasta County east of State Highway No. 89~~
~~Siskiyou County east of Interstate Highway No. 5~~

Area 7
Butte County
Nevada County
Placer County
Plumas County
~~Shasta County between Interstate Highway No. 5 and State Highway No. 89~~
Sierra County
Sutter County
Tehama County east of Interstate Highway No. 5
Yuba County

Area 8
Alpine County
Amador County
Calaveras County
El Dorado County
Sacramento County
San Joaquin County
Stanislaus County
Tuolumne County

Area 9
~~Alpine County~~
Fresno County
Imperial County
Inyo County
Kern County
Kings County
Los Angeles County
Madera County
Mariposa County
Merced County
Mono County
Orange County
Riverside County
San Benito County
San Bernardino County
San Diego County
~~San Joaquin County~~
San Luis Obispo County
Santa Barbara County
~~Stanislaus County~~
Tulare County
Ventura County

History: Adopted November 4, 1976, effective January 1, 1977.
Amended January 31, 1977, effective February 1, 1977.

~~State of California~~

~~BOARD OF EQUALIZATION~~

~~PROPERTY TAX RULES~~

~~Chapter 1. State Board of Equalization—Property Tax~~
~~Subchapter 4. Equalization by State Board~~
~~Article 3. Taxable Property of a County, City or Municipal Corporation~~

~~Rule 471. TIMBERLAND.~~

~~Authority: Section 15606(c), Government Code.~~
~~Reference: Article XIII A, Sections 1 and 2, California Constitution~~

~~Consistent with the intent of the provisions of Section 3 (j) of Article XIII of the California Constitution and the legislative interpretation thereof, the value for land which has been zoned as timberland pursuant to Section 51110 or 51113 of the Government Code shall be ascertained for the 1979 lien date from the schedule contained in Section 434.5 of the Revenue and Taxation Code and thereafter from the most recent board-adopted timberland site class value schedule.~~

~~History: Adopted June 29, 1978, effective July 3, 1978.~~
~~Amended September 26, 1978, effective October 2, 1978.~~
~~Repealed Old Rule and Adopted New Rule August 16, 1979, effective August 22, 1979.~~

BEFORE THE CALIFORNIA STATE BOARD OF EQUALIZATION

450 N Street, Room 121

Sacramento, California

REPORTER'S TRANSCRIPT

MAY 26, 2010

PROPERTY TAX COMMITTEE

Reported by: Beverly D. Toms

No. CSR 1662

1
2 P R E S E N T
3
4 For the Committee: Michelle Steel
Chair
5
Jerome E. Horton
6 Vice-Chair
7 Barbara Alby
Acting Member
8
Betty T. Yee
9 Member
10 Marcy Jo Mandel
Appearing for John
11 Chiang, State Controller
(per Government Code
12 Section 7.9)
13 Joann Richmond
Property Tax Appeals Analyst
14 Board Proceedings Division
15
Board of Equalization
16 Staff: Dean Kinnee
17 Lisa Thompson
18
19 ---oOo---
20
21
22
23
24
25
26
27
28

SUB-ITEM 1

Sacramento, California

May 26, 2010

---oOO---

MS. RICHMOND: The next item on this morning's agenda is the Property Tax Committee. Ms. Steel is the Chair of this committee. Ms. Steel.

MR. HORTON: Wow.

MS. YEE: No, we can go on. Well, actually Department want a break?

MR. HORTON: Yeah, yeah, yeah.

MS. YEE: Let's do five minutes.

MS. STEEL: Yeah.

MS. YEE: Yeah.

MS. STEEL: I think we're going to take five minutes break.

MS. YEE: We're going to take a five minutes recess.

MS. STEEL: Yeah. Okay.

MS. YEE: Okay?

MS. STEEL: Yeah.

(Recess)

MS. YEE: I'll call the Property tax Meeting to order.

MS. STEEL: And we have two agenda -- two items before us today. And first one, adoption of guidelines for sub -- substantiating -- I'm having a hard time today -- of self -- you know what, Dean Kinnee is going

1 to report to us.
2 MR. KINNEE: Thank you. I was hoping you'd
3 handle that --
4 MS. STEEL: Yes.
5 MR. KINNEE: -- for us. The first item before
6 the --
7 MS. STEEL: I had a long morning already, so --
8 MR. KINNEE: The first item before the
9 Committee is guidelines for substantiating additional
10 obsolescence for personal property and fixtures.
11 As you're aware, the Board annually publishes
12 Assessor's Handbook Section 581, Equipment Index --
13 Equipment and Fixtures Index for percent good and
14 valuation factors to assist Assessors in the mass
15 appraisal of business property.
16 While these factors developed take into account
17 ordinary obsolescence, they do not account for
18 additional extraordinary obsolescence that may exist and
19 needs to be accounted for in determining a property's
20 market value.
21 In recent years staff's received numerous calls
22 from Assessors' staff as well as taxpayers seeking
23 guidance on how they might measure an account for such
24 obsolescence. Staff developed these guidelines to
25 address those questions we received. We've worked the
26 guidelines through the interested parties process. At
27 this time we're not aware of any outstanding issues.
28 And we ask that the committee adopt the guidelines.

And I'm happy to answer any questions the Committee may have.

MS. STEEL: Thank you, Dean. We don't have any speakers today, so any comments, Members?

Okay. Is there a motion?

MR. HORTON: So moved, Madam Chair.

MS. YEE: I'll second.

MS. STEEL: Thank you. So, Member Horton making the motion to adopt the guidelines. And Member Yee making the second, the motion is adopted.

---oOo---

SUB-ITEM 2.

MS. STEEL: We have second item on our agenda, and Dean Kinnee.

MR. KINNEE: The second item, we're asking the Committee to authorize publication of amendments to Property Tax Rule 1020, Timber Value Areas, and authorize the repeal of Property Tax Rule 471, Timberland.

As part of the Timber Yield Tax Program administered by the Board, the Board is required to establish timber value areas throughout the State based on areas containing timber having similar growing, harvesting and marketing conditions.

Rule 1020 was adopted in 1976 to establish these areas. While similar growing and harvesting conditions have not significantly changed since Rule 1020 was amended, marketing conditions have changed due to closure of a large number of timber mills and processing facilities throughout California.

These closures have made it necessary for timber products to be shipped further distances for processing which adds to the cost of marketing the product.

The proposed changes to Rule 1020 will better align timber areas within California to reflect these amended marketing costs.

As for Rule 471, it's an obsolete regulation that staff's just asking to be repealed. We've worked

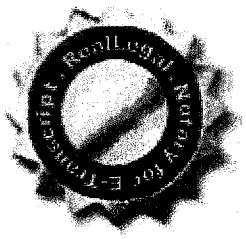
1 these rules through the interested parties process.
2 They've twice been discussed at the Timber Advisory
3 Committee. The Committee is in support of the proposed
4 amendments. At this time I'll be happy to ask any
5 ques -- answer any questions.
6 MS. STEEL: Any comments or questions, Members?
7 MS. YEE: I'm glad to see San Francisco finally
8 stricken from the list of (inaudible).
9 I want to move to adopt the staff -- the
10 recommendation -- or request authorization, excuse me.
11 MR. HORTON: Second.
12 MS. STEEL: Second.
13 MS. ALBY: Second.
14 MS. STEEL: Okay. So, Member Yee making the
15 motion and Member Horton making the second; motion's
16 been adopted.
17 And this concludes our business of the Property
18 Tax Committee. Thank you.
19 MR. KINNEE: Thank you.
20 ---oOo---
21
22
23
24
25
26
27
28

REPORTER'SCERTIFICATE

State of California)
) ss
County of Sacramento)

I, BEVERLY D. TOMS, Hearing Reporter for the California State Board of Equalization certify that on May 26, 2010 I recorded verbatim, in shorthand, to the best of my ability, the proceedings in the above-entitled hearing; that I transcribed the shorthand writing into typewriting; and that the preceding 7 pages constitute a complete and accurate transcription of the shorthand writing.

Dated: June 11, 2010.



Beverly D Toms

BEVERLY D. TOMS
Hearing Reporter

ESTIMATE OF COST OR SAVINGS RESULTING FROM PROPOSED REGULATORY ACTION

Proposed Amendment of Property Tax Rules 471, *Timber Land* and 1020, *Timber Value Areas*

STATEMENT OF COST OR SAVINGS FOR NOTICE OF PUBLIC HEARING

The State Board of Equalization has determined that the proposed action does not impose a mandate on local agencies or school districts. Further, the Board has determined that the action will result in no direct or indirect cost or savings to any State agency, any local agency or school district that is 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 cost or savings imposed on local agencies, or cost or savings in Federal funding to the State of California.

The cost impact on private persons or businesses will be insignificant. This proposal will not have a significant adverse economic impact on businesses.

This proposal will not be detrimental to California businesses in competing with businesses in other states.

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

Statement Prepared by _____ Date 6-11-2010
Regulations Coordinator

Approved by _____ for KC Date 8-16-10
Chief Counsel

If Costs or Savings are Identified, Signatures of Chief, Fiscal Management Division, and Chief, Board Proceedings Division, are Required

Approved by _____ Date _____
Chief, Financial Management Division

Approved by _____ Date _____
Chief, Board Proceedings Division

NOTE: **SAM Section 6660 requires that estimates resulting in cost or savings be submitted for Department of Finance concurrence before the notice of proposed regulatory action is released.**

Board Proceedings Division
10/7/05

STATE OF CALIFORNIA — DEPARTMENT OF FINANCE

ECONOMIC AND FISCAL IMPACT STATEMENT

(REGULATIONS AND ORDERS)

STD. 399 (REV. 12/2008)

See SAM Section 6601 - 6616 for Instructions and Code Citations

?TMENT NAME	CONTACT PERSON	TELEPHONE NUMBER
State Board of Equalization	Rick Bennion	916-445-2130
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400		NOTICE FILE NUMBER
Timberland		Z

ECONOMIC IMPACT STATEMENT

A. ESTIMATED PRIVATE SECTOR COST IMPACTS (Include calculations and assumptions in the rulemaking record.)

1. Check the appropriate box(es) below to indicate whether this regulation:

- [ ] a. Impacts businesses and/or employees
- [ ] b. Impacts small businesses
- [ ] c. Impacts jobs or occupations
- [ ] d. Impacts California competitiveness
- [ ] e. Imposes reporting requirements
- [ ] f. Imposes prescriptive instead of performance
- [ ] g. Impacts individuals
- [x] h. None of the above (Explain below. Complete the Fiscal Impact Statement as appropriate.)

h. (cont.) No significant adverse economic impact on business or employees,small business,jobs or occupations.

(If any box in Items 1 a through g is checked, complete this Economic Impact Statement.)

2. Enter the total number of businesses impacted: _____ Describe the types of businesses (Include nonprofits.): _____

Enter the number or percentage of total businesses impacted that are small businesses: _____

ter the number of businesses that will be created: _____ eliminated: _____

Explain: _____

4. Indicate the geographic extent of impacts: [ ] Statewide [ ] Local or regional (List areas.): _____

5. Enter the number of jobs created: _____ or eliminated: _____ Describe the types of jobs or occupations impacted: _____

6. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here?

[ ] Yes [ ] No If yes, explain briefly: _____

B. ESTIMATED COSTS (Include calculations and assumptions in the rulemaking record.)

1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? $ _____

a. Initial costs for a small business: $ _____ Annual ongoing costs: $ _____ Years: _____

b. Initial costs for a typical business: $ _____ Annual ongoing costs: $ _____ Years: _____

c. Initial costs for an individual: $ _____ Annual ongoing costs: $ _____ Years: _____

Describe other economic costs that may occur: _____

ECONOMIC AND FISCAL IMPACT STATEMENT cont. (STD. 399, Rev. 12/2008)

2. If multiple industries are impacted, enter the share of total costs for each industry: _____

3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. (Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.): $ _____

4. Will this regulation directly impact housing costs? ☐ Yes ☐ No If yes, enter the annual dollar cost per housing unit: _____ and the number of units: _____

5. Are there comparable Federal regulations? ☐ Yes ☐ No Explain the need for State regulation given the existence or absence of Federal regulations: _____

Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: $ _____

C. ESTIMATED BENEFITS (Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)

1. Briefly summarize the benefits that may result from this regulation and who will benefit: _____

2. Are the benefits the result of : ☐ specific statutory requirements, or ☐ goals developed by the agency based on broad statutory authority?

xplain: _____

3. What are the total statewide benefits from this regulation over its lifetime? $ _____

D. ALTERNATIVES TO THE REGULATION (Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: _____

2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation:	Benefit: $ _____	Cost: $ _____
Alternative 1:	Benefit: $ _____	Cost: $ _____
Alternative 2:	Benefit: $ _____	Cost: $ _____

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: _____

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs? ☐ Yes ☐ No

xplain: _____

E. MAJOR REGULATIONS (Include calculations and assumptions in the rulemaking record.) Cal/EPA boards, offices, and departments are subject to the following additional requirements per Health and Safety Code section 57005.

ECONOMIC AND FISCAL IMPACT STATEMENT cont. (STD. 399, Rev. 12/2008)

1. Will the estimated costs of this regulation to California business enterprises exceed $10 million ? ☐ Yes ☐ No (If No, skip the rest of this section.)

iefly describe each equally as an effective alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

Alternative 1: _____

Alternative 2: _____

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation:	$ _____	Cost-effectiveness ratio: $ _____
Alternative 1:	$ _____	Cost-effectiveness ratio: $ _____
Alternative 2:	$ _____	Cost-effectiveness ratio: $ _____

FISCAL IMPACT STATEMENT

A. FISCAL EFFECT ON LOCAL GOVERNMENT (Indicate appropriate boxes1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)

☐ 1. Additional expenditures of approximately $ _____ in the current State Fiscal Year which are reimbursable by the State pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code. Funding for this reimbursement:

☐ a. is provided in _____, Budget Act of _____ or Chapter _____, Statutes of _____

☐ b. will be requested in the _____ (FISCAL YEAR) Governor's Budget for appropriation in Budget Act of _____

☐ 2. Additional expenditures of approximately $ _____ in the current State Fiscal Year which are not reimbursable by the State pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code because this regulation:

☐ a. implements the Federal mandate contained in _____

☐ b. implements the court mandate set forth by the _____

court in the case of _____ vs. _____

☐ c. implements a mandate of the people of this State expressed in their approval of Proposition No. _____ at the _____ (DATE) election;

☐ d. is issued only in response to a specific request from the _____

_____, which is/are the only local entity(s) affected;

☐ e. will be fully financed from the _____ (FEES, REVENUE, ETC.) authorized by Section

_____ of the _____ Code;

☐ f. provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each such unit;

☐ g. creates, eliminates, or changes the penalty for a new crime or infraction contained in _____

Savings of approximately $ _____ annually.

☐ 4. No additional costs or savings because this regulation makes only technical, non-substantive or clarifying changes to current law regulations.

ECONOMIC AND FISCAL IMPACT STATEMENT *cont. (STD. 399, Rev. 2-98)*

☑ 5. No fiscal impact exists because this regulation does not affect any local entity or program.

☐ 6. Other.

B. FISCAL EFFECT ON STATE GOVERNMENT *(Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)*

☐ 1. Additional expenditures of approximately $_____ in the current State Fiscal Year. It is anticipated that State agencies will:

☐ a. be able to absorb these additional costs within their existing budgets and resources.

☐ b. request an increase in the currently authorized budget level for the _____ fiscal year.

☐ 2. Savings of approximately $_____ in the current State Fiscal Year.

☑ 3. No fiscal impact exists because this regulation does not affect any State agency or program.

☐ 4. Other.

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS *(Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)*

☐ 1. Additional expenditures of approximately $_____ in the current State Fiscal Year.

☐ 2. Savings of approximately $_____ in the current State Fiscal Year.

☑ 3. No fiscal impact exists because this regulation does not affect any federally funded State agency or program.

☐ 4. Other.

SIGNATURE		TITLE Regulations Coordinator
AGENCY SECRETARY [1] APPROVAL/CONCURRENCE		DATE 6/11/2010
DEPARTMENT OF FINANCE [2] APPROVAL/CONCURRENCE	PROGRAM BUDGET MANAGER Exempt under SAM section 6660	DATE

1. *The signature attests that the agency has completed the STD. 399 according to the instructions in SAM sections 6600-6680, and understands the impacts of the proposed rulemaking. State boards, offices, or departments not under an Agency Secretary must have the form signed by the highest ranking official in the organization.*

2. *Finance approval and signature is required when SAM sections 6600-6670 require completion of the Fiscal Impact Statement in the STD. 399.*

STATE OF CALIFORNIA—OFFICE OF ADMINISTRATIVE LAW

NOTICE PUBLICATION/REGULATIONS SUBMISSION

(See instructions on reverse)

For use by Secretary of State only

STD. 400 (REV. 01-09)

OAL FILE NUMBERS	NOTICE FILE NUMBER	REGULATORY ACTION NUMBER	EMERGENCY NUMBER
	Z-2010-0611-01		

For use by Office of Administrative Law (OAL) only

RECEIVED FOR FILING PUBLICATION DATE

JUN 11 '10 JUN 25 '10

Office of Administrative Law

NOTICE REGULATIONS

AGENCY WITH RULEMAKING AUTHORITY
State Board of Equalization

AGENCY FILE NUMBER (If any)

A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

1. SUBJECT OF NOTICE	TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE
Timberlan	18	471	June 25, 2010

3. NOTICE TYPE	4. AGENCY CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)
[X] Notice re Proposed Regulatory Action [ ] Other	Richard E. Bennion	(916) 445-2130	(916) 324-3984

OAL USE ONLY	ACTION ON PROPOSED NOTICE	NOTICE REGISTER NUMBER	PUBLICATION DATE
	[ ] Approved as Submitted [ ] Approved as Modified [ ] Disapproved/ Withdrawn		

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S)

1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)

2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) **(Including title 26, if toxics related)**

SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)

ADOPT

AMEND

TITLE(S)

REPEAL

3. TYPE OF FILING

[ ] Regular Rulemaking (Gov. Code §11346)

[ ] Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §§11349.3, 11349.4)

[ ] Emergency (Gov. Code, §11346.1(b))

[ ] Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.

[ ] Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)

[ ] Emergency Readopt (Gov. Code, §11346.1(h))

[ ] File & Print

[ ] Other (Specify) _____

[ ] Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)

[ ] Print Only

4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)

5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)

[ ] Effective 30th day after filing with Secretary of State

[ ] Effective on filing with Secretary of State

[ ] §100 Changes Without Regulatory Effect

[ ] Effective other (Specify) _____

6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY

[ ] Department of Finance (Form STD. 399) (SAM §6660)

[ ] Fair Political Practices Commission

[ ] State Fire Marshal

[ ] Other (Specify) _____

7. CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)	E-MAIL ADDRESS (Optional)

8. **I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.**

SIGNATURE OF AGENCY HEAD OR DESIGNEE

DATE

TYPED NAME AND TITLE OF SIGNATORY

For use by Office of Administrative Law (OAL) only

NOTICE IS HEREBY GIVEN

The State Board of Equalization (Board) proposes to repeal California Code of Regulations, title 18, section (Rule) 471, *Timberland*, pursuant to the authority vested in it by Government Code section 15606, subdivision (c). The Board also proposes to amend Rule 1020, *Timber Value Areas*, pursuant to the authority vested in it by Revenue and Taxation Code section 38701.

PUBLIC HEARING

A public hearing on the proposed regulatory actions 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 August 24, 2010. At the hearing, any interested person may present or submit oral or written statements, arguments, or contentions regarding the proposed repeal of Rule 471 and the proposed amendment of Rule 1020.

AUTHORITIES

Rule 471: Government Code section 15606.

Rule 1020: Revenue and Taxation Code section 38701.

REFERENCES

Rule 471: California Constitution, article XIII A, sections 1 and 2.

Rule 1020: Revenue and Taxation Code sections 38109 and 38204

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Rule 471

Proposition 13 was adopted by the voters at the June 1978 primary election and added article XIII A to the California Constitution to limit taxation, including the taxation of real property. The Board originally adopted Rule 471 as an emergency regulation in July 1978 because the adoption of Proposition 13 raised concerns about how timberland zoned under the provisions of Government Code section 51110 or 51113 should be assessed for property tax purposes. Rule 471 was subsequently amended in October 1978 and became a permanent regulation in 1979, and Rule 471 has not been amended since.

During the May 26, 2010, Board meeting, the Board determined that Rule 471 is not necessary. This is because there is no longer any controversy or confusion regarding the assessment of timberland zoned under the provisions of Government Code section 51110 or 51113; and Rule 471 is duplicative of statutory provisions, including Revenue and Taxation Code section 52, subdivision (b), and article 1.7 of chapter 3 of part 2 of division 1 (commencing with section 431) of the Revenue and Taxation Code, *Valuation of Timberland and Timber*. Therefore, the Board proposes to repeal Rule 471 for the specific purpose of deleting the unnecessary and duplicative language from the California Code of Regulations.

Rule 1020

The Board originally adopted Rule 1020 in 1976 in compliance with Revenue and Taxation Code section 38204, which requires the Board to "designate areas containing timber having similar growing, harvesting, and marketing conditions to be used as timber value areas for the preparation and application of immediate harvest values" after consultation with the Timber Advisory Committee (TAC). Rule 1020 designates 9 Timber Value Areas (TVAs) comprised of counties with similar growing, harvesting, and marketing conditions, and Rule 1020 has not been amended since 1977.

In the fall of 2008, the TAC requested that Board staff reevaluate the existing TVAs because the TAC was concerned that California's timber marketing conditions had changed since 1977 and that these changes may warrant amendments to the TVAs. The TAC's concerns were due to the fact that the number of California sawmills decreased from approximately 200 sawmills in 1977 (when the TVAs were originally established) to approximately 30 sawmills in 2008.

As a result, Board staff reviewed the state's timber growing, harvesting, and marketing conditions and determined that the first two conditions were stable. However, staff found that a number of counties' marketing conditions had changed dramatically in the past 33 years because:

- The reduction in the number of sawmills requires logs to be hauled further for processing then they were in 1977, which increases the cost of producing timber; and
- The sources of the state's timber shifted from predominantly United States Forest Service land to privately owned timberland between 1977 and the present.

Therefore, Board staff recommended that Rule 1020 be amended so that:

1. TVA 1 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Eureka, California, and Oregon.
2. TVA 2 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Ukiah and Cloverdale, California.
3. TVA 3 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in the Davenport area of Santa Cruz County, California.
4. TVA 4 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding and Anderson, California.
5. TVA 5 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.
6. TVA 6 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.[1]
7. TVA 7 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Lincoln and Quincy, California.
8. TVA 8 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Camino, California, and Sonora County, California.

[1] One of the characteristics requiring two categories for counties whose timber markets are centered around sawmills in Redding, California, and Oregon is that TVA 5 is a Fir area and TVA 6 is a Pine area.

9. TVA 9 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Sonora and Kern counties.

And, Board staff recommended that the following counties (or portions thereof) be deleted from one TVA and moved to another TVA that best fits its current timber marketing conditions.

Trinity County

Board staff recommended deleting "Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties" from TVA 1 and amending TVA 4 so that it includes all of Trinity County because all of Trinity County's timber markets are now similarly centered around sawmills in Redding and Anderson, California.

Alameda County, Contra Costa County, Monterey County, San Francisco City and County, San Mateo County, Santa Clara County, and Santa Cruz County

Board staff recommended deleting Alameda County, Contra Costa County, Monterey County, San Francisco County, San Mateo County, Santa Clara County, and Santa Cruz County from TVA 2 and amending TVA 3 to include all seven counties, including the City and County of San Francisco, because whatever marketing there is of any timber remaining in these seven counties will be centered around sawmills in the Davenport area of Santa Cruz County, California.

Napa County

Board staff recommended deleting Napa County from TVA 5 and amending TVA 2 to include Napa County because Napa County's timber markets are now centered around sawmills in Ukiah and Cloverdale, California.

Siskiyou County West of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County west of Interstate Highway No. 5" from TVA 3 and amending TVA 4 to include Siskiyou County west of Interstate Highway No. 5 because this section of Siskiyou County's timber markets are now centered around sawmills in Redding and Anderson, California.

Colusa County, Glenn County, Lake County, Solano County, Tehama County West of Interstate Highway No. 5, and Yolo County

Board staff recommended deleting Colusa County, Glenn County, Lake County, Solano County, "Tehama County west of Interstate Highway No. 5," and Yolo County from TVA 5 and amending TVA 4 to include all 5 counties and the portion of Tehama County west of Interstate Highway No. 5 because their timber markets are centered around sawmills in Redding and Anderson, California.

Shasta County between Interstate Highway No. 5 and State Highway No. 89 and Shasta County East of State Highway No. 89

Board staff recommended deleting "Shasta County between Interstate Highway No. 5 and State Highway No. 89" from TVA 7 and deleting "Shasta County east of State Highway No. 89" from TVA 6 and amending TVA 5 to include all of "Shasta County east

of Interstate Highway No. 5" because that portion of Shasta county is a Fir area and its timber markets are centered around sawmills in Redding, California, and Oregon.

Siskiyou County East of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County east of Interstate Highway No. 5" from TVA 6 and amending TVA 5 to include that portion of Siskiyou County because it is a Fir area and its timber market is centered around sawmills in Redding, California, and Oregon.

Sacramento County

Board staff recommended deleting Sacramento County from TVA 5 and amending TVA 8 to include Sacramento County because its timber markets are centered around sawmills in Camino, California, and Sonora County, California.

Alpine County, San Joaquin County, and Stanislaus County

Board staff recommended deleting Alpine County, San Joaquin County, and Stanislaus County from TVA 9 and amending TVA 8 to include all three counties because their timber markets are centered around sawmills in Camino, California, and Sonora County, California.

Board staff's recommendations where provided to the counties and the interested parties in Letter to Assessors No. (LTA) 2009/31 (August 16, 2009)[2] and LTA 2010/08 (January 29, 2010)[3] and both the counties and the interested parties were invited to comment. Board staff's recommendations were also presented to and supported by the TAC during it April 27, 2010, meeting. Thereafter, Board staff incorporated its recommendations into Formal Issue Paper 10-005[4] for the Board's consideration and discussion during its meeting on May 26, 2010. And, during that meeting, the Board determined that all of staff's proposed amendments to Rule 1020 are necessary to ensure that each TVA listed in Rule 1020 includes the appropriate counties with similar growing, harvesting and marketing conditions. Therefore, the Board proposes to amend Rule 1020 for the specific purpose of re-designating the counties assigned to each of the nine TVAs to reflect the changes in the counties' marketing conditions since 1977.

Authority and Reference Notes

Furthermore, Board staff realized that the authority note for Rule 1020 cites Government Code section 15606, which generally authorizes the Board to adopt regulations concerning property taxes and the Board's own business, rather than Revenue and Taxation Code section 38701, which specifically authorizes the Board to adopt Timber Yield Tax regulations, such as Rule 1020. Board staff also realized that the reference note for Rule 1020 generally cites all of chapter 1 (commencing with section 38101), *General Provisions and Definitions*, and chapter 3 (commencing with section 38202), *Determination of Rates*, of part 18.5, *Timber Yield Tax Law*, of division 2 of the Revenue and Taxation Code, as the statutes being implemented, interpreted, and made specific by Rule 1020. However, Board staff determined that Rule 1020 specifically implements, interprets, and makes specific the provisions of Revenue and Taxation Code section 38109, which defines the term "Immediate Harvest Value," and section 38204, which requires the Board to designate TVAs for use in the preparation

[2] LTA 2009/31 is available at *www.boe.ca.gov/proptaxes/pdf/lta09031.pdf.*
[3] LTA 2010/08 is available at *www.boe.ca.gov/proptaxes/pdf/lta10008.pdf.*
[4] Formal Issue Paper 10-005 is available at *www.boe.ca.gov/proptaxes/pdf/10-005.pdf.*

and application of immediate harvest values. Therefore, Board staff also recommended that the Board amend Rule 1020 so that the authority note correctly cites Revenue and Taxation Code section 38701, and the reference note more specifically cites Revenue and Taxation Code section 38109 and 38204.

During the May 26, 2010, meeting, the Board agreed that Revenue and Taxation Code section 38701 contains the statutory authority for Rule 1020 and that Rule 1020 specifically implements, interprets, and makes specific Revenue and Taxation Code section 38109 and 38204. Therefore, the Board proposes to amend Rule 1020's authority and reference notes as recommended by staff because the amendments are necessary for the specific purpose of ensuring that the regulation's authority and reference notes cite the correct provisions of the Revenue and Taxation Code.

NO MANDATE ON LOCAL AGENCIES AND SCHOOL DISTRICTS

The Board has determined that the proposed repeal of Rule 471 and proposed amendments to Rule 1020 do not impose a mandate on 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.

NO COST OR SAVINGS TO STATE AGENCIES, LOCAL AGENCIES, AND SCHOOL DISTRICTS

The Board has determined that the proposed repeal of Rule 471 and proposed amendments to Rule 1020 will result in no direct or indirect cost or savings to a 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.

NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS

Rule 471 is duplicative of statutes in the Revenue and Taxation Code and its proposed repeal will not have any effect on the assessment of timberland for property tax purposes. The proposed amendments to Rule 1020 merely re-designate the counties assigned to the TVAs to reflect changes to California's timber markets that occurred since the regulation was last amended in 1977, as required by Revenue and Taxation Code section 38204. Furthermore, the proposed amendments to Rule 1020 will not directly effect the Timber Yield Taxes imposed upon any specific timber owners because their taxes are dependent upon the "yield tax rate" the Board is required to adopt during December of each year pursuant to Revenue and Taxation Code sections 38202 and 38203 and the "immediate harvest values" the Board is required to adopt by June 30 and December 31 of each calendar year pursuant to Revenue and Taxation Code section 38204. Therefore, pursuant to Government Code section 11346.5, subdivision (a)(8), the Board has made an initial determination that the adoption of the proposed repeal of Rule 471 and the adoption of the proposed amendments to Rule 1020 will have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

The proposed regulatory actions may affect small business.

COST IMPACT ON PRIVATE PERSON OR BUSINESSES

The Board is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action. The proposed repeal of Rule 471 and proposed amendments to Rule 1020 will not create any new compliance burdens for private persons or businesses.

RESULTS OF THE ASSESSMENT REQUIRED BY GOVERNMENT CODE SECTION 11346.3, SUBDIVISION (b)

The adoption of the proposed repeal of Rule 471 and proposed amendments to Rule 1020 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.

NO SIGNIFICANT EFFECT ON HOUSING COSTS

The adoption of the proposed repeal of Rule 471 and proposed amendments to Rule 1020 will not have a significant effect on housing costs.

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 would be as effective as and less burdensome to affected private persons than the proposed action.

CONTACT

Questions regarding the substance of the proposed regulatory actions should be directed to Mr. Bradley Heller, Tax Counsel III (Specialist), by telephone at (916) 324-2657, by email at *Bradley.Heller@boe.ca.gov*, or by mail at State Board of Equalization, 450 N Street, MIC: 82, P.O. Box 942879, Sacramento, CA 94279-0082.

Written comments for the Board's consideration, notice of intent to present testimony or witnesses at the public hearing, and inquiries concerning the proposed administrative action should be directed to Mr. Rick Bennion, Regulations Coordinator, by telephone at (916) 445-2130, by fax at (916) 324-3984 , by e-mail at *Richard.Bennion@boe.ca.gov*, or by mail at State Board of Equalization, Attn: Rick Bennion, 450 N Street, MIC:81, P.O. Box 942879, Sacramento, CA 94279-0080.

WRITTEN COMMENT PERIOD

The written comment period ends when the public hearing begins at 9:30 a.m., or as soon thereafter as the matter may be heard, on August 24, 2010. If the Board receives written comments prior to the close of the written comment period, the statements, arguments, and/or contentions contained in those comments will be presented to and considered by the Board before the Board decides whether to adopt the proposed repeal of Rule 471 and the proposed amendments to Rule 1020. The Board will only consider written comments received by that time.

AVAILABILITY OF INITIAL STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS

The Board has prepared an Initial Statement of Reasons and underscored and strikeout versions of the text of Rules 471 and 1020, which illustrate the proposed repeal of Rule 471 and the proposed amendments to Rule 1020. These 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. The express terms of the proposed amendments and the Initial Statement of Reasons are also available on the Board's Web site at *www.boe.ca.gov.*

SUBSTANTIALLY RELATED CHANGES PURSUANT TO GOVERNMENT CODE SECTION 11346.8

The Board may adopt the proposed repeal of Rule 471 and the proposed amendments to Rule 1020 with changes that are nonsubstantial or solely grammatical in nature, or sufficiently related to the original text that the public was adequately placed on notice that the changes could result from the originally proposed regulatory action. If a sufficiently related change is made, the Board will make the full text of the resulting amendments, with the change clearly indicated, available to the public for at least 15 days before adoption. The text of the resulting amendments will be mailed to those interested parties who commented on the proposed repeal of Rule 471 or the proposed amendments to Rule 1020 orally or in writing or who asked to be informed of such changes. The text of the resulting amendments will also be available to the public from Mr. Bennion. The Board will consider written comments on the resulting amendments that are received prior to adoption.

AVAILABILITY OF FINAL STATEMENT OF REASONS

If the Board adopts the proposed repeal of Rule 471 and the proposed amendments to Rule 1020, the Board will prepare a Final Statement of Reasons. The Final Statement of Reasons will be made available on the Board's Website at *www.boe.ca.gov.* It will also be available for public inspection at 450 N Street, Sacramento, California.

FEDERAL REGULATIONS

Rules 471 and 1020 have no comparable federal regulations.

Proposed Amendments to California Code of Regulations, Title 18, Sections 471 and 1020

~~471. Timberland.~~

~~Consistent with the intent of the provisions of Section 3(j) of Article XIII of the California Constitution and the legislative interpretation thereof, the value for land which has been zoned as timberland pursuant to Section 51110 or 51113 of the Government Code shall be ascertained for the 1979 lien date from the schedule contained in Section 434.5 of the Revenue and Taxation Code and thereafter from the most recent board-adopted timberland site class value schedule.~~

~~Note: Authority cited: Sec. 15606(c) Gov. Code Reference: Art. XIII A, Secs. 1 and 2, California Constitution.~~

1020. Timber Value Areas.

The following nine designated areas contain timber having similar growing, harvesting, and marketing conditions and shall be used as timber value areas in the preparation and application of immediate harvest values:

Area 1
Del Norte County
Humboldt County
~~Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties~~

Area 2
~~Alameda County~~
~~Contra Costa County~~
Marin County
Mendocino County
Napa County
~~Monterey County~~
~~San Francisco County~~
~~San Mateo County~~
~~Santa Clara County~~
~~Santa Cruz County~~
Sonoma County

Area 3
Alameda County
Contra Costa County
Monterey County
San Francisco City and County
San Mateo County
Santa Clara County
Santa Cruz County
~~Siskiyou County west of Interstate Highway No. 5~~

Area 4
Colusa County
Glenn County
Lake County
Shasta County west of Interstate Highway No. 5
Solano County
Siskiyou County west of Interstate Highway No. 5
Tehama County west of Interstate Highway No. 5
Trinity County ~~except that portion which is south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties~~
Yolo County

Area 5
Shasta County east of Interstate Highway No. 5
Siskiyou County east of Interstate Highway No. 5
~~Colusa County~~
~~Glenn County~~
~~Lake County~~
~~Napa County~~
~~Sacramento County~~
~~Solano County~~
~~Tehama County west of Interstate Highway No. 5~~
~~Yolo County~~

Area 6
Lassen County
Modoc County
~~Shasta County east of State Highway No. 89~~
~~Siskiyou County east of Interstate Highway No. 5~~

Area 7
Butte County
Nevada County
Placer County
Plumas County

~~Shasta County between Interstate Highway No. 5 and State Highway No. 89~~
Sierra County
Sutter County
Tehama County east of Interstate Highway No. 5
Yuba County

Area 8
Alpine County
Amador County
Calaveras County
El Dorado County
Sacramento County
San Joaquin County
Stanislaus County
Tuolumne County

Area 9
~~Alpine County~~
Fresno County
Imperial County
Inyo County
Kern County
Kings County
Los Angeles County
Madera County
Mariposa County
Merced County
Mono County
Orange County
Riverside County
San Benito County
San Bernardino County
San Diego County
~~San Joaquin County~~
San Luis Obispo County
Santa Barbara County
~~Stanislaus County~~
Tulare County
Ventura County

Note: Authority cited~~ for Article 1~~: Section 3870~~15606~~, Revenue and Taxation Code~~Government Code~~. Reference~~ for Article 1~~: ~~Chapters 1 and 3, Part 18.5, Division 2~~Sections 38109 and 38204, Revenue and Taxation Code.

Bennion, Richard

From: Smith, Rose [Rose.Smith@BOE.CA.GOV]

Sent: Friday, June 25, 2010 11:58 AM

To: BOE_REGULATIONS@LISTSERV.STATE.CA.GOV

Subject: State Board of Equalization - Announcement of Regulatory Change to Property Tax Rules 471, and 1020

The State Board of Equalization will hold a public hearing regarding the proposed repeal of Property Tax Rule (Rule) 471, *Timberland*, and proposed amendments to Rule 1020, *Timber Value Areas*. The public hearing on the proposed regulatory actions 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 Tuesday, August 24, 2010.

To view the notice of proposed regulatory action, initial statement of reasons, proposed text, and history click on the following link:
http://www.boe.ca.gov/regs/rule471_1020.htm

Questions regarding the substance of the proposed repeal of Rule 471, and the proposed amendments to Rule 1020 should be directed to: Mr. Bradley Heller, Tax Counsel III (Specialist), by telephone at (916) 324-2657, by e-mail at Bradley.Heller@boe.ca.gov, or by mail to: State Board of Equalization, Attn: Bradley M. Heller, MIC:82, 450 N Street, P.O. Box 942879, Sacramento, CA 94279-0082.

Written comments for the Board's consideration, notices of intent to present testimony or witnesses at the public hearing, and inquiries concerning the proposed regulatory actions should be directed to Mr. Rick Bennion, Regulations Coordinator, by telephone at (916) 445-2130, by fax at (916) 324-3984, by e-mail at Richard.Bennion@boe.ca.gov, or by mail to: State Board of Equalization, Attn: Rick Bennion, MIC: 80, P.O. Box 942879-0080, Sacramento, CA 94279-0080.

Please DO NOT REPLY to this message, as it was sent from an "announcement list."

Subscription Information: To unsubscribe from this list visit the link: http://www.boe.ca.gov/aprc/index.htm

Privacy Policy Information: Your information is collected in accordance with our Privacy Policy
http://www.boe.ca.gov/info/privacyinfo.htm

Technical Problems: If you cannot view the link included in the body of this message, please contact the Board's webmaster at webmaster@boe.ca.gov

AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE

All the information upon which the proposed regulations are based is contained in the rulemaking file which is available for public inspection by contacting the person named below.

You may obtain a copy of the final statement of reasons once it has been prepared, by making a request to the contact person named below.

CONTACT PERSON

Inquiries or comments concerning the proposed rulemaking action may be addressed to:

Name: Diana Godines, Associate Governmental Program Analyst

Address: 3485 Orange Grove Avenue, Suite A
North Highlands, CA 95660
Telephone No.: (916) 574–2442
Fax No.: (916) 574–2120
E–mail Address: diana.godines@dca.ca.gov

The backup contact person is:

Name: Said Nurbakhsh, Laboratory Engineer
Address: 3485 Orange Grove Avenue, Suite A
North Highlands, CA 95660
Telephone No.: (916) 574–2041
Fax No.: (916) 574–2120
E–mail Address: said.nurbakhsh@dca.ca.gov

Website Access: Materials regarding this proposal can be found at www.bearhfti.ca.gov.

TITLE 18. BOARD OF EQUALIZATION

NOTICE IS HEREBY GIVEN

The State Board of Equalization (Board) proposes to repeal California Code of Regulations, title 18, section (Rule) 471, *Timberland*, pursuant to the authority vested in it by Government Code section 15606, subdivision (c). The Board also proposes to amend Rule 1020, *Timber Value Areas*, pursuant to the authority vested in it by Revenue and Taxation Code section 38701.

PUBLIC HEARING

A public hearing on the proposed regulatory actions 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 August 24, 2010. At the hearing, any interested person may present or submit oral or written statements, arguments, or contentions regarding the proposed repeal of Rule 471 and the proposed amendment of Rule 1020.

AUTHORITIES

Rule 471: Government Code section 15606.

Rule 1020: Revenue and Taxation Code section 38701.

REFERENCES

Rule 471: California Constitution, article XIII A, sections 1 and 2.

Rule 1020: Revenue and Taxation Code sections 38109 and 38204

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Rule 471

Proposition 13 was adopted by the voters at the June 1978 primary election and added article XIII A to the California Constitution to limit taxation, including the taxation of real property. The Board originally adopted Rule 471 as an emergency regulation in July 1978 because the adoption of Proposition 13 raised concerns about how timberland zoned under the provisions of Government Code section 51110 or 51113 should be assessed for property tax purposes. Rule 471 was subsequently amended in October 1978 and became a permanent regulation in 1979, and Rule 471 has not been amended since.

During the May 26, 2010, Board meeting, the Board determined that Rule 471 is not necessary. This is because there is no longer any controversy or confusion regarding the assessment of timberland zoned under the provisions of Government Code section 51110 or 51113; and Rule 471 is duplicative of statutory provisions, including Revenue and Taxation Code section 52, subdivision (b), and article 1.7 of chapter 3 of part 2 of division 1 (commencing with section 431) of the Revenue and Taxation Code, *Valuation of Timberland and Timber*. Therefore, the Board proposes to repeal Rule 471 for the specific purpose of deleting the unnecessary and duplicative language from the California Code of Regulations.

Rule 1020

The Board originally adopted Rule 1020 in 1976 in compliance with Revenue and Taxation Code section 38204, which requires the Board to "designate areas containing timber having similar growing, harvesting, and marketing conditions to be used as timber value areas for the preparation and application of immediate harvest values" after consultation with the Timber Advisory Committee (TAC). Rule 1020 designates 9 Timber Value Areas (TVAs) comprised of counties with similar growing, harvesting, and marketing conditions, and Rule 1020 has not been amended since 1977.

In the fall of 2008, the TAC requested that Board staff reevaluate the existing TVAs because the TAC was concerned that California's timber marketing conditions had changed since 1977 and that these changes may warrant amendments to the TVAs. The TAC's concerns were due to the fact that the number of California sawmills decreased from approximately 200 sawmills in 1977 (when the TVAs were originally established) to approximately 30 sawmills in 2008.

As a result, Board staff reviewed the state's timber growing, harvesting, and marketing conditions and determined that the first two conditions were stable. However, staff found that a number of counties' marketing conditions had changed dramatically in the past 33 years because:

- The reduction in the number of sawmills requires logs to be hauled further for processing than they were in 1977, which increases the cost of producing timber; and
- The sources of the state's timber shifted from predominantly United States Forest Service land to privately owned timberland between 1977 and the present.

Therefore, Board staff recommended that Rule 1020 be amended so that:

1. TVA 1 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Eureka, California, and Oregon.
2. TVA 2 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Ukiah and Cloverdale, California.
3. TVA 3 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in the Davenport area of Santa Cruz County, California.
4. TVA 4 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding and Anderson, California.
5. TVA 5 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.
6. TVA 6 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.[1]
7. TVA 7 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Lincoln and Quincy, California.
8. TVA 8 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Camino, California, and Sonora County, California.
9. TVA 9 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Sonora and Kern counties.

And, Board staff recommended that the following counties (or portions thereof) be deleted from one TVA and moved to another TVA that best fits its current timber marketing conditions.

Trinity County

Board staff recommended deleting "Trinity County south and west of that part of the exterior boundary of the Shasta–Trinity National Forest between Humboldt and Tehama Counties" from TVA 1 and amending TVA 4 so that it includes all of Trinity County because all of Trinity County's timber markets are now similarly centered around sawmills in Redding and Anderson, California.

Alameda County, Contra Costa County, Monterey County, San Francisco City and County, San Mateo County, Santa Clara County, and Santa Cruz County

Board staff recommended deleting Alameda County, Contra Costa County, Monterey County, San Francisco County, San Mateo County, Santa Clara County, and Santa Cruz County from TVA 2 and amending TVA 3 to include all seven counties, including the City and County of San Francisco, because whatever marketing there is of any timber remaining in these seven counties will be centered around sawmills in the Davenport area of Santa Cruz County, California.

Napa County

Board staff recommended deleting Napa County from TVA 5 and amending TVA 2 to include Napa County because Napa County's timber markets are now

[1] One of the characteristics requiring two categories for counties whose timber markets are centered around sawmills in Redding, California, and Oregon is that TVA 5 is a Fir area and TVA 6 is a Pine area.

centered around sawmills in Ukiah and Cloverdale, California.

Siskiyou County West of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County west of Interstate Highway No. 5" from TVA 3 and amending TVA 4 to include Siskiyou County west of Interstate Highway No. 5 because this section of Siskiyou County's timber markets are now centered around sawmills in Redding and Anderson, California.

Colusa County, Glenn County, Lake County, Solano County, Tehama County West of Interstate Highway No. 5, and Yolo County

Board staff recommended deleting Colusa County, Glenn County, Lake County, Solano County, "Tehama County west of Interstate Highway No. 5," and Yolo County from TVA 5 and amending TVA 4 to include all 5 counties and the portion of Tehama County west of Interstate Highway No. 5 because their timber markets are centered around sawmills in Redding and Anderson, California.

Shasta County between Interstate Highway No. 5 and State Highway No. 89 and Shasta County East of State Highway No. 89

Board staff recommended deleting "Shasta County between Interstate Highway No. 5 and State Highway No. 89" from TVA 7 and deleting "Shasta County east of State Highway No. 89" from TVA 6 and amending TVA 5 to include all of "Shasta County east of Interstate Highway No. 5" because that portion of Shasta county is a Fir area and its timber markets are centered around sawmills in Redding, California, and Oregon.

Siskiyou County East of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County east of Interstate Highway No. 5" from TVA 6 and amending TVA 5 to include that portion of Siskiyou County because it is a Fir area and its timber market is centered around sawmills in Redding, California, and Oregon.

Sacramento County

Board staff recommended deleting Sacramento County from TVA 5 and amending TVA 8 to include Sacramento County because its timber markets are centered around sawmills in Camino, California, and Sonora County, California.

Alpine County, San Joaquin County, and Stanislaus County

Board staff recommended deleting Alpine County, San Joaquin County, and Stanislaus County from TVA 9 and amending TVA 8 to include all three counties because their timber markets are centered around sawmills in Camino, California, and Sonora County, California.

Board staff's recommendations were provided to the counties and the interested parties in Letter to Assessors No. (LTA) 2009/31 (August 16, 2009)[2] and LTA 2010/08 (January 29, 2010)[3] and both the counties and the interested parties were invited to comment. Board staff's recommendations were also presented to and supported by the TAC during it April 27, 2010, meeting. Thereafter, Board staff incorporated its recommendations into Formal Issue Paper 10–005[4] for the Board's consideration and discussion during its meeting on May 26, 2010. And, during that meeting, the Board determined that all of staff's proposed amendments to Rule 1020 are necessary to ensure that each TVA listed in Rule 1020 includes the appropriate counties with similar growing, harvesting and marketing conditions. Therefore, the Board proposes to amend Rule 1020 for the specific purpose of re–designating the counties assigned to each of the nine TVAs to reflect the changes in the counties' marketing conditions since 1977.

Authority and Reference Notes

Furthermore, Board staff realized that the authority note for Rule 1020 cites Government Code section 15606, which generally authorizes the Board to adopt regulations concerning property taxes and the Board's own business, rather than Revenue and Taxation Code section 38701, which specifically authorizes the Board to adopt Timber Yield Tax regulations, such as Rule 1020. Board staff also realized that the reference note for Rule 1020 generally cites all of chapter 1 (commencing with section 38101), *General Provisions and Definitions*, and chapter 3 (commencing with section 38202), *Determination of Rates*, of part 18.5, *Timber Yield Tax Law*, of division 2 of the Revenue and Taxation Code, as the statutes being implemented, interpreted, and made specific by Rule 1020. However, Board staff determined that Rule 1020 specifically implements, interprets, and makes specific the provisions of Revenue and Taxation Code section 38109, which defines the term "Immediate Harvest Value," and section 38204, which requires the Board to designate TVAs for use in the preparation and application of immediate harvest values. Therefore, Board staff also recommended that the Board amend Rule 1020 so that the authority note correctly cites Revenue and Taxation Code section 38701, and the reference note more specifically cites Revenue and Taxation Code section 38109 and 38204.

During the May 26, 2010, meeting, the Board agreed that Revenue and Taxation Code section 38701 con-

[2] LTA 2009/31 is available at *www.boe.ca.gov/proptaxes/pdf/lta09031.pdf*.

[3] LTA 2010/08 is available at *www.boe.ca.gov/proptaxes/pdf/lta10008.pdf*.

[4] Formal Issue Paper 10–005 is available at *www.boe.ca.gov/proptaxes/pdf/10–005.pdf*.

tains the statutory authority for Rule 1020 and that Rule 1020 specifically implements, interprets, and makes specific Revenue and Taxation Code section 38109 and 38204. Therefore, the Board proposes to amend Rule 1020's authority and reference notes as recommended by staff because the amendments are necessary for the specific purpose of ensuring that the regulation's authority and reference notes cite the correct provisions of the Revenue and Taxation Code.

NO MANDATE ON LOCAL AGENCIES AND SCHOOL DISTRICTS

The Board has determined that the proposed repeal of Rule 471 and proposed amendments to Rule 1020 do not impose a mandate on 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.

NO COST OR SAVINGS TO STATE AGENCIES, LOCAL AGENCIES, AND SCHOOL DISTRICTS

The Board has determined that the proposed repeal of Rule 471 and proposed amendments to Rule 1020 will result in no direct or indirect cost or savings to a 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.

NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS

Rule 471 is duplicative of statutes in the Revenue and Taxation Code and its proposed repeal will not have any effect on the assessment of timberland for property tax purposes. The proposed amendments to Rule 1020 merely re–designate the counties assigned to the TVAs to reflect changes to California's timber markets that occurred since the regulation was last amended in 1977, as required by Revenue and Taxation Code section 38204. Furthermore, the proposed amendments to Rule 1020 will not directly effect the Timber Yield Taxes imposed upon any specific timber owners because their taxes are dependent upon the "yield tax rate" the Board is required to adopt during December of each year pursuant to Revenue and Taxation Code sections 38202 and 38203 and the "immediate harvest values" the Board is required to adopt by June 30 and December 31 of each calendar year pursuant to Revenue and Taxation Code section 38204. Therefore, pursuant to Government Code section 11346.5, subdivision (a)(8), the Board has made an initial determination that the adoption of the proposed repeal of Rule 471 and the adoption of the proposed amendments to Rule 1020 will have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

The proposed regulatory actions may affect small business.

COST IMPACT ON PRIVATE PERSON OR BUSINESSES

The Board is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action. The proposed repeal of Rule 471 and proposed amendments to Rule 1020 will not create any new compliance burdens for private persons or businesses.

RESULTS OF THE ASSESSMENT REQUIRED BY GOVERNMENT CODE SECTION 11346.3, SUBDIVISION (b)

The adoption of the proposed repeal of Rule 471 and proposed amendments to Rule 1020 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.

NO SIGNIFICANT EFFECT ON HOUSING COSTS

The adoption of the proposed repeal of Rule 471 and proposed amendments to Rule 1020 will not have a significant effect on housing costs.

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 would be as effective as and less burdensome to affected private persons than the proposed action.

CONTACT

Questions regarding the substance of the proposed regulatory actions should be directed to Mr. Bradley Heller, Tax Counsel III (Specialist), by telephone at (916) 324–2657, by email at *Bradley.Heller@boe.ca.gov*, or by mail at State Board of Equalization, 450 N

Street, MIC:82, P.O. Box 942879, Sacramento, CA 94279–0082.

Written comments for the Board's consideration, notice of intent to present testimony or witnesses at the public hearing, and inquiries concerning the proposed administrative action should be directed to Mr. Rick Bennion, Regulations Coordinator, by telephone at (916) 445–2130, by fax at (916) 324–3984 , by e–mail at *Richard.Bennion@boe.ca.gov*, or by mail at State Board of Equalization, Attn: Rick Bennion, 450 N Street, MIC:81, P.O. Box 942879, Sacramento, CA 94279–0080.

WRITTEN COMMENT PERIOD

The written comment period ends when the public hearing begins at 9:30 a.m., or as soon thereafter as the matter may be heard, on August 24, 2010. If the Board receives written comments prior to the close of the written comment period, the statements, arguments, and/or contentions contained in those comments will be presented to and considered by the Board before the Board decides whether to adopt the proposed repeal of Rule 471 and the proposed amendments to Rule 1020. The Board will only consider written comments received by that time.

AVAILABILITY OF INITIAL STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS

The Board has prepared an Initial Statement of Reasons and underscored and strikeout versions of the text of Rules 471 and 1020, which illustrate the proposed repeal of Rule 471 and the proposed amendments to Rule 1020. These 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. The express terms of the proposed amendments and the Initial Statement of Reasons are also available on the Board's Web site at *www.boe.ca.gov.*

SUBSTANTIALLY RELATED CHANGES PURSUANT TO GOVERNMENT CODE SECTION 11346.8

The Board may adopt the proposed repeal of Rule 471 and the proposed amendments to Rule 1020 with changes that are nonsubstantial or solely grammatical in nature, or sufficiently related to the original text that the public was adequately placed on notice that the changes could result from the originally proposed regulatory action. If a sufficiently related change is made, the Board will make the full text of the resulting amendments, with the change clearly indicated, available to the public for at least 15 days before adoption. The text of the resulting amendments will be mailed to those interested parties who commented on the proposed repeal of Rule 471 or the proposed amendments to Rule 1020 orally or in writing or who asked to be informed of such changes. The text of the resulting amendments will also be available to the public from Mr. Bennion. The Board will consider written comments on the resulting amendments that are received prior to adoption.

AVAILABILITY OF FINAL STATEMENT OF REASONS

If the Board adopts the proposed repeal of Rule 471 and the proposed amendments to Rule 1020, the Board will prepare a Final Statement of Reasons. The Final Statement of Reasons will be made available on the Board's Website at *www.boe.ca.gov.* It will also be available for public inspection at 450 N Street, Sacramento, California.

FEDERAL REGULATIONS

Rules 471 and 1020 have no comparable federal regulations.

TITLE MPP. DEPARTMENT OF SOCIAL SERVICES

ORD #0310–04 NOTICE OF PROPOSED CHANGES IN REGULATIONS OF THE CALIFORNIA DEPARTMENT OF SOCIAL SERVICES (CDSS)

ITEM # 01 ABX4 4 60–Month Time Clock Exemption

CDSS hereby gives notice of the proposed regulatory action(s) described below. Any person interested may present statements or arguments orally or in writing relevant to the proposed regulations at a public hearing to be held as follows:

August 11, 2010
Office Building # 8
744 P St., Room 323
Sacramento, California

The public hearing will convene at 10:00 a.m. and will remain open only as long as attendees are presenting testimony. The purpose of the hearing is to receive public testimony, not to engage in debate or discussion. The Department will adjourn the hearing immediately following the completion of testimony presentations.

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-80
916-445-2130 • FAX 916-324-3984
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco

MICHELLE STEEL
Third District, Rolling Hills Estates

JEROME E. HORTON
Fourth District, Los Angeles

JOHN CHIANG
State Controller

BARBARA ALBY
Acting Member
Second District, Sacramento

RAMON J. HIRSIG
Executive Director

June 25, 2010

To Interested Parties:

Notice of Proposed Regulatory Action

The State Board of Equalization Proposes to Repeal California Code of Regulations, Title 18, Section 471, Timberland, and Proposes to Amend California Code of Regulations, Title 18, Section 1020, Timber Value Areas

NOTICE IS HEREBY GIVEN

The State Board of Equalization (Board) proposes to repeal California Code of Regulations, title 18, section (Rule) 471, *Timberland*, pursuant to the authority vested in it by Government Code section 15606, subdivision (c). The Board also proposes to amend Rule 1020, *Timber Value Areas*, pursuant to the authority vested in it by Revenue and Taxation Code section 38701.

PUBLIC HEARING

A public hearing on the proposed regulatory actions 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 August 24, 2010. At the hearing, any interested person may present or submit oral or written statements, arguments, or contentions regarding the proposed repeal of Rule 471 and the proposed amendment of Rule 1020.

AUTHORITIES

Rule 471: Government Code section 15606.

Rule 1020: Revenue and Taxation Code section 38701.

REFERENCES

Rule 471: California Constitution, article XIII A, sections 1 and 2.

Rule 1020: Revenue and Taxation Code sections 38109 and 38204

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Rule 471

Proposition 13 was adopted by the voters at the June 1978 primary election and added article XIII A to the California Constitution to limit taxation, including the taxation of real property. The Board originally adopted Rule 471 as an emergency regulation in July 1978 because the adoption of Proposition 13 raised concerns about how timberland zoned under the provisions of Government Code section 51110 or 51113 should be assessed for property tax purposes. Rule 471 was subsequently amended in October 1978 and became a permanent regulation in 1979, and Rule 471 has not been amended since.

During the May 26, 2010, Board meeting, the Board determined that Rule 471 is not necessary. This is because there is no longer any controversy or confusion regarding the assessment of timberland zoned under the provisions of Government Code section 51110 or 51113; and Rule 471 is duplicative of statutory provisions, including Revenue and Taxation Code section 52, subdivision (b), and article 1.7 of chapter 3 of part 2 of division 1 (commencing with section 431) of the Revenue and Taxation Code, *Valuation of Timberland and Timber*. Therefore, the Board proposes to repeal Rule 471 for the specific purpose of deleting the unnecessary and duplicative language from the California Code of Regulations.

Rule 1020

The Board originally adopted Rule 1020 in 1976 in compliance with Revenue and Taxation Code section 38204, which requires the Board to "designate areas containing timber having similar growing, harvesting, and marketing conditions to be used as timber value areas for the preparation and application of immediate harvest values" after consultation with the Timber Advisory Committee (TAC). Rule 1020 designates 9 Timber Value Areas (TVAs) comprised of counties with similar growing, harvesting, and marketing conditions, and Rule 1020 has not been amended since 1977.

In the fall of 2008, the TAC requested that Board staff reevaluate the existing TVAs because the TAC was concerned that California's timber marketing conditions had changed since 1977 and that these changes may warrant amendments to the TVAs. The TAC's concerns were due to the fact that the number of California sawmills decreased from approximately 200 sawmills in 1977 (when the TVAs were originally established) to approximately 30 sawmills in 2008.

As a result, Board staff reviewed the state's timber growing, harvesting, and marketing conditions and determined that the first two conditions were stable. However, staff found that a number of counties' marketing conditions had changed dramatically in the past 33 years because:

- The reduction in the number of sawmills requires logs to be hauled further for processing than they were in 1977, which increases the cost of producing timber; and

- The sources of the state's timber shifted from predominantly United States Forest Service land to privately owned timberland between 1977 and the present.

Therefore, Board staff recommended that Rule 1020 be amended so that:

1. TVA 1 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Eureka, California, and Oregon.
2. TVA 2 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Ukiah and Cloverdale, California.
3. TVA 3 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in the Davenport area of Santa Cruz County, California.
4. TVA 4 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding and Anderson, California.
5. TVA 5 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.
6. TVA 6 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.[1]
7. TVA 7 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Lincoln and Quincy, California.
8. TVA 8 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Camino, California, and Sonora County, California.
9. TVA 9 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Sonora and Kern counties.

And, Board staff recommended that the following counties (or portions thereof) be deleted from one TVA and moved to another TVA that best fits its current timber marketing conditions.

Trinity County

Board staff recommended deleting "Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties" from TVA 1 and amending TVA 4 so that it includes all of Trinity County because all of Trinity County's timber markets are now similarly centered around sawmills in Redding and Anderson, California.

[1] One of the characteristics requiring two categories for counties whose timber markets are centered around sawmills in Redding, California, and Oregon is that TVA 5 is a Fir area and TVA 6 is a Pine area.

Alameda County, Contra Costa County, Monterey County, San Francisco City and County, San Mateo County, Santa Clara County, and Santa Cruz County

Board staff recommended deleting Alameda County, Contra Costa County, Monterey County, San Francisco County, San Mateo County, Santa Clara County, and Santa Cruz County from TVA 2 and amending TVA 3 to include all seven counties, including the City and County of San Francisco, because whatever marketing there is of any timber remaining in these seven counties will be centered around sawmills in the Davenport area of Santa Cruz County, California.

Napa County

Board staff recommended deleting Napa County from TVA 5 and amending TVA 2 to include Napa County because Napa County's timber markets are now centered around sawmills in Ukiah and Cloverdale, California.

Siskiyou County West of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County west of Interstate Highway No. 5" from TVA 3 and amending TVA 4 to include Siskiyou County west of Interstate Highway No. 5 because this section of Siskiyou County's timber markets are now centered around sawmills in Redding and Anderson, California.

Colusa County, Glenn County, Lake County, Solano County, Tehama County West of Interstate Highway No. 5, and Yolo County

Board staff recommended deleting Colusa County, Glenn County, Lake County, Solano County, "Tehama County west of Interstate Highway No. 5," and Yolo County from TVA 5 and amending TVA 4 to include all 5 counties and the portion of Tehama County west of Interstate Highway No. 5 because their timber markets are centered around sawmills in Redding and Anderson, California.

Shasta County between Interstate Highway No. 5 and State Highway No. 89 and Shasta County East of State Highway No. 89

Board staff recommended deleting "Shasta County between Interstate Highway No. 5 and State Highway No. 89" from TVA 7 and deleting "Shasta County east of State Highway No. 89" from TVA 6 and amending TVA 5 to include all of "Shasta County east of Interstate Highway No. 5" because that portion of Shasta county is a Fir area and its timber markets are centered around sawmills in Redding, California, and Oregon.

Siskiyou County East of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County east of Interstate Highway No. 5" from TVA 6 and amending TVA 5 to include that portion of Siskiyou County because it is a Fir area and its timber market is centered around sawmills in Redding, California, and Oregon.

Sacramento County

Board staff recommended deleting Sacramento County from TVA 5 and amending TVA 8 to include Sacramento County because its timber markets are centered around sawmills in Camino, California, and Sonora County, California.

Alpine County, San Joaquin County, and Stanislaus County

Board staff recommended deleting Alpine County, San Joaquin County, and Stanislaus County from TVA 9 and amending TVA 8 to include all three counties because their timber markets are centered around sawmills in Camino, California, and Sonora County, California.

Board staff's recommendations where provided to the counties and the interested parties in Letter to Assessors No. (LTA) 2009/31 (August 16, 2009)[2] and LTA 2010/08 (January 29, 2010)[3] and both the counties and the interested parties were invited to comment. Board staff's recommendations were also presented to and supported by the TAC during it April 27, 2010, meeting. Thereafter, Board staff incorporated its recommendations into Formal Issue Paper 10-005[4] for the Board's consideration and discussion during its meeting on May 26, 2010. And, during that meeting, the Board determined that all of staff's proposed amendments to Rule 1020 are necessary to ensure that each TVA listed in Rule 1020 includes the appropriate counties with similar growing, harvesting and marketing conditions. Therefore, the Board proposes to amend Rule 1020 for the specific purpose of re-designating the counties assigned to each of the nine TVAs to reflect the changes in the counties' marketing conditions since 1977.

Authority and Reference Notes

Furthermore, Board staff realized that the authority note for Rule 1020 cites Government Code section 15606, which generally authorizes the Board to adopt regulations concerning property taxes and the Board's own business, rather than Revenue and Taxation Code section 38701, which specifically authorizes the Board to adopt Timber Yield Tax regulations, such as Rule 1020. Board staff also realized that the reference note for Rule 1020 generally cites all of chapter 1 (commencing with section 38101), *General Provisions and Definitions*, and chapter 3 (commencing with section 38202), *Determination of Rates*, of part 18.5, *Timber Yield Tax Law*, of division 2 of the Revenue and Taxation Code, as the statutes being implemented, interpreted, and made specific by Rule 1020. However, Board staff determined that Rule 1020 specifically implements, interprets, and makes specific the provisions of Revenue and Taxation Code section 38109, which defines the term "Immediate Harvest Value," and section 38204, which requires the Board to designate TVAs for use in the preparation and application of immediate harvest values. Therefore, Board staff also recommended that the Board amend Rule 1020 so that the authority note correctly cites Revenue and Taxation Code section 38701, and the reference note more specifically cites Revenue and Taxation Code section 38109 and 38204.

---

[2] LTA 2009/31 is available at www.boe.ca.gov/proptaxes/pdf/lta09031.pdf.
[3] LTA 2010/08 is available at www.boe.ca.gov/proptaxes/pdf/lta10008.pdf.
[4] Formal Issue Paper 10-005 is available at www.boe.ca.gov/proptaxes/pdf/10-005.pdf.

During the May 26, 2010, meeting, the Board agreed that Revenue and Taxation Code section 38701 contains the statutory authority for Rule 1020 and that Rule 1020 specifically implements, interprets, and makes specific Revenue and Taxation Code section 38109 and 38204. Therefore, the Board proposes to amend Rule 1020's authority and reference notes as recommended by staff because the amendments are necessary for the specific purpose of ensuring that the regulation's authority and reference notes cite the correct provisions of the Revenue and Taxation Code.

NO MANDATE ON LOCAL AGENCIES AND SCHOOL DISTRICTS

The Board has determined that the proposed repeal of Rule 471 and proposed amendments to Rule 1020 do not impose a mandate on 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.

NO COST OR SAVINGS TO STATE AGENCIES, LOCAL AGENCIES, AND SCHOOL DISTRICTS

The Board has determined that the proposed repeal of Rule 471 and proposed amendments to Rule 1020 will result in no direct or indirect cost or savings to a 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.

NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS

Rule 471 is duplicative of statutes in the Revenue and Taxation Code and its proposed repeal will not have any effect on the assessment of timberland for property tax purposes. The proposed amendments to Rule 1020 merely re-designate the counties assigned to the TVAs to reflect changes to California's timber markets that occurred since the regulation was last amended in 1977, as required by Revenue and Taxation Code section 38204. Furthermore, the proposed amendments to Rule 1020 will not directly effect the Timber Yield Taxes imposed upon any specific timber owners because their taxes are dependent upon the "yield tax rate" the Board is required to adopt during December of each year pursuant to Revenue and Taxation Code sections 38202 and 38203 and the "immediate harvest values" the Board is required to adopt by June 30 and December 31 of each calendar year pursuant to Revenue and Taxation Code section 38204. Therefore, pursuant to Government Code section 11346.5, subdivision (a)(8), the Board has made an initial determination that the adoption of the proposed repeal of Rule 471 and the adoption of the proposed amendments to Rule 1020 will have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

The proposed regulatory actions may affect small business.

COST IMPACT ON PRIVATE PERSON OR BUSINESSES

The Board is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action. The proposed repeal of Rule 471 and proposed amendments to Rule 1020 will not create any new compliance burdens for private persons or businesses.

RESULTS OF THE ASSESSMENT REQUIRED BY GOVERNMENT CODE SECTION 11346.3, SUBDIVISION (b)

The adoption of the proposed repeal of Rule 471 and proposed amendments to Rule 1020 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.

NO SIGNIFICANT EFFECT ON HOUSING COSTS

The adoption of the proposed repeal of Rule 471 and proposed amendments to Rule 1020 will not have a significant effect on housing costs.

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 would be as effective as and less burdensome to affected private persons than the proposed action.

CONTACT

Questions regarding the substance of the proposed regulatory actions should be directed to Mr. Bradley Heller, Tax Counsel III (Specialist), by telephone at (916) 324-2657, by email at Bradley.Heller@boe.ca.gov, or by mail at State Board of Equalization, 450 N Street, MIC: 82, P.O. Box 942879, Sacramento, CA 94279-0082.

Written comments for the Board's consideration, notice of intent to present testimony or witnesses at the public hearing, and inquiries concerning the proposed administrative action should be directed to Mr. Rick Bennion, Regulations Coordinator, by telephone at (916) 445-2130, by fax at (916) 324-3984 , by e-mail at Richard.Bennion@boe.ca.gov, or by mail at State Board of Equalization, Attn: Rick Bennion, 450 N Street, MIC:81, P.O. Box 942879, Sacramento, CA 94279-0080.

WRITTEN COMMENT PERIOD

The written comment period ends when the public hearing begins at 9:30 a.m., or as soon thereafter as the matter may be heard, on August 24, 2010. If the Board receives written comments prior to the close of the written comment period, the statements, arguments, and/or contentions contained in those comments will be presented to and considered by the Board before the Board decides whether to adopt the proposed repeal of Rule 471 and the proposed amendments to Rule 1020. The Board will only consider written comments received by that time.

AVAILABILITY OF INITIAL STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS

The Board has prepared an Initial Statement of Reasons and underscored and strikeout versions of the text of Rules 471 and 1020, which illustrate the proposed repeal of Rule 471 and the proposed amendments to Rule 1020. These 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. The express terms of the proposed amendments and the Initial Statement of Reasons are also available on the Board's Web site at www.boe.ca.gov.

SUBSTANTIALLY RELATED CHANGES PURSUANT TO GOVERNMENT CODE SECTION 11346.8

The Board may adopt the proposed repeal of Rule 471 and the proposed amendments to Rule 1020 with changes that are nonsubstantial or solely grammatical in nature, or sufficiently related to the original text that the public was adequately placed on notice that the changes could result from the originally proposed regulatory action. If a sufficiently related change is made, the Board will make the full text of the resulting amendments, with the change clearly indicated, available to the public for at least 15 days before adoption. The text of the resulting amendments will be mailed to those interested parties who commented on the proposed repeal of Rule 471 or the proposed amendments to Rule 1020 orally or in writing or who asked to be informed of such changes. The text of the resulting amendments will also be available to the public from Mr. Bennion. The Board will consider written comments on the resulting amendments that are received prior to adoption.

AVAILABILITY OF FINAL STATEMENT OF REASONS

If the Board adopts the proposed repeal of Rule 471 and the proposed amendments to Rule 1020, the Board will prepare a Final Statement of Reasons. The Final Statement of Reasons will be made available on the Board's Website at www.boe.ca.gov. It will also be available for public inspection at 450 N Street, Sacramento, California.

FEDERAL REGULATIONS

Rules 471 and 1020 have no comparable federal regulations.

Sincerely,

Diane G. Olson, Chief
Board Proceedings Division

STATE BOARD OF EQUALIZATION

BOARD APPROVED

At the 8/24/2010 Board Meeting

Diane G. Olson, Chief
Board Proceedings Division

Initial Statement of Reasons

Proposed Repeal of California Code of Regulations, Title 18, Section 471, *Timberland*, and Proposed Amendment of California Code of Regulations, Title 18, Section 1020, *Timber Value Areas*

SPECIFIC PURPOSE AND NECESSITY

Current Law

Proposition 13 was adopted by the voters at the June 1978 primary election and added article XIII A to the California Constitution to limit taxation, including the taxation of real property. The Board originally adopted California Code of Regulations, title 18, section (Rule) 471, *Timberland*, as an emergency regulation in July 1978 because the adoption of Proposition 13 raised concerns about how timberland zoned under the provisions of Government Code section 51110 or 51113 should be assessed for property tax purposes. Rule 471 was subsequently amended in October 1978 and became a permanent regulation in 1979, and Rule 471 has not been amended since.

The Board originally adopted Rule 1020, *Timber Value Areas*, in 1976 in compliance with Revenue and Taxation Code section 38204, which requires the Board to "designate areas containing timber having similar growing, harvesting, and marketing conditions to be used as timber value areas for the preparation and application of immediate harvest values" after consultation with the Timber Advisory Committee (TAC). Rule 1020 designates 9 Timber Value Areas (TVAs) comprised of counties with similar growing, harvesting, and marketing conditions, and Rule 1020 has not been amended since 1977.

Proposed Repeal of Rule 471

During the May 26, 2010, Board meeting, the Board determined that Rule 471 is duplicative of statutory provisions, including Revenue and Taxation Code section 52, subdivision (b), and article 1.7 of chapter 3 of part 2 of division 1 (commencing with section 431) of the Revenue and Taxation Code, *Valuation of Timberland and Timber*, and that there is no longer any controversy or confusion regarding the assessment of timberland zoned under the provisions of Government Code section 51110 or 51113 due to the statutory provisions and the passage of time. As a result, the Board determined that it was reasonably necessary to repeal Rule 471 for the specific purpose of deleting the duplicative and unnecessary regulatory language from the California Code of Regulations.

Proposed Amendments to Rule 1020

In the fall of 2008, the TAC requested that Board staff reevaluate the existing TVAs because the TAC was concerned that California's timber marketing conditions had changed since 1977 and that these changes may warrant amendments to the TVAs. The TAC's concerns were due to the fact that the number of California sawmills decreased from approximately 200 sawmills in 1977 (when the TVAs were originally established) to approximately 30 sawmills in 2008.

As a result, Board staff reviewed the state's timber growing, harvesting, and marketing conditions and determined that the first two conditions were stable. However, staff found that a number of counties' marketing conditions had changed dramatically in the past 33 years because:

- The reduction in the number of sawmills requires logs to be hauled further for processing than they were in 1977, which increases the cost of producing timber; and
- The sources of the state's timber shifted from predominantly United States Forest Service land to privately owned timberland between 1977 and the present.

Therefore, Board staff recommended that Rule 1020 be amended so that:

1. TVA 1 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Eureka, California, and Oregon.
2. TVA 2 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Ukiah and Cloverdale, California.
3. TVA 3 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in the Davenport area of Santa Cruz County, California.
4. TVA 4 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding and Anderson, California.
5. TVA 5 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.
6. TVA 6 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.[1]

[1] One of the characteristics requiring two categories for counties whose timber markets are centered around sawmills in Redding, California, and Oregon is that TVA 5 is a Fir area and TVA 6 is a Pine area.

7. TVA 7 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Lincoln and Quincy, California.
8. TVA 8 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Camino, California, and Sonora County, California.
9. TVA 9 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Sonora and Kern counties.

And, Board staff recommended that the following counties (or portions thereof) be deleted from one TVA and moved to another TVA that best fits its current timber marketing conditions.

Trinity County

Board staff recommended deleting "Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties" from TVA 1 and amending TVA 4 so that it includes all of Trinity County because all of Trinity County's timber markets are now similarly centered around sawmills in Redding and Anderson, California.

Alameda County, Contra Costa County, Monterey County, San Francisco City and County, San Mateo County, Santa Clara County, and Santa Cruz County

Board staff recommended deleting Alameda County, Contra Costa County, Monterey County, San Francisco County, San Mateo County, Santa Clara County, and Santa Cruz County from TVA 2 and amending TVA 3 to include all seven counties, including the City and County of San Francisco, because whatever marketing there is of any timber remaining in these seven counties will be centered around sawmills in the Davenport area of Santa Cruz County, California.

Napa County

Board staff recommended deleting Napa County from TVA 5 and amending TVA 2 to include Napa County because Napa County's timber markets are now centered around sawmills in Ukiah and Cloverdale, California.

Siskiyou County West of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County west of Interstate Highway No. 5" from TVA 3 and amending TVA 4 to include Siskiyou County west of Interstate Highway No. 5 because this section of Siskiyou County's timber markets are now centered around sawmills in Redding and Anderson, California.

Colusa County, Glenn County, Lake County, Solano County, Tehama County West of Interstate Highway No. 5, and Yolo County

Board staff recommended deleting Colusa County, Glenn County, Lake County, Solano County, "Tehama County west of Interstate Highway No. 5," and Yolo County from TVA 5 and amending TVA 4 to include all 5 counties and the portion of Tehama County west of Interstate Highway No. 5 because their timber markets are centered around sawmills in Redding and Anderson, California.

Shasta County between Interstate Highway No. 5 and State Highway No. 89 and Shasta County East of State Highway No. 89

Board staff recommended deleting "Shasta County between Interstate Highway No. 5 and State Highway No. 89" from TVA 7 and deleting "Shasta County east of State Highway No. 89" from TVA 6 and amending TVA 5 to include all of "Shasta County east of Interstate Highway No. 5" because that portion of Shasta county is a Fir area and its timber markets are centered around sawmills in Redding, California, and Oregon.

Siskiyou County East of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County east of Interstate Highway No. 5" from TVA 6 and amending TVA 5 to include that portion of Siskiyou County because it is a Fir area and its timber market is centered around sawmills in Redding, California, and Oregon.

Sacramento County

Board staff recommended deleting Sacramento County from TVA 5 and amending TVA 8 to include Sacramento County because its timber markets are centered around sawmills in Camino, California, and Sonora County, California.

Alpine County, San Joaquin County, and Stanislaus County

Board staff recommended deleting Alpine County, San Joaquin County, and Stanislaus County from TVA 9 and amending TVA 8 to include all three counties because their timber markets are centered around sawmills in Camino, California, and Sonora County, California.

Authority and Reference Notes

Furthermore, Board staff realized that the authority note for Rule 1020 cites Government Code section 15606, which generally authorizes the Board to adopt regulations concerning property taxes and the Board's own business, rather than Revenue and Taxation Code section 38701, which specifically authorizes the Board to adopt Timber Yield Tax regulations, such as Rule 1020. Therefore,

Board staff recommended that the Board amend Rule 1020 so that the authority note correctly cites Revenue and Taxation Code section 38701.

In addition, Board staff realized that the reference note for Rule 1020 generally cites all of chapter 1 (commencing with section 38101), *General Provisions and Definitions*, and chapter 3 (commencing with section 38202), *Determination of Rates*, of part 18.5, *Timber Yield Tax Law*, of division 2 of the Revenue and Taxation Code, as the statutes being implemented, interpreted, and made specific by Rule 1020. However, Board staff determined that Rule 1020 specifically implements, interprets, and make specific the provisions of Revenue and Taxation Code section 38109, which defines the term "immediate harvest value," and section 38204, which requires the Board to designate TVAs for use in the preparation and application of immediate harvest values. Therefore, Board staff also recommended that the Board amend Rule 1020 so that the reference note more specifically cites Revenue and Taxation Code sections 38109 and 38204.

During the May 26, 2010, Board meeting, the Board agreed that staff's proposed amendments would ensure that each TVA listed in Rule 1020 includes the appropriate counties with similar growing, harvesting and marketing conditions, and that Rule 1020's authority and reference notes cite the correct provisions of the Revenue and Taxation Code. As a result, the Board determined that it was reasonably necessary to amend Rule 1020 for the specific purposes of re-designating the counties assigned to each of the nine TVAs to reflect the changes in the counties' marketing conditions since 1977 and ensure that the regulation's authority and reference notes cite the correct provisions of the Revenue and Taxation Code.

DOCUMENTS RELIED UPON

The Board relied upon Formal Issue Paper 10-005[2] and comments from Board staff made during the Board meeting on May 26, 2010, in deciding to propose the repeal of Rule 471 and propose amendments to Rule 1020. The formal issue paper is available on the Board's Website at *boe.ca.gov/proptaxes/pdf/10-005.pdf.* The audio and video from the Board's May 26, 2010, meeting are available on the Board's Website at http://www.visualwebcaster.com/event.asp?id=65393.

ALTERNATIVES CONSIDERED

The Board did not consider any alternatives to the proposed repeal of Rule 471 and the proposed amendments to Rule 1020.

[2] Formal Issue Paper 10-005 is available at http://www.boe.ca.gov/proptaxes/pdf/10-005.pdf.

NO ADVERSE ECONOMIC IMPACT ON BUSINESS

Rule 471 is duplicative of provisions in the Revenue and Taxation Code and its proposed repeal should not have any effect on the assessment of timberland. Rule 1020 does not impose any reporting or other requirements and does not directly effect the Timber Yield Taxes imposed upon any specific timber owners because their taxes are dependent upon the "yield tax rate" the Board is required to adopt during December of each year pursuant to Revenue and Taxation Code sections 38202 and 38203 and the "immediate harvest values" the Board is required to adopt by June 30 and December 31 of each calendar year pursuant to Revenue and Taxation Code section 38204. Furthermore, the proposed amendments to Rule 1020 merely re-designate the counties assigned to each of the nine TVAs for the preparation and application of immediate harvest values, and correct the citations in the rule's authority and reference notes. Therefore, the Board has made an initial determination that the proposed repeal of Rule 471 and the proposed amendments to Rule 1020 will not have a significant adverse economic impact on business.

The proposed regulation may affect small business.

Proposed Amendments to California Code of Regulations, Title 18, Sections 471 and 1020

~~471. Timberland.~~

~~Consistent with the intent of the provisions of Section 3(j) of Article XIII of the California Constitution and the legislative interpretation thereof, the value for land which has been zoned as timberland pursuant to Section 51110 or 51113 of the Government Code shall be ascertained for the 1979 lien date from the schedule contained in Section 434.5 of the Revenue and Taxation Code and thereafter from the most recent board-adopted timberland site class value schedule.~~

~~Note: Authority cited: Sec. 15606(c) Gov. Code Reference: Art. XIII A, Secs. 1 and 2, California Constitution.~~

1020. Timber Value Areas.

The following nine designated areas contain timber having similar growing, harvesting, and marketing conditions and shall be used as timber value areas in the preparation and application of immediate harvest values:

Area 1
Del Norte County
Humboldt County
~~Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties~~

Area 2
~~Alameda County~~
~~Contra Costa County~~
Marin County
Mendocino County
Napa County
~~Monterey County~~
~~San Francisco County~~
~~San Mateo County~~
~~Santa Clara County~~
~~Santa Cruz County~~
Sonoma County

Area 3
Alameda County
Contra Costa County
Monterey County
San Francisco City and County
San Mateo County
Santa Clara County
Santa Cruz County
~~Siskiyou County west of Interstate Highway No. 5~~

Area 4
Colusa County
Glenn County
Lake County
Shasta County west of Interstate Highway No. 5
Solano County
Siskiyou County west of Interstate Highway No. 5
Tehama County west of Interstate Highway No. 5
Trinity County ~~except that portion which is south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties~~
Yolo County

Area 5
Shasta County east of Interstate Highway No. 5
Siskiyou County east of Interstate Highway No. 5
~~Colusa County~~
~~Glenn County~~
~~Lake County~~
~~Napa County~~
~~Sacramento County~~
~~Solano County~~
~~Tehama County west of Interstate Highway No. 5~~
~~Yolo County~~

Area 6
Lassen County
Modoc County
~~Shasta County east of State Highway No. 89~~
~~Siskiyou County east of Interstate Highway No. 5~~

Area 7
Butte County
Nevada County
Placer County
Plumas County

~~Shasta County between Interstate Highway No. 5 and State Highway No. 89~~
Sierra County
Sutter County
Tehama County east of Interstate Highway No. 5
Yuba County

Area 8
Alpine County
Amador County
Calaveras County
El Dorado County
Sacramento County
San Joaquin County
Stanislaus County
Tuolumne County

Area 9
~~Alpine County~~
Fresno County
Imperial County
Inyo County
Kern County
Kings County
Los Angeles County
Madera County
Mariposa County
Merced County
Mono County
Orange County
Riverside County
San Benito County
San Bernardino County
San Diego County
~~San Joaquin County~~
San Luis Obispo County
Santa Barbara County
~~Stanislaus County~~
Tulare County
Ventura County

Note: Authority cited ~~for Article 1~~: Section 3870~~15606~~, Revenue and Taxation Code~~Government Code~~. Reference ~~for Article 1~~: ~~Chapters 1 and 3, Part 18.5, Division 2~~Sections 38109 and 38204, Revenue and Taxation Code.

Regulation History

Type of Regulation: Property Tax

Rule: 471, and 1020

Title: 471, Timber Land
1020, Timber Value Areas

Preparation: Sherrie Kinkle
Legal Contact: Bradley Heller

The proposed amendments to Property Tax Rules 1020 and repeal Rule 471.

History of Proposed Regulation:

August 25, 2010	Public hearing
June 25, 2010	OAL publication date; 45-day public comment period begins; IP mailing
June 10, 2010	Notice to OAL
May 25, 2010	PTC, Board Authorized Publication (Vote 5-0)
May 25, 2010	Property Taxes Committee
May 20, 2009	Letter to Assessors 2009/022

Sponsor: NA
Support: NA
Oppose: NA

STATE OF CALIFORNIA—OFFICE OF ADMINISTRATIVE LAW

NOTICE PUBLICATION/REGULATIONS SUBMISSION

(See instructions on reverse)

For use by Secretary of State only

STD. 400 (REV. 01-09)

OAL FILE NUMBERS	NOTICE FILE NUMBER	REGULATORY ACTION NUMBER	EMERGENCY NUMBER
	Z-2010-0708-01		

For use by Office of Administrative Law (OAL) only

RECEIVED FOR FILING PUBLICATION DATE

JUL 08 '10 JUL 23 '10

Office of Administrative Law

NOTICE | REGULATIONS

AGENCY WITH RULEMAKING AUTHORITY: State Board of Equalization

AGENCY FILE NUMBER (If any):

A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

1. SUBJECT OF NOTICE	TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE
Timberland	18	471	July 23, 2010

3. NOTICE TYPE	4. AGENCY CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)
☐ Notice re Proposed Regulatory Action ☒ Other	Rick Bennion	(916) 445-2130	(916) 324-3984

OAL USE ONLY	ACTION ON PROPOSED NOTICE	NOTICE REGISTER NUMBER	PUBLICATION DATE
	☐ Approved as Submitted ☐ Approved as Modified ☐ Disapproved/ Withdrawn		

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S)

1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)

2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) **(Including title 26, if toxics related)**

ECTION(S) AFFECTED ist all section number(s) individually. Attach additional sheet if needed.)

ADOPT

AMEND

TITLE(S)

REPEAL

3. TYPE OF FILING

- ☐ Regular Rulemaking (Gov. Code §11346)
- ☐ Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §§11349.3, 11349.4)
- ☐ Emergency (Gov. Code, §11346.1(b))
- ☐ Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.
- ☐ Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)
- ☐ Emergency Readopt (Gov. Code, §11346.1(h))
- ☐ File & Print
- ☐ Other (Specify) _____
- ☐ Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)
- ☐ Print Only

4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)

5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)

- ☐ Effective 30th day after filing with Secretary of State
- ☐ Effective on filing with Secretary of State
- ☐ §100 Changes Without Regulatory Effect
- ☐ Effective other (Specify) _____

6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY

- ☐ Department of Finance (Form STD. 399) (SAM §6660)
- ☐ Fair Political Practices Commission
- ☐ State Fire Marshal
- ☐ Other (Specify) _____

7. CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)	E-MAIL ADDRESS (Optional)

8. **I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.**

SIGNATURE OF AGENCY HEAD OR DESIGNEE

DATE

TYPED NAME AND TITLE OF SIGNATORY

For use by Office of Administrative Law (OAL) only

The State Board of Equalization

NOTICE OF CORRECTION

The State Board of Equalization (Board) published a Notice of Proposed Regulatory Action (NOPRA) concerning the proposed repeal of California Code of Regulations, title 18, section (Rule) 471, *Timberland*, and the proposed amendment of Rule 1020, *Timber Value Areas*, in the June 25, 2010, edition of the California Regulatory Notice Register (Register 2010, No. 26-Z, Page 982). The Board also prepared an Initial Statement of Reasons (ISR) for the proposed regulatory action.

The Informative Digest/Policy Statement Overview provided in the published NOPRA and the Statement of Specific Purpose and Necessity in the ISR both refer to "Sonora" as a county, although Sonora is a city in Tuolumne County. Therefore, the NOPRA and the ISR should have correctly referred to Sonora as a city and not as a county.

Any inquiries regarding this correction should be made to Mr. Rick Bennion, Regulations Coordinator, by telephone at (916) 445-2130, by fax at (916) 324-3984 , by e-mail at Richard.Bennion@boe.ca.gov, or by mail at State Board of Equalization, Attn: Rick Bennion, MIC:81, 450 N Street, P.O. Box 942879, Sacramento, CA 94279-0080.

carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action.

No public hearing has been scheduled; however any interested person or his or her duly authorized representative may request in writing, no later than 15 days prior to the close of the written comment period, a public hearing pursuant to Government Code Section 11346.8. The Department shall consider all comments received regarding the proposal equally, whether submitted in writing or through oral testimony at a public hearing.

For individuals with disabilities, the Department will provide assistive services such as sign–language interpretation, real–time captioning, note takers, reading or writing assistance, and conversion of public hearing materials into Braille, large print, audiocassette, or computer disk. To request such services or copies in an alternate format, please call or write: Susan Pierson, Office of Regulations, MS 0015, P.O. Box 997413, Sacramento, CA 95899–7413, voice (916) 440–7695 and/or California Relay 711/1–800–735–2929. Note: The range of assistive services available may be limited if requests are received less than ten business days prior to a public hearing.

GENERAL PUBLIC INTEREST

BOARD OF EQUALIZATION

NOTICE OF CORRECTION

The State Board of Equalization (Board) published a Notice of Proposed Regulatory Action (NOPRA) concerning the proposed repeal of California Code of Regulations, title 18, section (Rule) 471, *Timberland*, and the proposed amendment of Rule 1020, *Timber Value Areas*, in the June 25, 2010, edition of the California Regulatory Notice Register (Register 2010, No. 26–Z, Page 982). The Board also prepared an Initial Statement of Reasons (ISR) for the proposed regulatory action.

The Informative Digest/Policy Statement Overview provided in the published NOPRA and the Statement of Specific Purpose and Necessity in the ISR both refer to "Sonora" as a county, although Sonora is a city in Tuolumne County. Therefore, the NOPRA and the ISR should have correctly referred to Sonora as a city and not as a county.

Any inquiries regarding this correction should be made to Mr. Rick Bennion, Regulations Coordinator, by telephone at (916) 445–2130, by fax at (916) 324–3984, by e–mail at Richard.Bennion@boe.ca.gov, or by mail at State Board of Equalization, Attn: Rick Bennion, MIC:81, 450 N Street, P.O. Box 942879, Sacramento, CA 94279–0080.

DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

NOTICE OF PROPOSED REGULATORY ACTION EXTENSION OF COMMENT PERIOD

TITLE 13, CALIFORNIA CODE OF REGULATIONS, DIVISION 2, CHAPTER 6.5
AMEND ARTICLE 7.5, SECTION 1239

COMMERCIAL VEHICLE SAFETY ALLIANCE NORTH AMERICAN STANDARD OUT–OF–SERVICE CRITERIA (CHP–R–09–13)

The California Highway Patrol (CHP) proposes to adopt by reference the Commercial Vehicle Safety Alliance North American Standard Out–of–Service Criteria, April 1, 2010, Edition, in Title 13, California Code of Regulations (13 CCR). The current regulation incorporates by reference the Commercial Vehicle Safety Alliance North American Standard Out–of–Service Criteria, April 1, 2008, Edition. Section 34501(a)(1) of the California Vehicle Code (CVC) authorizes the CHP to adopt reasonable rules and regulations which, in the judgment of the Department, are designed to promote the safe operation of vehicles described in Section 34500 CVC.

The intent of these regulations is to adopt specific uniform criteria for determining whether or not a vehicle and/or driver, inspected by an authorized representative of the CHP, is in such an unsafe condition that they are likely to constitute a hazard on a highway. These regulations will incorporate by reference specified portions of the standards contained within the Commercial Vehicle Safety Alliance North American Standard Out–of–Service Criteria, April 1, 2010, Edition. Adoption of these criteria will continue to provide consistency throughout California, with neighboring states, Canada and Mexico, and provide a regulatory basis for enforcement efforts as they relate to commercial vehicle out–of–service criteria.

PUBLIC COMMENTS

In order to ensure required notice is provided and interested persons have adequate opportunity to submit comments, the public comment period outlined on the Notice of Proposed Regulatory Action (noticed in Register 2010, #25Z, published June 18, 2010) is extended until September 10, 2010. Any interested person may submit written comments on these proposed actions via facsimile to (916) 322–3154, by email to *cvsregs@chp.ca.gov*, or by writing to:

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-80
916-445-2130 • FAX 916-324-3984
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco

MICHELLE STEEL
Third District, Rolling Hills Estates

JEROME E. HORTON
Fourth District, Los Angeles

JOHN CHIANG
State Controller

BARBARA ALBY
Acting Member
Second District, Sacramento

RAMON J. HIRSIG
Executive Director

July 23, 2010

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

The State Board of Equalization Proposes to Repeal California Code of Regulations, Title 18, Section 471, Timberland, and Proposes to Amend California Code of Regulations, Title 18, Section 1020, Timber Value Areas

NOTICE OF CORRECTION

The State Board of Equalization (Board) published a Notice of Proposed Regulatory Action (NOPRA) concerning the proposed repeal of California Code of Regulations, title 18, section (Rule) 471, *Timberland*, and the proposed amendment of Rule 1020, *Timber Value Areas*, in the June 25, 2010, edition of the California Regulatory Notice Register (Register 2010, No. 26-Z, Page 982). The Board also prepared an Initial Statement of Reasons (ISR) for the proposed regulatory action.

The Informative Digest/Policy Statement Overview provided in the published NOPRA and the Statement of Specific Purpose and Necessity in the ISR both refer to "Sonora" as a county, although Sonora is a city in Tuolumne County. Therefore, the NOPRA and the ISR should have correctly referred to Sonora as a city and not as a county.

Any inquiries regarding this correction should be made to Mr. Rick Bennion, Regulations Coordinator, by telephone at (916) 445-2130, by fax at (916) 324-3984 , by e-mail at Richard.Bennion@boe.ca.gov, or by mail at State Board of Equalization, Attn: Rick Bennion, MIC:81, 450 N Street, P.O. Box 942879, Sacramento, CA 94279-0080.

Sincerely,

Diane G. Olson

Diane G. Olson, Chief
Board Proceedings Division

Statement of Compliance

The State Board of Equalization, in process of adopting Property Tax Rules 471, *Timberland*, and 1020, *Timber Value Areas*, did comply with the provision of Government Code section 11346.4(a)(1) through (4). A notice to interested parties was mailed on June 25, 2010, 60 days prior to the public hearing.

September 2, 2010

Richard Bennion
Regulations Coordinator
State Board of Equalization

FORESTLAND
MANAGEMENT

W. M. BEATY &
ASSOCIATES, INC.

845 BUTTE ST. / P.O. BOX 990898
REDDING, CALIFORNIA 96099-0898
530-243-2783 / FAX 530-243-2900
www.wmbeaty.com

July 29, 2010

RECEIVED
JUL 30 2010
Board Proceedings

Mr. Rick Bennion
Regulations Coordinator
STATE BOARD OF EQUALIZATION
PO Box 942879
Sacramento CA 94279-0080

Re: Rule 1020 – Timber Value Area

Dear Mr. Bennion:

W. M. Beaty & Associates, Inc. is a contract manager for the owners of approximately 280,000 acres of timberland in northeastern California.

This letter is in support of the proposed change to Rule 1020 which would designate new Timber Value Areas (TVA's) in California. We have reviewed the proposed TVA's and conclude that the new TVA's represent an accurate and equitable representation of current timber marketing conditions in California, particularly the northeastern portion with which we are most familiar. We further urge that the proposed changes become effective as of January 1, 2011.

Thank you for your consideration of these comments.

Sincerely,

W. M. BEATY & ASSOCIATES, INC.

Lennart Lindstrand, Jr.
Manager, Land Department

LL:klh

Bennion, Richard

From: N.D.Fenton [nanidrew@comcast.net]
Sent: Tuesday, August 24, 2010 1:36 PM
To: Bennion, Richard; Kinkle, Sherrie; Heller, Bradley
Cc: N.D.Fenton
Subject: PUBLIC COMMENT re AUG 24 AND 25TH MEETING BOE (Property tax rules 471 and 1020)

PUBLIC CONCERN AND PROTEST
TO : The California Board of Equalization Members, and its Committees
FROM: N.D. FENTON, citizen and taxpayer, on behalf of the general public, esp. Santa Cruz county
RE: Public Hearing on A.M. Agenda 8/25/10
PROPOSAL RE CCR section 471 "TIMBERLAND" and PROPOSED Amendment "ADJUSTMENT RATE AREAS' (CCR 1020)
DATE: August 24, 2010

Dear Staff Members of the BOE: Please pass my comments to the appropriate members for inclusion of concerns regarding a decision they will make after tomorrow's sheduled board hearing tomorrow. Thank You.

Revisions to CCR section 471: CCR 471 Currently states:

"Title 18. Public Revenues
Division 1. State Board of Equalization-Property Tax
Chapter 4. Equalization by State Board
Article 4. Change in Ownership and New Construction
§ 471. Timberland.
Consistent with the intent of the provisions of Section 3(j) of Article XIII of the California Constitution and the legislative interpretation thereof, the value for land which has been zoned as timberland pursuant to Section 51110 or 51113 of the Government Code shall be ascertained for the 1979 lien date from the schedule contained in Section 434.5 of the Revenue and Taxation Code and thereafter from the most recent board-adopted timberland site class value schedule.
Note: Authority cited: Sec. 15606(c) Gov. Code
Reference: Art. XIII A, Secs. 1 and 2, California Constitution."

The Board essentially proposes to delete what defines TIMBERLAND, by repealing the reference as to what is / how it becomes timberland and how timberland is zoned for taxation, in order to be assessed properly as "timberland". The past 33 years this section has been used to define timberland. The value of land use for timberland was decided by the voters, which added to the CA Constitution, Art XIIIA, sec. 1 and 2 - is 'restricted to timberland uses only" is required in exchange for property tax exemption until harvest of timber. This would give incentive to those who own TPZ zoned property to keep it timber, productive and not clear cut it leaving wastelands, and is what will happen if repeal occurrs. Endangered species are a concern without the 'restrictions' that are being OK to remove may occur and should be mentioned.

1 - Necessity, purpose or reason is not described. The proposal to repeal the regulation is not based on adequate information concerning the need for, and consequences of the action. Lack of supporting info or basis in fact to claims made: "The rule [471, "Timberland" definition] is duplicative of statutory provisions, and Board staff proposes to repeal it." Since such a claim is made without any proof, reason, evidence, validity or reference to other duplicative "statutory provisions". No evidence shown that it is duplicative. Please provide the code, section, rule that it is duplicative. No revised definition is offered. The Initial Statement of Reasons omits essential references to exactly what is being repealed, seen differently in other proposals. In the lastest agenda BOE claims:

> "the Board determined that Rule 471 is not necessary. This is because there is no longer any controversy or confusion regarding the assessment of timberland zoned under the provisions of Government Code section 51110 or 51113; and Rule 471 is duplicative of statutory provisions, including Revenue and Taxation Code section 52, subdivision (b), and

article 1.7 of chapter 3 of part 2 of division 1 (commencing with section 431) of the Revenue and Taxation Code, *Valuation of Timberland and Timber*. Therefore, the Board proposes to repeal Rule 471 for the specific purpose of deleting the unnecessary and duplicative language from the California Code of Regulations.

It is disputed that there is "no longer any controvery or confusion regarding the assessment of timberland" zoned under GC 51113 or 51113.5 (the correct reference). BECAUSE there is such controversy, the Board is hoping to delete it [the controversy]. It was my hope that the highest tax agency would enforce the favorable tax status to those whose land was assessed as Timberlands, it seems now the forestry industry has depleated their zoned "timberlands" and now are encroaching into residential areas, where before there were buffers, and residents couldn't just chop their trees down. In Santa Cruz, for instance, the value of the Coast Redwood tree is very lucrative, these trees are targeted, and the BOE is loosing alot of money by not taxing the market, it will become a black market item if not quickly remedied. If you do the math yourself, one second growth redwood can squeeze approx $700,000 in timber (2" x 4" x 1 foot long) How many 1 foot 2x4's fit in a redwood tree x $15 each? The actions taken by this board seem irresponsible, no discussion as to true reasons why they think "no controvery exists" well it does!

2) Confusion to the Public - is created because the BOE fails to mention that that Rule 471, guides the valuation of timberlands. In a letter by the David Gau of the BOE dated 3/13/07 to County Assessors (page 12, "Timber and Timberland Values Manual" he claims "The statutory mandate on the Board regarding valuing timber and timberland under the timber Yield Tax Law is: ... by Nov. 30 each year, the Board must adopt timberland site class value schedules to be used by county assessors when valuing timberland properties within their counties." Authority cited in a foot notes states "Section 434.5; Property Tax Rule 471."

3) Since hundreds of times other California Codes contain the word timberland, BOE should mention these codes, and the effect and magnitude it will have on each. If the definition of TIMBERLAND is deleted, it could turn other codes meaningless.

4) The repeal conflicts with the CA constitution. BOE lacks authority to repeal legislation, is unable to draft legislation. The proposal is repealing a provision of the CA Constitution, passed by the voters. Repealing Section 471 will delete the controlling intent mentioned in 471, as to consistency with Section 3(j) of Art. XIII of the CA constitution, and the required "legislative interpretation thereof"; it will remove reference about how timberland zoned under GC 51110 or 51113 should be assessed, remove how to value the land (that is properly zoned TIMBERLAND; it will delete how to value it and mention of the schedule referenced in Section 434.5 of R&T Code, and finally valuing timberland thereafter as to the "most recent board adopted timberland site class value schedule." No replacement of this CCr is offered, most will be in the dark as to how or what will be properly taxed. No enforcement by BOE will be possible, if it allows changes without replacement. repeal of Rule 471 violates California Constitution because it will avoid the requirement to value the land for property tax purposes.

5) Additionally, the "Board staff initiated a project to revise Property Tax Rules" -- the Board staff is not allowed to initiate revisions to timber tax values. Any discussion must come initiated from the Tax Timber Committee, after full and reviewed decisions made, reports discussed. Reason for prompting such change is unknown to public and was unknown to the timber tax committee too. The discussion in issue paper 10-005 states in the discussion that "in a further effort to ensure that the proposed amendments to rule 1020 were accurate, Timber tax staff met with one timber industry representative to review data provide by that representative. Both tax staff and the industry rep concluded that the value areas proposed by Board staff I rule 1020 were appropriate" This is very inappropriate, disclosure of conflicts and who is the tax staff and the industry rep is required. Additionally, no person from the BOE is named on this document, not claimed by any person. Staff is unable to propose changes to timber values on its own incentive, law requires it initiate by committee.

6) Serious repercussions and unknown costs, loss in many categories must be discussed. "SIGNIFICANT ASSESSMENT PROBLEMS" (Section 371 is occurring, because no restrictions (much less enforceable restrictions) have been placed on newly and illegally zoned "timberlands". The local tax for schools have been removed from our assessment roll, yet the new timberlands violate the "compatible use" finding requirement. No findings are determined and is the point of where the problem BEGINS. The compatible uses is simple to understand, is ignored in the well written Z-berg Needly Forest Practice Act. Concern throughout law mention that in exchange for reduced property tax (zero, until harvest) for keeping the land "enforceably restricted" and must be recorded to be valid, thus, determines that the land is timberland. Does the BOE need to delete the term timberland so that it does not have to require the owner to prove the land is enforceably restricted?

7) Per Govnt Code 11346 (b) the proposal lacks assessment and reports as to whether and to what extent it will affect the creation of new businesses and elimination of other businesses (namely timber mills: the mills who buy timer from properly tax assessed timberlands will compete unfairly with timber mills who obtained timber from illegally assessed and zoned new timberlands that will not be properly taxed.) It will unfairly expand timber mills with illegally obtained timber. No information is provided for any assessment, even though the proposal claims it 'may affect small busineses".

This is a very complex issue, it will affect individuals who are supposed to be protected from logging operations, which have now entered into subdivisions, residential areas, causing havoc and loss of quality of life, as well as lowering property values. The new timberlands are not enforceably restricted , while the procedures for 'rezoning' are not followed. This is likely why the BOE has to change the taxing methods because the land was never assessed or certified or recorded as law intended. The BOE does not discuss all aspects of the impacts. If repealed, it may cause California to quickly loose all its prime timberland, leaving nothing to residents who are the best local protectors of natural resources.

8) Discussion in the Notice of Intent under Rule 1020 is not logical. The BOE leads an incorrect conclusion as to the closing of timber mills, is the reason to change the value areas. This is ridiculous. First, the value areas are incorrectly referenced because there has always been the map (not changed by this proposal or mentioned0 as to the Value areas.. are listed incorrectly on all notices/discussions. There are more than 9 value areas, the proposal is incorrect, fails to mention areas "2N" and "2S", "9N" and "9S". the logic is not supported by any findings, request for those findings is made. The reason for adopting new value areas claimed just because the timber mill closures is not justified and requires to group areas as to similar growing and harvesting conditions. Incorrect claims made (i.e., 3. TVA 3 includes counties with similar growing conditions whose timber markets are centered round sawmills in the Davenport area, Santa Cruz county." How can this be true! How is ANYTHING centered around Davenport! Its population is 100 and they have one cement factory and one large sawmill, nothing centers around them except themselves and greed. There are many timber mills and marketing agents in San Jose areas. An EIR must be prepared, if expecting all logging ops timber hauling from 6 other counies or so to be driving our little two lane roads to Davenport, all the damage it will do to county roadways, and increase in thefts, as you drive through the Big Basin Redwood park to get there.

Is the Board when stating this, doing so because they do not expect there to be any marketable trees in 7 counties very soon?

"Board staff recommended deleting Alameda County, Contra Costa County, Monterey County, San Francisco County, San Mateo County, Santa Clara County, and Santa Cruz County from TVA 2 and amending TVA 3 to include all seven counties, including the City and County of San Francisco, because whatever marketing there is of any timber remaining in these seven counties will be centered around sawmills in the Davenport area of Santa Cruz County, California." (reference to "TVA 2 is incorrect, is actually, "2S" because Santa cruz has very different growing conditions than all the other counties, why is this ignored?)

9) Proposals and notice lacks required information in such general categories like
a) Statement of Reasons
b) Background, Authorization and summary of laws relating to the regulations
c) General findings on proposed regs
d) A finding that the proposed amendments and repeal is consistent with California laws
e) the stated purposes and Necessities for the Amndment
f) Evidence supporting finding of No significant Advers Economic Impact on Any business
g) If the revisions are xpected to improve implementation and interpretation of regulations (it cannot).

10) REPEAL and DE-VALUEING REQUIRE AN EIR: Section 21100 prescribes that the EIR shall include a detailed statement setting forth the following criteria:
"(a) The environmental impact of the proposed action.
"(b) Any adverse environmental effects which cannot be avoided if the proposal is implemented.
"(c) Mitigation measures proposed to minimize the impact including, but not limited to, measures to reduce wasteful, inefficient, and unnecessary consumption of energy.
"(d) Alternatives to the proposed action.

"(e) The relationship between local short-term uses of man's environment and the maintenance and enhancement of long-term productivity.
"(f) Any irreversible environmental changes which would be involved in the proposed action should it be implemented.
"(g) The growth-inducing impact of the proposed action." (Italics added.)

11) Loss of mandated revenue to schools:
If land was removed from tax assessment to be made exempt from taxation, this means that a loss will occur to the local schools. The cost of reimbursement that is mandatory. THE COST TO LOCAL SCHOOLS . Basically, what occurred in Santa Cruz county, is that many new TPZ parcels were created by "rezoning" of SU (residential/special use) zoned land, suddently and without justification, without authority, under public protests. Written protest stated that tax problems must be discussed if rezone under an ordinance. Anyway, the rezoning allowed the property owners to "default' on their property tax, as they had paid all prior years, required to support local schools, is mandated to. BOE will be assisting tax evasion cheats . Property tax revenue reductions resulting from a reassessment (in zip code 95006)

12) No alternatives as meant is listed.

Thank you for this important opportunity to understand this matter. Hopefully, the board can offer another discussion, provide answers to concerns and public hearing on these discretionary amendments.

BEFORE THE CALIFORNIA STATE BOARD OF EQUALIZATION

450 N STREET

SACRAMENTO, CALIFORNIA

REPORTER'S TRANSCRIPT

AUGUST 24, 2010

PUBLIC HEARING

F1

Proposed Repeal of Property Tax Rule 471

Timberland

Proposed Amendments of Property Tax Rule 1020

Timber Value Areas

Reported by: Juli Price Jackson

No. CSR 5214

Electronically signed by Juli Jackson (001-065-206-4972) 3cde27ed-b35a-4208-9dd2-9fa9339dfb9e

1

2 P R E S E N T

3

4 For the Board of Equalization:

Betty T. Yee
Chair

5

Jerome E. Horton
6 Vice-Chair

7 Barbara Alby
Acting Member

8

Michelle Steel
9 Member

10 Marcy Jo Mandel
Appearing for John
11 Chiang, State
Controller (per
12 Government Code
Section 7.9)

13

Diane G. Olson
14 Chief, Board
Proceedings Division

15

16

17 ---oOo---

18

19

20

21

22

23

24

25

26

27

28

450 N STREET
CULVER CITY, CALIFORNIA
AUGUST 24, 2010

---oOo---

MS. YEE: We have a --

MS. OLSON: Public hearing.

MS. YEE: -- let's take up F1.

MS. OLSON: Our next item is F1, proposed repeal of Property Tax Rule 471, Timerland, and the proposed amendments of Property Tax Rule 1020, Timber Value areas.

MS. YEE: Okay. Good afternoon, Mr. Heller.

MR. HELLER: Good afternoon, Madam Chair, Members of the Board.

Again I'm Bradley Heller with the Board's Legal Department. And I am here to request that the Board adopt the repeal of Property Tax Rule 471, timberland and the proposed amendments to Property Tax Rule 1020, timber value areas.

Real briefly, staff is recommending a repeal of the regulation -- excuse me, Property Tax Rule 471 because it's redundant and it basically just mimics statutory provisions that have been in the place for more than two decades.

And, essentially, staff doesn't believe there is any controversy at all regarding the assessment of timberland and doesn't believe there is any necessity for the regulation.

Electronically signed by Juli Jackson (001-065-206-4972) 3cde27ed-b35a-4208-9dd2-9fa9339dfb9e

1 In addition, staff is proposing amendments to
2 Property Tax Rule 1020 because the regulation has not
3 been updated since 1977 and there has substantial
4 changes to the marketing conditions for timber in the
5 State of California.
6 And we're recommending amendments that would
7 just move certain counties into different tax value
8 areas so that they will basically -- each tax value area
9 would have -- includes similar counties with the same or
10 similar growing, harvesting and marketing conditions.
11 Real briefly as well, we've received one public
12 comment in support of the amendments to Rule 1020. And
13 just this afternoon, we received a written comment from
14 a person named N. D. Fenton, who sent their comment via
15 e-mail. And, basically, staff's only response is to
16 say, "We don't really think this particular person quite
17 understood what the proposals were or what their effects
18 were."
19 And, essentially, in this particular case, the
20 lead comment seems to be that the repeal of Section --
21 or Property Tax Rule 471 would repeal the definition for
22 timberland and, therefore, essentially delete all
23 definitions for timberland from the property tax law.
24 That's definitely not the case. And, as I said
25 before, the regulation is duplicative of statutory
26 provisions and timberland is defined in Revenue and
27 Taxation Code Section 431.
28 And we don't believe that the repeal of the

Electronically signed by Juli Jackson (001-065-206-4972) 3cde27ed-b35a-4208-9dd2-9fa9339dfb9e

1 regulation would have have any effect -- any legal
2 effect at all, much less eliminating the entire
3 definition for timberland.
4 Again, the next comment deals with the fact
5 there's no necessity or purpose or reasons for this
6 action. We do think that there is necessity. In fact,
7 this is just basically a duplicative regulation.
8 Another example is that the commenter says that
9 the Board lacks authority to repeal legislation. As you
10 know, we're just basically repealing a regulation, not a
11 statute.
12 So, the Board certainly has authority to do
13 that.
14 Moving on, the commenter also makes a number of
15 other comments regarding regulation 1020 that are,
16 essentially, confusing and making me think that the
17 person who commented thinks that by moving counties from
18 one tax timber value area to another somehow affects
19 whether or not they would be subject to property tax or
20 whether or not the timber yield tax would apply at all.
21 And that's just incorrect. It basically
22 just -- when you -- a timber value area -- a timber
23 value area, basically, just like I said, it just
24 contains areas with similar growing, harvesting and
25 marketing conditions.
26 And then, as the Board's aware, the Board
27 separately establishes values for timber in each of
28 those areas and then also establishes the tax rate.

Electronically signed by Juli Jackson (001-065-206-4972) 3cde27ed-b35a-4208-9dd2-9fa9339dfb9e

So, this doesn't directly affect the taxation of any timber or the application of the timber yield tax directly. Therefore, the staff doesn't recommend any changes to the proposal and requests that the Board adopt the repeal of Rule 471 and the amendments to Rule 1020 today.

And I'd also just add that staff's trying to complete the amendments to Rule 1020 in time for the Board to adopt the new value schedules in November for the tax value areas.

So, we want to have the new value areas established in time to create schedules based on those.

MS. YEE: Thank you.

MR. HELLER: If there's any additional questions, we can answer those.

MS. YEE: Thank you, Mr. Heller.

Questions, Members?

Hearing none, may I have a motion, please?

MS. STEEL: So moved.

MS. YEE: Motion by Ms. Steel.

May I have a second?

MS. ALBY: Second.

MS. YEE: Second by Ms. Alby.

Without objection, that motion carries.

Thank you very much.

MR. HELLER: Thank you.

---o0o---

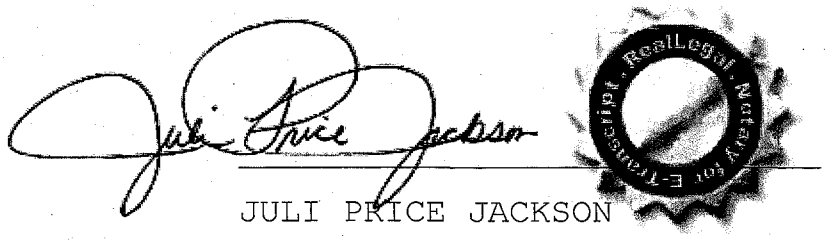
Electronically signed by Juli Jackson (001-065-206-4972) 3cde27ed-b35a-4208-9dd2-9fa9339dfb9e

REPORTER'S CERTIFICATE

State of California)
) ss
County of Sacramento)

I, JULI PRICE JACKSON, Hearing Reporter for the California State Board of Equalization certify that on AUGUST 24, 2010 I recorded verbatim, in shorthand, to the best of my ability, the proceedings in the above-entitled hearing; that I transcribed the shorthand writing into typewriting; and that the preceding pages 1 through 6 constitute a complete and accurate transcription of the shorthand writing.

Dated: September 1, 2010



JULI PRICE JACKSON
Hearing Reporter

Electronically signed by Juli Jackson (001-065-206-4972) 3cde27ed-b35a-4208-9dd2-9fa9339dfb9e

2010 MINUTES OF THE STATE BOARD OF EQUALIZATION

Tuesday, August 24, 2010

PUBLIC HEARINGS

F1 Proposed repeal of Property Tax Rule 471, *Timberland*, and the proposed amendments of Property Tax Rule 1020, *Timber Value Areas*

Bradley Heller, Tax Counsel, Tax and Fee Program Division, Legal Department, made introductory remarks regarding the proposed repeal of Property Tax Rule 471, *Timberland*, and the proposed amendments of Property Tax Rule 1020, *Timber Value Areas.* (Exhibit 8.X.)

Speakers were invited to address the Board, but there were none.

Action: Upon motion of Ms. Steel, seconded by Ms. Alby and unanimously carried, Ms. Yee, Mr. Horton, Ms. Alby, Ms. Steel and Ms. Mandel voting yes, the Board repealed Property Tax Rule 471, *Timberland*, and adopted amendments to Property Tax Rule 1020, *Timber Value Areas,* as recommended by staff.

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-80
916-445-2130 • FAX 916-324-3984
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco

MICHELLE STEEL
Third District, Rolling Hills Estates

JEROME E. HORTON
Fourth District, Los Angeles

JOHN CHIANG
State Controller

BARBARA ALBY
Acting Member
Second District, Sacramento

RAMON J. HIRSIG
Executive Director

June 25, 2010

To Interested Parties:

Notice of Proposed Regulatory Action

The State Board of Equalization Proposes to Repeal California Code of Regulations, Title 18, Section 471, Timberland, and Proposes to Amend California Code of Regulations, Title 18, Section 1020, Timber Value Areas

NOTICE IS HEREBY GIVEN

The State Board of Equalization (Board) proposes to repeal California Code of Regulations, title 18, section (Rule) 471, *Timberland*, pursuant to the authority vested in it by Government Code section 15606, subdivision (c). The Board also proposes to amend Rule 1020, *Timber Value Areas*, pursuant to the authority vested in it by Revenue and Taxation Code section 38701.

PUBLIC HEARING

A public hearing on the proposed regulatory actions 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 August 24, 2010. At the hearing, any interested person may present or submit oral or written statements, arguments, or contentions regarding the proposed repeal of Rule 471 and the proposed amendment of Rule 1020.

AUTHORITIES

Rule 471: Government Code section 15606.

Rule 1020: Revenue and Taxation Code section 38701.

REFERENCES

Rule 471: California Constitution, article XIII A, sections 1 and 2.

Rule 1020: Revenue and Taxation Code sections 38109 and 38204

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Rule 471

Proposition 13 was adopted by the voters at the June 1978 primary election and added article XIII A to the California Constitution to limit taxation, including the taxation of real property. The Board originally adopted Rule 471 as an emergency regulation in July 1978 because the adoption of Proposition 13 raised concerns about how timberland zoned under the provisions of Government Code section 51110 or 51113 should be assessed for property tax purposes. Rule 471 was subsequently amended in October 1978 and became a permanent regulation in 1979, and Rule 471 has not been amended since.

During the May 26, 2010, Board meeting, the Board determined that Rule 471 is not necessary. This is because there is no longer any controversy or confusion regarding the assessment of timberland zoned under the provisions of Government Code section 51110 or 51113; and Rule 471 is duplicative of statutory provisions, including Revenue and Taxation Code section 52, subdivision (b), and article 1.7 of chapter 3 of part 2 of division 1 (commencing with section 431) of the Revenue and Taxation Code, *Valuation of Timberland and Timber*. Therefore, the Board proposes to repeal Rule 471 for the specific purpose of deleting the unnecessary and duplicative language from the California Code of Regulations.

Rule 1020

The Board originally adopted Rule 1020 in 1976 in compliance with Revenue and Taxation Code section 38204, which requires the Board to "designate areas containing timber having similar growing, harvesting, and marketing conditions to be used as timber value areas for the preparation and application of immediate harvest values" after consultation with the Timber Advisory Committee (TAC). Rule 1020 designates 9 Timber Value Areas (TVAs) comprised of counties with similar growing, harvesting, and marketing conditions, and Rule 1020 has not been amended since 1977.

In the fall of 2008, the TAC requested that Board staff reevaluate the existing TVAs because the TAC was concerned that California's timber marketing conditions had changed since 1977 and that these changes may warrant amendments to the TVAs. The TAC's concerns were due to the fact that the number of California sawmills decreased from approximately 200 sawmills in 1977 (when the TVAs were originally established) to approximately 30 sawmills in 2008.

As a result, Board staff reviewed the state's timber growing, harvesting, and marketing conditions and determined that the first two conditions were stable. However, staff found that a number of counties' marketing conditions had changed dramatically in the past 33 years because:

- The reduction in the number of sawmills requires logs to be hauled further for processing than they were in 1977, which increases the cost of producing timber; and

- The sources of the state's timber shifted from predominantly United States Forest Service land to privately owned timberland between 1977 and the present.

Therefore, Board staff recommended that Rule 1020 be amended so that:

1. TVA 1 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Eureka, California, and Oregon.
2. TVA 2 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Ukiah and Cloverdale, California.
3. TVA 3 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in the Davenport area of Santa Cruz County, California.
4. TVA 4 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding and Anderson, California.
5. TVA 5 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.
6. TVA 6 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.[1]
7. TVA 7 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Lincoln and Quincy, California.
8. TVA 8 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Camino, California, and Sonora County, California.
9. TVA 9 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Sonora and Kern counties.

And, Board staff recommended that the following counties (or portions thereof) be deleted from one TVA and moved to another TVA that best fits its current timber marketing conditions.

Trinity County

Board staff recommended deleting "Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties" from TVA 1 and amending TVA 4 so that it includes all of Trinity County because all of Trinity County's timber markets are now similarly centered around sawmills in Redding and Anderson, California.

[1] One of the characteristics requiring two categories for counties whose timber markets are centered around sawmills in Redding, California, and Oregon is that TVA 5 is a Fir area and TVA 6 is a Pine area.

Alameda County, Contra Costa County, Monterey County, San Francisco City and County, San Mateo County, Santa Clara County, and Santa Cruz County

Board staff recommended deleting Alameda County, Contra Costa County, Monterey County, San Francisco County, San Mateo County, Santa Clara County, and Santa Cruz County from TVA 2 and amending TVA 3 to include all seven counties, including the City and County of San Francisco, because whatever marketing there is of any timber remaining in these seven counties will be centered around sawmills in the Davenport area of Santa Cruz County, California.

Napa County

Board staff recommended deleting Napa County from TVA 5 and amending TVA 2 to include Napa County because Napa County's timber markets are now centered around sawmills in Ukiah and Cloverdale, California.

Siskiyou County West of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County west of Interstate Highway No. 5" from TVA 3 and amending TVA 4 to include Siskiyou County west of Interstate Highway No. 5 because this section of Siskiyou County's timber markets are now centered around sawmills in Redding and Anderson, California.

Colusa County, Glenn County, Lake County, Solano County, Tehama County West of Interstate Highway No. 5, and Yolo County

Board staff recommended deleting Colusa County, Glenn County, Lake County, Solano County, "Tehama County west of Interstate Highway No. 5," and Yolo County from TVA 5 and amending TVA 4 to include all 5 counties and the portion of Tehama County west of Interstate Highway No. 5 because their timber markets are centered around sawmills in Redding and Anderson, California.

Shasta County between Interstate Highway No. 5 and State Highway No. 89 and Shasta County East of State Highway No. 89

Board staff recommended deleting "Shasta County between Interstate Highway No. 5 and State Highway No. 89" from TVA 7 and deleting "Shasta County east of State Highway No. 89" from TVA 6 and amending TVA 5 to include all of "Shasta County east of Interstate Highway No. 5" because that portion of Shasta county is a Fir area and its timber markets are centered around sawmills in Redding, California, and Oregon.

Siskiyou County East of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County east of Interstate Highway No. 5" from TVA 6 and amending TVA 5 to include that portion of Siskiyou County because it is a Fir area and its timber market is centered around sawmills in Redding, California, and Oregon.

Sacramento County

Board staff recommended deleting Sacramento County from TVA 5 and amending TVA 8 to include Sacramento County because its timber markets are centered around sawmills in Camino, California, and Sonora County, California.

Alpine County, San Joaquin County, and Stanislaus County

Board staff recommended deleting Alpine County, San Joaquin County, and Stanislaus County from TVA 9 and amending TVA 8 to include all three counties because their timber markets are centered around sawmills in Camino, California, and Sonora County, California.

Board staff's recommendations where provided to the counties and the interested parties in Letter to Assessors No. (LTA) 2009/31 (August 16, 2009)[2] and LTA 2010/08 (January 29, 2010)[3] and both the counties and the interested parties were invited to comment. Board staff's recommendations were also presented to and supported by the TAC during it April 27, 2010, meeting. Thereafter, Board staff incorporated its recommendations into Formal Issue Paper 10-005[4] for the Board's consideration and discussion during its meeting on May 26, 2010. And, during that meeting, the Board determined that all of staff's proposed amendments to Rule 1020 are necessary to ensure that each TVA listed in Rule 1020 includes the appropriate counties with similar growing, harvesting and marketing conditions. Therefore, the Board proposes to amend Rule 1020 for the specific purpose of re-designating the counties assigned to each of the nine TVAs to reflect the changes in the counties' marketing conditions since 1977.

Authority and Reference Notes

Furthermore, Board staff realized that the authority note for Rule 1020 cites Government Code section 15606, which generally authorizes the Board to adopt regulations concerning property taxes and the Board's own business, rather than Revenue and Taxation Code section 38701, which specifically authorizes the Board to adopt Timber Yield Tax regulations, such as Rule 1020. Board staff also realized that the reference note for Rule 1020 generally cites all of chapter 1 (commencing with section 38101), *General Provisions and Definitions*, and chapter 3 (commencing with section 38202), *Determination of Rates*, of part 18.5, *Timber Yield Tax Law*, of division 2 of the Revenue and Taxation Code, as the statutes being implemented, interpreted, and made specific by Rule 1020. However, Board staff determined that Rule 1020 specifically implements, interprets, and makes specific the provisions of Revenue and Taxation Code section 38109, which defines the term "Immediate Harvest Value," and section 38204, which requires the Board to designate TVAs for use in the preparation and application of immediate harvest values. Therefore, Board staff also recommended that the Board amend Rule 1020 so that the authority note correctly cites Revenue and Taxation Code section 38701, and the reference note more specifically cites Revenue and Taxation Code section 38109 and 38204.

---

[2] LTA 2009/31 is available at www.boe.ca.gov/proptaxes/pdf/lta09031.pdf.
[3] LTA 2010/08 is available at www.boe.ca.gov/proptaxes/pdf/lta10008.pdf.
[4] Formal Issue Paper 10-005 is available at www.boe.ca.gov/proptaxes/pdf/10-005.pdf.

During the May 26, 2010, meeting, the Board agreed that Revenue and Taxation Code section 38701 contains the statutory authority for Rule 1020 and that Rule 1020 specifically implements, interprets, and makes specific Revenue and Taxation Code section 38109 and 38204. Therefore, the Board proposes to amend Rule 1020's authority and reference notes as recommended by staff because the amendments are necessary for the specific purpose of ensuring that the regulation's authority and reference notes cite the correct provisions of the Revenue and Taxation Code.

NO MANDATE ON LOCAL AGENCIES AND SCHOOL DISTRICTS

The Board has determined that the proposed repeal of Rule 471 and proposed amendments to Rule 1020 do not impose a mandate on 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.

NO COST OR SAVINGS TO STATE AGENCIES, LOCAL AGENCIES, AND SCHOOL DISTRICTS

The Board has determined that the proposed repeal of Rule 471 and proposed amendments to Rule 1020 will result in no direct or indirect cost or savings to a 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.

NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS

Rule 471 is duplicative of statutes in the Revenue and Taxation Code and its proposed repeal will not have any effect on the assessment of timberland for property tax purposes. The proposed amendments to Rule 1020 merely re-designate the counties assigned to the TVAs to reflect changes to California's timber markets that occurred since the regulation was last amended in 1977, as required by Revenue and Taxation Code section 38204. Furthermore, the proposed amendments to Rule 1020 will not directly effect the Timber Yield Taxes imposed upon any specific timber owners because their taxes are dependent upon the "yield tax rate" the Board is required to adopt during December of each year pursuant to Revenue and Taxation Code sections 38202 and 38203 and the "immediate harvest values" the Board is required to adopt by June 30 and December 31 of each calendar year pursuant to Revenue and Taxation Code section 38204. Therefore, pursuant to Government Code section 11346.5, subdivision (a)(8), the Board has made an initial determination that the adoption of the proposed repeal of Rule 471 and the adoption of the proposed amendments to Rule 1020 will have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

The proposed regulatory actions may affect small business.

COST IMPACT ON PRIVATE PERSON OR BUSINESSES

The Board is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action. The proposed repeal of Rule 471 and proposed amendments to Rule 1020 will not create any new compliance burdens for private persons or businesses.

RESULTS OF THE ASSESSMENT REQUIRED BY GOVERNMENT CODE SECTION 11346.3, SUBDIVISION (b)

The adoption of the proposed repeal of Rule 471 and proposed amendments to Rule 1020 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.

NO SIGNIFICANT EFFECT ON HOUSING COSTS

The adoption of the proposed repeal of Rule 471 and proposed amendments to Rule 1020 will not have a significant effect on housing costs.

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 would be as effective as and less burdensome to affected private persons than the proposed action.

CONTACT

Questions regarding the substance of the proposed regulatory actions should be directed to Mr. Bradley Heller, Tax Counsel III (Specialist), by telephone at (916) 324-2657, by email at Bradley.Heller@boe.ca.gov, or by mail at State Board of Equalization, 450 N Street, MIC: 82, P.O. Box 942879, Sacramento, CA 94279-0082.

Written comments for the Board's consideration, notice of intent to present testimony or witnesses at the public hearing, and inquiries concerning the proposed administrative action should be directed to Mr. Rick Bennion, Regulations Coordinator, by telephone at (916) 445-2130, by fax at (916) 324-3984 , by e-mail at Richard.Bennion@boe.ca.gov, or by mail at State Board of Equalization, Attn: Rick Bennion, 450 N Street, MIC:81, P.O. Box 942879, Sacramento, CA 94279-0080.

WRITTEN COMMENT PERIOD

The written comment period ends when the public hearing begins at 9:30 a.m., or as soon thereafter as the matter may be heard, on August 24, 2010. If the Board receives written comments prior to the close of the written comment period, the statements, arguments, and/or contentions contained in those comments will be presented to and considered by the Board before the Board decides whether to adopt the proposed repeal of Rule 471 and the proposed amendments to Rule 1020. The Board will only consider written comments received by that time.

AVAILABILITY OF INITIAL STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS

The Board has prepared an Initial Statement of Reasons and underscored and strikeout versions of the text of Rules 471 and 1020, which illustrate the proposed repeal of Rule 471 and the proposed amendments to Rule 1020. These 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. The express terms of the proposed amendments and the Initial Statement of Reasons are also available on the Board's Web site at www.boe.ca.gov.

SUBSTANTIALLY RELATED CHANGES PURSUANT TO GOVERNMENT CODE SECTION 11346.8

The Board may adopt the proposed repeal of Rule 471 and the proposed amendments to Rule 1020 with changes that are nonsubstantial or solely grammatical in nature, or sufficiently related to the original text that the public was adequately placed on notice that the changes could result from the originally proposed regulatory action. If a sufficiently related change is made, the Board will make the full text of the resulting amendments, with the change clearly indicated, available to the public for at least 15 days before adoption. The text of the resulting amendments will be mailed to those interested parties who commented on the proposed repeal of Rule 471 or the proposed amendments to Rule 1020 orally or in writing or who asked to be informed of such changes. The text of the resulting amendments will also be available to the public from Mr. Bennion. The Board will consider written comments on the resulting amendments that are received prior to adoption.

AVAILABILITY OF FINAL STATEMENT OF REASONS

If the Board adopts the proposed repeal of Rule 471 and the proposed amendments to Rule 1020, the Board will prepare a Final Statement of Reasons. The Final Statement of Reasons will be made available on the Board's Website at www.boe.ca.gov. It will also be available for public inspection at 450 N Street, Sacramento, California.

FEDERAL REGULATIONS

Rules 471 and 1020 have no comparable federal regulations.

Sincerely,

Diane G. Olson, Chief
Board Proceedings Division

Initial Statement of Reasons

Proposed Repeal of California Code of Regulations, Title 18, Section 471, *Timberland*, and Proposed Amendment of California Code of Regulations, Title 18, Section 1020, *Timber Value Areas*

SPECIFIC PURPOSE AND NECESSITY

Current Law

Proposition 13 was adopted by the voters at the June 1978 primary election and added article XIII A to the California Constitution to limit taxation, including the taxation of real property. The Board originally adopted California Code of Regulations, title 18, section (Rule) 471, *Timberland*, as an emergency regulation in July 1978 because the adoption of Proposition 13 raised concerns about how timberland zoned under the provisions of Government Code section 51110 or 51113 should be assessed for property tax purposes. Rule 471 was subsequently amended in October 1978 and became a permanent regulation in 1979, and Rule 471 has not been amended since.

The Board originally adopted Rule 1020, *Timber Value Areas*, in 1976 in compliance with Revenue and Taxation Code section 38204, which requires the Board to "designate areas containing timber having similar growing, harvesting, and marketing conditions to be used as timber value areas for the preparation and application of immediate harvest values" after consultation with the Timber Advisory Committee (TAC). Rule 1020 designates 9 Timber Value Areas (TVAs) comprised of counties with similar growing, harvesting, and marketing conditions, and Rule 1020 has not been amended since 1977.

Proposed Repeal of Rule 471

During the May 26, 2010, Board meeting, the Board determined that Rule 471 is duplicative of statutory provisions, including Revenue and Taxation Code section 52, subdivision (b), and article 1.7 of chapter 3 of part 2 of division 1 (commencing with section 431) of the Revenue and Taxation Code, *Valuation of Timberland and Timber*; and that there is no longer any controversy or confusion regarding the assessment of timberland zoned under the provisions of Government Code section 51110 or 51113 due to the statutory provisions and the passage of time. As a result, the Board determined that it was reasonably necessary to repeal Rule 471 for the specific purpose of deleting the duplicative and unnecessary regulatory language from the California Code of Regulations.

Proposed Amendments to Rule 1020

In the fall of 2008, the TAC requested that Board staff reevaluate the existing TVAs because the TAC was concerned that California's timber marketing conditions had changed since 1977 and that these changes may warrant amendments to the TVAs. The TAC's concerns were due to the fact that the number of California sawmills decreased from approximately 200 sawmills in 1977 (when the TVAs were originally established) to approximately 30 sawmills in 2008.

As a result, Board staff reviewed the state's timber growing, harvesting, and marketing conditions and determined that the first two conditions were stable. However, staff found that a number of counties' marketing conditions had changed dramatically in the past 33 years because:

- The reduction in the number of sawmills requires logs to be hauled further for processing than they were in 1977, which increases the cost of producing timber; and
- The sources of the state's timber shifted from predominantly United States Forest Service land to privately owned timberland between 1977 and the present.

Therefore, Board staff recommended that Rule 1020 be amended so that:

1. TVA 1 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Eureka, California, and Oregon.
2. TVA 2 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Ukiah and Cloverdale, California.
3. TVA 3 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in the Davenport area of Santa Cruz County, California.
4. TVA 4 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding and Anderson, California.
5. TVA 5 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.
6. TVA 6 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Redding, California, and Oregon.[1]

[1] One of the characteristics requiring two categories for counties whose timber markets are centered around sawmills in Redding, California, and Oregon is that TVA 5 is a Fir area and TVA 6 is a Pine area.

7. TVA 7 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Lincoln and Quincy, California.
8. TVA 8 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Camino, California, and Sonora County, California.
9. TVA 9 includes counties with similar growing and harvesting conditions whose timber markets are centered around sawmills in Sonora and Kern counties.

And, Board staff recommended that the following counties (or portions thereof) be deleted from one TVA and moved to another TVA that best fits its current timber marketing conditions.

Trinity County

Board staff recommended deleting "Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties" from TVA 1 and amending TVA 4 so that it includes all of Trinity County because all of Trinity County's timber markets are now similarly centered around sawmills in Redding and Anderson, California.

Alameda County, Contra Costa County, Monterey County, San Francisco City and County, San Mateo County, Santa Clara County, and Santa Cruz County

Board staff recommended deleting Alameda County, Contra Costa County, Monterey County, San Francisco County, San Mateo County, Santa Clara County, and Santa Cruz County from TVA 2 and amending TVA 3 to include all seven counties, including the City and County of San Francisco, because whatever marketing there is of any timber remaining in these seven counties will be centered around sawmills in the Davenport area of Santa Cruz County, California.

Napa County

Board staff recommended deleting Napa County from TVA 5 and amending TVA 2 to include Napa County because Napa County's timber markets are now centered around sawmills in Ukiah and Cloverdale, California.

Siskiyou County West of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County west of Interstate Highway No. 5" from TVA 3 and amending TVA 4 to include Siskiyou County west of Interstate Highway No. 5 because this section of Siskiyou County's timber markets are now centered around sawmills in Redding and Anderson, California.

Colusa County, Glenn County, Lake County, Solano County, Tehama County West of Interstate Highway No. 5, and Yolo County

Board staff recommended deleting Colusa County, Glenn County, Lake County, Solano County, "Tehama County west of Interstate Highway No. 5," and Yolo County from TVA 5 and amending TVA 4 to include all 5 counties and the portion of Tehama County west of Interstate Highway No. 5 because their timber markets are centered around sawmills in Redding and Anderson, California.

Shasta County between Interstate Highway No. 5 and State Highway No. 89 and Shasta County East of State Highway No. 89

Board staff recommended deleting "Shasta County between Interstate Highway No. 5 and State Highway No. 89" from TVA 7 and deleting "Shasta County east of State Highway No. 89" from TVA 6 and amending TVA 5 to include all of "Shasta County east of Interstate Highway No. 5" because that portion of Shasta county is a Fir area and its timber markets are centered around sawmills in Redding, California, and Oregon.

Siskiyou County East of Interstate Highway No. 5

Board staff recommended deleting "Siskiyou County east of Interstate Highway No. 5" from TVA 6 and amending TVA 5 to include that portion of Siskiyou County because it is a Fir area and its timber market is centered around sawmills in Redding, California, and Oregon.

Sacramento County

Board staff recommended deleting Sacramento County from TVA 5 and amending TVA 8 to include Sacramento County because its timber markets are centered around sawmills in Camino, California, and Sonora County, California.

Alpine County, San Joaquin County, and Stanislaus County

Board staff recommended deleting Alpine County, San Joaquin County, and Stanislaus County from TVA 9 and amending TVA 8 to include all three counties because their timber markets are centered around sawmills in Camino, California, and Sonora County, California.

Authority and Reference Notes

Furthermore, Board staff realized that the authority note for Rule 1020 cites Government Code section 15606, which generally authorizes the Board to adopt regulations concerning property taxes and the Board's own business, rather than Revenue and Taxation Code section 38701, which specifically authorizes the Board to adopt Timber Yield Tax regulations, such as Rule 1020. Therefore,

Board staff recommended that the Board amend Rule 1020 so that the authority note correctly cites Revenue and Taxation Code section 38701.

In addition, Board staff realized that the reference note for Rule 1020 generally cites all of chapter 1 (commencing with section 38101), *General Provisions and Definitions*, and chapter 3 (commencing with section 38202), *Determination of Rates*, of part 18.5, *Timber Yield Tax Law*, of division 2 of the Revenue and Taxation Code, as the statutes being implemented, interpreted, and made specific by Rule 1020. However, Board staff determined that Rule 1020 specifically implements, interprets, and make specific the provisions of Revenue and Taxation Code section 38109, which defines the term "immediate harvest value," and section 38204, which requires the Board to designate TVAs for use in the preparation and application of immediate harvest values. Therefore, Board staff also recommended that the Board amend Rule 1020 so that the reference note more specifically cites Revenue and Taxation Code sections 38109 and 38204.

During the May 26, 2010, Board meeting, the Board agreed that staff's proposed amendments would ensure that each TVA listed in Rule 1020 includes the appropriate counties with similar growing, harvesting and marketing conditions, and that Rule 1020's authority and reference notes cite the correct provisions of the Revenue and Taxation Code. As a result, the Board determined that it was reasonably necessary to amend Rule 1020 for the specific purposes of re-designating the counties assigned to each of the nine TVAs to reflect the changes in the counties' marketing conditions since 1977 and ensure that the regulation's authority and reference notes cite the correct provisions of the Revenue and Taxation Code.

DOCUMENTS RELIED UPON

The Board relied upon Formal Issue Paper 10-005[2] and comments from Board staff made during the Board meeting on May 26, 2010, in deciding to propose the repeal of Rule 471 and propose amendments to Rule 1020. The formal issue paper is available on the Board's Website at *boe.ca.gov/proptaxes/pdf/10-005.pdf.* The audio and video from the Board's May 26, 2010, meeting are available on the Board's Website at http://www.visualwebcaster.com/event.asp?id=65393.

ALTERNATIVES CONSIDERED

The Board did not consider any alternatives to the proposed repeal of Rule 471 and the proposed amendments to Rule 1020.

[2] Formal Issue Paper 10-005 is available at http://www.boe.ca.gov/proptaxes/pdf/10-005.pdf.

NO ADVERSE ECONOMIC IMPACT ON BUSINESS

Rule 471 is duplicative of provisions in the Revenue and Taxation Code and its proposed repeal should not have any effect on the assessment of timberland. Rule 1020 does not impose any reporting or other requirements and does not directly effect the Timber Yield Taxes imposed upon any specific timber owners because their taxes are dependent upon the "yield tax rate" the Board is required to adopt during December of each year pursuant to Revenue and Taxation Code sections 38202 and 38203 and the "immediate harvest values" the Board is required to adopt by June 30 and December 31 of each calendar year pursuant to Revenue and Taxation Code section 38204. Furthermore, the proposed amendments to Rule 1020 merely re-designate the counties assigned to each of the nine TVAs for the preparation and application of immediate harvest values, and correct the citations in the rule's authority and reference notes. Therefore, the Board has made an initial determination that the proposed repeal of Rule 471 and the proposed amendments to Rule 1020 will not have a significant adverse economic impact on business.

The proposed regulation may affect small business.

Proposed Amendments to California Code of Regulations, Title 18, Sections 471 and 1020

~~471. Timberland.~~

~~Consistent with the intent of the provisions of Section 3(j) of Article XIII of the California Constitution and the legislative interpretation thereof, the value for land which has been zoned as timberland pursuant to Section 51110 or 51113 of the Government Code shall be ascertained for the 1979 lien date from the schedule contained in Section 434.5 of the Revenue and Taxation Code and thereafter from the most recent board-adopted timberland site class value schedule.~~

~~Note: Authority cited: Sec. 15606(c) Gov. Code Reference: Art. XIII A, Secs. 1 and 2, California Constitution.~~

1020. Timber Value Areas.

The following nine designated areas contain timber having similar growing, harvesting, and marketing conditions and shall be used as timber value areas in the preparation and application of immediate harvest values:

Area 1
Del Norte County
Humboldt County
~~Trinity County south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties~~

Area 2
~~Alameda County~~
~~Contra Costa County~~
Marin County
Mendocino County
Napa County
~~Monterey County~~
~~San Francisco County~~
~~San Mateo County~~
~~Santa Clara County~~
~~Santa Cruz County~~
Sonoma County

Area 3
Alameda County
Contra Costa County
Monterey County
San Francisco City and County
San Mateo County
Santa Clara County
Santa Cruz County
~~Siskiyou County west of Interstate Highway No. 5~~

Area 4
Colusa County
Glenn County
Lake County
Shasta County west of Interstate Highway No. 5
Solano County
Siskiyou County west of Interstate Highway No. 5
Tehama County west of Interstate Highway No. 5
Trinity County~~ except that portion which is south and west of that part of the exterior boundary of the Shasta-Trinity National Forest between Humboldt and Tehama Counties~~
Yolo County

Area 5
Shasta County east of Interstate Highway No. 5
Siskiyou County east of Interstate Highway No. 5
~~Colusa County~~
~~Glenn County~~
~~Lake County~~
~~Napa County~~
~~Sacramento County~~
~~Solano County~~
~~Tehama County west of Interstate Highway No. 5~~
~~Yolo County~~

Area 6
Lassen County
Modoc County
~~Shasta County east of State Highway No. 89~~
~~Siskiyou County east of Interstate Highway No. 5~~

Area 7
Butte County
Nevada County
Placer County
Plumas County

~~Shasta County between Interstate Highway No. 5 and State Highway No. 89~~
Sierra County
Sutter County
Tehama County east of Interstate Highway No. 5
Yuba County

Area 8
Alpine County
Amador County
Calaveras County
El Dorado County
Sacramento County
San Joaquin County
Stanislaus County
Tuolumne County

Area 9
~~Alpine County~~
Fresno County
Imperial County
Inyo County
Kern County
Kings County
Los Angeles County
Madera County
Mariposa County
Merced County
Mono County
Orange County
Riverside County
San Benito County
San Bernardino County
San Diego County
~~San Joaquin County~~
San Luis Obispo County
Santa Barbara County
~~Stanislaus County~~
Tulare County
Ventura County

Note: Authority cited ~~for Article 1~~: Section 38701~~15606~~, Revenue and Taxation Code~~Government Code~~. Reference ~~for Article 1~~: ~~Chapters 1 and 3, Part 18.5, Division 2~~Sections 38109 and 38204, Revenue and Taxation Code.

Regulation History

Type of Regulation: Property Tax

Rule: 471, and 1020

Title: 471, Timber Land
1020, Timber Value Areas

Preparation: Sherrie Kinkle
Legal Contact: Bradley Heller

The proposed amendments to Property Tax Rules 1020 and repeal Rule 471.

History of Proposed Regulation:

August 25, 2010	Public hearing
July 23, 2010	Notice of Correction
June 25, 2010	OAL publication date; 45-day public comment period begins; IP mailing
June 10, 2010	Notice to OAL
May 26, 2010	PTC, Board Authorized Publication (Vote 5-0)
May 26, 2010	Property Taxes Committee
May 20, 2009	Letter to Assessors 2009/022

Sponsor:	NA
Support:	NA
Oppose:	NA