STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
1020 N STREET, SACRAMENTO, CALIFORNIA
(P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808)
(916) 445-4982

GEORGE R. REILLY
First District, San Francisco
IRIS SANKEY
Second District, San Diego
WILLIAM M. BENNETT
Third District, San Rafael
RICHARD NEVINS
Fourth District, Pasadena
KENNETH CORY
Controller, Sacramento
DOUGLAS D. BELL
Executive Secretary

August 18, 1978

No. 78/149

TO COUNTY ASSESSORS:

SUMMARY OF PROPOSED LEGISLATION NUMBER 30

In compliance with your Legislative Committee's proposal that you be informed of the various property tax bills and amendments being proposed in the State Legislature, we submit to you those measures introduced or amended recently that have reached our office.

We are including only those bills or constitutional amendments that we feel are of importance to you as an assessor. Bills concerning the functions of the tax collector, auditor, and other county or special district officials will usually be excluded.

Copies of bills and amendments introduced may be obtained by placing orders with the Legislative Bill Room (State Capitol, Room 1149, Sacramento, 95814).

ASSEMBLY BILLS

No. 948 - Amended August 7, 1978

An act to add Section 15606.1 to the Government Code, to add Sections 18613.1 and 18613.2 to the Health and Safety Code, and to add Sections 109.7, 6012.8, 6379, 10784, and 11913 to the Revenue and Taxation Code, relating to mobilehomes, and making an appropriation therefor.

Existing law requires that mobilehomes shall be installed pursuant to specified regulations.

This bill would specify that the installation requirements for mobilehomes installed and located outside of a mobilehome park, development, subdivision, cooperative, or condominium shall not exceed such specified installation requirements of mobilehomes.

Existing Sales and Use Tax Law imposes a state sales or use tax on the sale or use of tangible personal property in the state, unless such sale or use is exempted for such tax. The gross receipts from the sale or use of certain mobilehomes are subject to such tax, while, for the period ending December 31, 1977, 40% of the sale price of factory-built housing is deemed to be the taxable gross receipts from such transaction.

This bill would provide that any new mobilehome sold after its effective date which is installed and located outside of a mobilehome park, development, subdivision, cooperative, or condominium for occupancy as a residence and is subject to taxation shall be subject to local property taxation and would

ASSEMBLY BILLS (Contd.)

No. 948 - (Contd.)

specify that the sales tax on a mobilehome shall be computed on the cost of materials used while under construction and that the manufacturer, as defined, shall be the consumer for such purposes. The bill would also exempt from sales and use taxes the gross receipts from the resale of such mobilehomes which are originally sold new on and after July 1, 1979.

Under existing law, a state vehicle license fee tax is imposed, at the rate of 2% of the market value of the vehicle, for the use of the state highways, which is in lieu of local property taxes. The market value of trailer coaches which must be moved under permit is determined according to a Statutory Depreciation Schedule.

This bill would exempt any new mobilehome which must be moved under permit from such in-lieu tax if the mobilehome is installed and located outside of a mobilehome park, development, subdivision, cooperative, or condominium for occupancy as a residence after a specified date, and would subject to local property taxation those new mobilehomes exempted from such in-lieu tax.

Pursuant to the Documentary Transfer Tax Act, cities and counties are authorized to impose a tax on each deed, instrument, or writing by which any lands, tenements or other realty sold shall be conveyed.

This bill would specify that the purchaser of a new mobilehome which is sold and installed and located outside of a mobilehome park, development, subdivision, cooperative, or condominium shall be subject to such tax, and would specify that mobilehomes held in the dealer's inventory shall be exempt from such tax.

The bill would appropriate an unspecified sum from the General Fund to the State Controller for reimbursement of local agencies for costs incurred by them pursuant to this bill.

No. 1054 - Amended August 11, 1978

An act to amend Sections 18008, 18211, 18550, 18613, and 19990 of, and to add Sections 18615 and 18615.1 to, the Health and Safety Code, to amend Section 401.3 of the Revenue and Taxation Code, and to amend Section 396 of the Vehicle Code, relating to dwellings.

(1) Existing law defines the term "mobilehome" for purposes of the Vehicle Code and provisions of the Health and Safety Code relating to mobilehomes and mobilehome parks. Existing law prohibits any person from using or causing, or permitting to be used for occupancy, any mobilehome from which any axle or wheel hub has been removed and also prohibits permanently attaching a mobilehome with underpinning or foundation to the ground.

This bill would revise the definition of the term "mobilehome" for the purposes of such Health and Safety Code and Vehicle Code provisions and would conform such definition to the definition of "mobile home" in the federal National Mobile Home Construction and Safety Standards Act of 1974 (42 U.S.C., Sec. 5401 et seq.).

This bill would delete the prohibition against using or causing, or permitting to be used for occupancy, any mobilehome from which any axle or wheel hub has been removed, but would prohibit a registered owner or occupant of a mobilehome from removing the axles or wheel hubs from a

ASSEMBLY BILLS (Contd.)

No. 1054 - (Contd.)

mobilehome without written authorization from the legal owner. The bill would delete the prohibition against permanently attaching a mobilehome with underpinning or foundation to the ground when the mobilehome is located outside of a mobilehome park and, instead, prohibit occupancy of a mobilehome manufactured on or after June 15, 1976, which is on a foundation system permanently attached to real property which violates specified regulations of the Commission of Housing and Community Development. The bill would require the commission to adopt regulations for all installations of mobilehomes, including foundation systems permanently attached to real property.

The bill would also provide for recorded agreements whereby the registered owner of a mobilehome and the mortgagee or beneficiary of a deed of trust or mortgage treat the mobilehome as a vehicle and not as part of the realty for the duration of the agreement.

(2) Current law prohibits occupancy of any mobilehome which does not conform to the registration requirements of the Vehicle Code.

This bill would instead require conformance to applicable registration requirements.

This bill would also prohibit occupancy of any mobilehome which does not have the space directly beneath it kept clean, as specified.

(3) Under existing provisions of the California Factory-Built Housing Law, the Commission of Housing and Community Development is required to adopt regulations for factory-built housing which imposes requirements reasonably consistent with specified uniform codes. Factory-built housing is defined by existing law to exclude mobilehomes.

This bill would specify that the construction and safety standards of a mobile home, as defined by federal law, manufactured in compliance with the federal mobile home construction and safety standards adopted pursuant to the National Mobile Home Construction and Safety Standards Act of 1974 would be deemed equivalent to the California Factory-Built Housing Law.

(4) Existing law requires the county assessor to assess all property subject to general property taxation according to its value on the lien date.

This bill would require the assessor to assess mobilehomes which are on foundation systems permanently attached to real property 90 days after the mobilehome is placed on such a foundation. It would require such assessed value to be enrolled on the next succeeding lien date.

No. 1336 - Amended August 10, 1978

An act to amend and renumber Section 2617.5 of, and to add Sections 2636, 2708, 2772, and 2927.6 to, the Revenue and Taxation Code, relating to taxation.

Under existing law a 6% penalty is imposed on property taxes which are not paid in full prior to becoming delinquent. The tax collector or auditor is authorized to cancel a delinquent penalty on the property, with the approval of the board of supervisors on a finding that the delinquency was due to reasonable cause and circumstances beyond the assessee's control, and occurred notwithstanding the exercise of ordinary care and in the absence of willful neglect, provided the payment is made within 90 days of the first delinquency date or within 30 days after the second delinquency date.

ASSEMBLY BILLS (Contd.)

No. 1336 - (Contd.)

This bill would also authorize such cancellation of the penalty where there was an inadvertent error in the amount of the payment made by the assessee, provided that the principal payment for the proper amount of tax due is made within 10 days after the notice of shortage is mailed by the tax collector.

The bill would authorize the tax collector, with the approval of the board of supervisors, to accept partial payments of property taxes and compute the delinquent penalty on the unpaid balance of the tax.

No. 2463 - Amended August 7, 1978

An act to amend Sections 110.1 and 20583 of, to add Chapter 3.5 (commencing with Section 20640) to Part 10.5 of Division 2 of, and to repeal and add Section 2905 of, the Revenue and Taxation Code, relating to property tax, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

Existing law defines "full cash value" of real property for purposes of Article XIIIA of the California Constitution.

This bill would include possessory interests in real property within such definition of full cash value for real property.

Under existing law, qualified persons 62 years of age or older who own or rent their homes may claim state funds to reimburse them for a portion of the property taxes paid on their homes, and payment of the property taxes on homes owned by certain persons 62 years of age or older may be postponed.

This bill would provide for the postponement of property taxes by possessory interest holders, as defined.

Under existing law funds are continuously appropriated from the General Fund to the Controller to pay certificates on postponed property taxes.

This bill, by enlarging the number of persons who would be able to postpone property taxes, would affect such continuous appropriation.

This bill would take effect immediately as an urgency statute, and would apply to claims for postponement for the 1978-79 fiscal year and thereafter.

No. 2663 - Amended August 7, 1978

An act to amend Sections 408, 13309, 13402, 13841, 15112, and 15441 of, to add Sections 13309.1, 13406.1, 15112.1 and 15207.1 to, to amend the heading of Chapter 7 (commencing with Section 14051) of Part 8 of Division 2 of, to add an article heading immediately to precede Section 14051 of, to add Article 2 (commencing with Section 14071) to Chapter 7 of Part 8 of Division 2 of, the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.

Existing law requires a county assessor to disclose information, furnish abstracts or permit access to all records in his office to specified local and state officers and agents.

This bill would require that a county assessor also disclose information, furnish abstracts or permit access to such records to inheritance tax referees.

ASSEMBLY BILLS (Contd.)

No. 2663 - (Contd.)

Under existing Inheritance and Gift Tax Law, as revised by the Tax Reform Act of 1977, gifts made by a decedent are taken into consideration for the purpose of fixing inheritance taxes.

This bill provides that only those gifts shall be considered which were made after December 31, 1976 in the computation of inheritance taxes and shall authorize an inheritance tax credit equal to the gift tax paid on any gift made prior to December 31, 1976, which is included in the computation of inheritance taxes, with certain limitations.

Existing Inheritance and Gift Tax Law exempts from such taxes gifts to certain public entities and organizations which are exempted from taxation.

This bill would impose a tax, at the rate of 4% of the clear market value of the property, on transfers to certain tax-exempt private foundations, as defined.

This bill would also provide that there shall be no reimbursement of local agencies for costs incurred by them pursuant to this act for specified reasons.

The bill would take effect immediately as an urgency statute.

No. 2754 - Amended August 7, 1978

An act to add Section 18056.4 to the Health and Safety Code and to add Section 10752 to the Vehicle Code, relating to vehicles.

A camper is defined, generally, as a structure providing facilities for human habitation, designed to be mounted upon a motor vehicle. A camper is not required to be registered or identified.

This bill would require the Department of Housing and Community Development to develop, after consulting with industry representatives, an identification numbering system to insure a unique number for each truck camper. Prior to May 1, 1979, manufacturers of truck campers, as specified, would be required to apply to the department for assignment of truck camper identification numbers.

This bill would make it unlawful to manufacture a camper after July 1, 1979, unless the manufacturer's serial or identification number, as specified, is legibly stamped onto, or permanently affixed to, the interior and exterior of the camper.

In addition, the sale by a retailer of a new camper without a manufactuer's serial or identification number would be prohibited on or after January 1, 1980.

There would be no violation pursuant to such provisions until the Director of the Department of Motor Vehicles approved a numbering system, as specified, which would ensure that each camper receives a unique number.

The bill would provide that, notwithstanding Section 2231 of the Revenue and Taxation Code, there shall be no reimbursement pursuant to that section for a specified reason.

ASSEMBLY BILLS (Contd.)

No. 2867 - Amended August 8, 1978

An act to amend Sections 33327, 33328.4, and 33457 of the Health and Safety Code, to amend Sections 155.14, 211, 214, 221, 251, 254, 255, 325, 531.6, 619, 1605, 1819, 11319, and 11354, and 38104 of, and to amend and renumber the heading of Article 4 (commencing with Section 866) of Chapter 4 of Part 2 of Division 1 of, to repeal Sections 254.6 and 259.6 of, and to repeal Article 7 (commencing with Section 891) of Chapter 4 of Part 2 of Division 1 of, the Revenue and Taxation Code, relating to property taxation.

Existing law requires a redevelopment agency to notify local agencies and the State Board of Equalization of certain changes in the boundaries of a proposed redevelopment project.

This bill would specify the period of time within which such notification must be made.

Under existing law, the State Board of Equalization is authorized to charge a fee for the preparation of certain redevelopment plans and boundary changes.

This bill would authorize the State Board of Equalization to charge a fee for providing certain mapping services.

Under existing law, a possessory interest in certain government land, which is subject to taxation, may be reassessed if, after the lien date, the right to enter the land has been suspended due to misfortune or calamity.

This bill would require the local assessor to provide the last known assessee of such possessory interest with an application for reassessment.

Under existing Private Car Tax Law, the tax resulting from certain estimated and escaped assessments and jeopardy assessments bears interest at the rate of ½% per month.

This bill would increase such interest rate.

This bill makes technical changes to various provisions of statutory law relating to taxation.

This bill would provide that notwithstanding Section 2231 of the Revenue and Taxation Code, there shall be no reimbursement nor appropriation made by this bill for a specified reason.

The bill would also make additional changes in Sections 531.6, 619 and 1605 of the Revenue and Taxation Code, to be operative only if AB 2411, SB 1464, SB 1656 and SB 1752, respectively, are chaptered and this bill is chaptered after such other bills.

No. 2986 - Amended August 7, 1978

An act to add Article 10 (commencing with Section 2400) to Chapter 3 of Part 4 of Division 1 of the Revenue and Taxation Code, relating to property taxation.

Existing law, as revised by the addition of Article XIIIA to the California Constitution by Proposition 13 as approved by the voters at the statewide election held on June 6, 1978, limits the property tax rate on all real property.

This bill would enact the Renter Property Tax Relief Act of 1978 to grant benefits to renters in the form of required rent reductions in proportion to the property tax benefits received by owners of rental units as a result of the enactment of Article XIIIA of the California Constitution.

ASSEMBLY BILLS (Contd.)

No. 2986 - (Contd.)

The bill would provide that notwithstanding Section 2231 of the Revenue and Taxation Code, there shall be no reimbursement nor appropriation made by this bill for a specified reason.

No. 3505 - Amended August 7, 1978

An act to add Sections 2636, 2708, 2772, and 2927.6 to the Revenue and Taxation Code, relating to taxation.

Under existing law a 6% penalty is imposed on property taxes which are not paid in full prior to becoming delinquent. The tax collector or auditor is authorized to cancel a delinquent penalty on the property, with the approval of the board of supervisors on a finding that the delinquency was due to reasonable cause and circumstances beyond the assessee's control, and occurred notwithstanding the exercise of ordinary care and in the absence of willful neglect, provided the payment is made within 90 days of the first delinquency date or within 30 days after the second delinquency date.

The bill would authorize the tax collector, with the approval of the board of supervisors, to accept partial payments of property taxes and compute the delinquent penalty on the unpaid balance of the tax.

Under existing law, a party in interest in property which has been sold for delinquent property taxes who may claim the amount of the proceeds of the sale which exceed the amount of the taxes and certain costs may assign all or part of such interest, if such assignment describes the subject matter with sufficient particularity to identify the rights assigned.

This bill would specify that such party in interest in property which has been sold for delinquent property taxes may assign such interest only by a dated, written instrument that explicitly states that the right to claim the excess proceeds is being assigned and each party to such assignment has disclosed to the other party to such assignment all facts of which such party is aware relating to the value of the right that is being assigned.

Under existing law, if the excess proceeds from the sale of property for delinquent property taxes has been claimed by any party in interest in such property, such excess proceeds shall be distributed to the parties of interest in such property in a specified order of priority.

This bill would provide that such excess proceeds shall be distributed only to parties of interest in such property who have claimed such excess proceeds.

ASSEMBLY CONSTITUTIONAL AMENDMENT

No. 50 - Amended August 7, 1978

A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by adding Section 20 to Article XVI thereof, relating to public finance.

Presently there is no limitation or restriction in the Constitution on the amount of funds which the Legislature may appropriate for state expenses in any fiscal year relating in any manner to changes in the total income of the state's population.

ASSEMBLY CONSTITUTIONAL AMENDMENT (Contd.)

No. 50 - (Contd.)

This measure would require the Legislature to establish such an expenditure limition as specified. It would permit surplus funds to be appropriated only for reduction, rebate, or refund of taxes or to meet an economic emergency declared to exist by a 2/3 vote of the Legislature. This measure would be effective for the 1979-80 fiscal year through the 1984-85 fiscal year and must thereafter be resubmitted to the voters to be effective.

No. 2 - Amended August 14, 1978

A resolution to propose to the people of the State of California an amendment to the Constitution of the state, by amending Section 8 of Article XIII, Sections 1 and 2 of Article XIIIA, by adding Section 26.5 to Article XIII, and by adding subdivisions (s) and (t) to Section 3 of Article XIII thereof, relating to taxation.

Existing provisions of the California Constitution exempt specified property from taxation and limit the maximum amount of ad valorem taxes on all real property, with specified exceptions, to 1% of the full cash value, and require the 1% tax to be collected by the counties and apportioned according to law to the districts within the counties.

This measure would eliminate the property tax on owner-occupied dwellings and would require the state to pay any ad valorem taxes or special assessments on such dwellings for interest, principal, and redemption charges on indebtedness approved by the voters prior to July 1, 1978.

The measure would limit the maximum ad valorem tax rate on all other property, with specified exceptions, to 85.5% of the total tax rate levied by each taxing jurisdiction in the 1977-78 fiscal year.

The measure would also exempt business inventories and implements of husbandry from property taxation.

Existing California constitutional law provides for valuation of open space lands on a basis consistent with its restrictions and uses.

This measure would provide that land which is enforceably restricted pursuant to the Williamson Act shall be assessed at no higher than 80% of its capitalization of income value and would make other specified adjustments with regard to enforceably restricted land.

Existing law authorizes a $37 credit against taxes due under the Personal Income Tax Law for qualified renters. If the amount of the credit exceeds income tax liability, the excess is paid to the claimant.

This measure would provide for a minimum credit of $300.

SENATE BILLS

No. 660 - Amended August 10, 1978

An act to add 16280.1 to the Government Code and to add Section 1440.5 to the Health and Safety Code, relating to health care services, and declaring the urgency thereof, to take effect immediately.

Existing law limits salary increases for employees of local agencies, including counties, during fiscal year 1978-1979.

SENATE BILLS (Contd.)

No. 660 - (Contd.)

This bill would allow a board of supervisors to adjust salaries of county employees as necessary to recruit or retain personnel in local health facilities pursuant to specified conditions.

Existing law also provides for the maintenance of county health facilities.

This bill would specify the intent of the Legislature to authorize salary adjustments in order to maintain essential health services.

The bill provides that neither appropriation is made nor obligation created for the reimbursement of any local agency or school district for any costs incurred by it pursuant to the act.

The bill would take effect immediately as an urgency statute.

No. 1490 - Amended August 10, 1978

An act to amend Sections 2206.5, 2231, 2236, 2241, 2246, 2250, 2253, 2253.2, 2253.5, 2253.8, and 2255 of, to add Sections 2238, and 2255.1 to, the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.

Existing law specifies various procedures relating to claims that may be made to the State Controller for reimbursement to a local entity for costs mandated by the state.

This bill would revise such procedures and would take effect immediately as an urgency statute.

No. 1650 - Amended August 10, 1978

An act relating to filing maps and plats, and declaring the urgency thereof, to take effect immediately.

(1) Under existing law, local governmental agencies which are created or have had boundary changes must file a map or plat of the new boundaries with the State Board of Equalization by January 1st in order to impose assessments or property taxes for the ensuring fiscal year.

This bill would permit a community service district to impose taxes or assessments for the 1978-1979 fiscal year if such map or plat is filed with the State Board of Equalization on or before January 20, 1978.

(2) Under existing law, state funds are continuously appropriated to compensate local governmental entities for property tax revenue lost by reason of the homeowners' property tax exemption and the partial exemption for business inventories.

This bill, by enabling community service districts to impose property taxes a year early, would have the effect of increasing these existing continuous appropriations for such year.

(3) This bill would disclaim liability for reimbursement of local agency costs under Section 2231 of the Revenue and Taxation Code for a specified reason.

(4) Existing provisions of the law relating to the implementation of Article XIIIA of the California Constitution (Proposition XIIIA on the June 6, 1978 ballot) provide that local agencies, as defined, formed after January 1, 1976, shall be considered school districts for the purpose of provisions relating to the allocation of tax revenues by the county

SENATE BILLS (Contd.)

No. 1650 - (Contd.)

auditor. In making such allocation to school districts, the amount of property tax revenue received by school districts and the county superintendent of schools in the 1977-78 fiscal year is considered whereas, with respect to allocations to local agencies other than a school district, a county superintendent of schools, or a community college district, the amount of property tax revenue received in the 3 fiscal years prior to the 1978-79 fiscal year is considered.

This bill would, with a specified exception, expressly provide that a city or special district formed after December 1, 1976, shall be treated as a local agency, rather than a school district, for the purposes of such allocation provisions and shall be assumed to have levied during the 3 fiscal years prior to the 1978-79 fiscal year tax rates equal to 2/3 of its maximum rate for the 1978-79 fiscal year which would have been permitted pursuant to specified provisions of the law prior to being amended by Chapter 292 of the Statutes of 1978.

(5) The bill would take effect immediately as an urgency statute.

No. 1656 - Amended August 10, 1978

An act to add Section 11 to the Education Code, to amend Sections 29100, 50286, and 51511 of, and to add Sections 16101.5 and 43004.5 to, the Government Code, to amend Section 33328 of, and to add Section 33670.5 to, the Health and Safety Code, to amend Sections 205.5, 218, 273 5, 275, 276, 401, 435, 619, 619.2, 722, 1606, 1637, 2611.5, 2905, 4836.5, 11251, 11401, 20542, and 20543 of, and to add Sections 135, 205.1, and 2260.5 to, the Revenue and Taxation Code, and to add Section 22 to the Welfare and Institutions Code, relating to property taxation.

Under existing law all property subject to general property taxation is annually assessed at 25% of its full cash value.

This bill would require such assessments be at full cash value for the 1980-81 fiscal year and fiscal years thereafter and would require local agencies to adjust their property tax rates so that they will receive no additional revenue by reason of the change in the method of assessment.

The bill would make related and conforming changes.

The bill would not become operative unless S.C.A. 60 is approved by the voters.

No. 2224 - Amended August 14, 1978

An act relating to property tax reduction pass-on, and declaring the urgency thereof, to take effect immediately.

Existing law does not require owners of property to pass on property tax reductions applicable to such property to any renters or lessees of such property nor does it authorize renters or lessees to withhold a portion of their rent for such purpose.

This bill would authorize renters to withhold 50% of their rent payments for the month of December 1978, with respect to their principal place of residence, and would specify that the owners of such property, or their representative or agent shall notify each renter of residential

SENATE BILLS (Contd.)

No. 2224 - (Contd.)

property of such authorization, unless such renter has received written notice of the owner's intent to pay to such renter at least 80% of the net property tax savings attributable to such renter's unit, as defined, and such payment is made in December 1978.

This bill would be repealed on December 1, 1978, if, prior to such date, Proposition 13 on the ballot for the statewide election on June 6, 1978, is determined to be invalid pursuant to a final decision of a court.

This bill would take effect immediately as an urgency statute.

No. 2241 - Amended August 7, 1978

An act to amend Section 619 of the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.

Existing law requires county assessors to notify certain property tax assessees of increases in the assessed value of such property as shown on the property tax roll.

This bill would specify that such requirement shall not apply to annual increases in the valuation of property which reflect the inflation rate, not to exceed 2%, pursuant to the authority of the provisions of the California Constitution authorizing the annual increase in the valuation of property for tax limitation purposes.

This bill would take effect immediately as an urgency statute.

SENATE CONSTITUTIONAL AMENDMENT

No. 72 - August 8, 1978

A resolution to propose to the people of the State of California an amendment to the Constitution of the state, by adding Section 37 to Article XIII thereof, relating to revenues and appropriations.

The existing Constitution does not provide for a limit on the annual appropriations of the Legislature.

This bill would place a limit upon the annual appropriations of the Legislature pursuant to a specified formula and with specified exceptions. Such provisions would be effective commencing with the 1980-81 fiscal year.

Sincerely,

Verne Walton

Verne Walton, Chief
Assessment Standards Division

VW:sk
Enclosures

460. General Application.

(a) Sections 1 and 2 of Article XIII A of the Constitution provide for a limitation on property taxes and a procedure for establishing the current taxable value of locally assessed real property by reference to a base year full cash value which is then modified annually to reflect the inflation rate not to exceed two percent per year.

(b) The following definitions govern the construction of the terms in the rules pertaining to Sections 1 and 2 of Article XIII A.

(1) Base year. The assessment year 1975-76 serves as the original base year. Thereafter, any assessment year in which real property, or a portion thereof, is purchased, is newly constructed, or changes ownership shall become the base year used in determining the full value for such real property, or a portion thereof.

(2) Full cash value.

(A) The full cash value of real property means the "full cash value" as defined in Section 110 of the Revenue and Taxawton Code, as of:

1. The lien date in 1975, for the base year 1975-76, ~~and~~ or

2. The date such real property is purchased, is newly constructed, or changes ownership after the 1975 lien date, the full cash value of which shall be enrolled on the lien date next succeeding the date when such n real property, or portion thereof, is purchased, is newly constructed, or changes ownership~~, for the 1976-77 base year and thereafter~~.

(B) If real property has not been appraised pursuant to Section 405.5 of the Revenue and Taxation Code to its appropriate base year full cash value, then the assessor shall reappraise such property to its full cash value for the appropriate base year lien date. Such reappraisals may be made at any time, notwithstanding the provisions of Section 405.6 of the Revenue and Taxation Code.

(3) Restricted value. Restricted value means a value standard other than full cash value prescribed by the Constitution or by statute authorized by the Constitution.

(4) Full value. Full value (appraised value) means either the full cash value or the restricted value.

(5) Inflation rate. For each lien date after the lien date in which the base year full value is determined, the full value of real property shall be modified to reflect the percentage change in cost of living, as defined in Section 2212 of the Revenue and Taxation Code; provided. that such value shall not reflect an increase in excess of 2 percent of the taxable value of the preceding lien date.

(6) Taxable value. Taxable value means the base year full value factored annually by the inflation rate.

(7) Property tax rate. The property tax rate is the rate calculated in accordance with the ad valorem tax limitations prescribed by Section 1 of Article XIII A of the Constitution.

461. ~~Changes to Taxable Value.~~ Real Property Value Changes.

All underscore

Section 2 of Article XIII A of the California Constitution provides that real property shall be reappraised if purchased, newly constructed (Section 463) or a change in ownership occurs (Section 462) after the original base year. A purchase is any transfer of title or right to the use, occupancy, possession or profit a prendre of real property, or portion thereof, for a consideration other than a transfer included in the definition of change of ownership or specifically excluded therefrom by Section 462. A purchase includes a transfer by which a possessory interest for a term of 10 years or less is created. Such an interest shall be appraised at its full value as of the date of its creation.

Unless otherwise provied for in this chapter, real property which was not subject to valuation in any prior base year, such as newly discovered or additional proved oil and gas reserves, shall be appraised at full value on the lien date immediately following discovery.

~~(a) Removal.~~ The taxable value of real property, or portion thereof, physically removed from the site shall be deducted from the property's taxable value, provided that such net taxable value shall not be less than zero.

~~(b) Depreciation.~~ Except for annual modification by the inflation rate, the ~~The~~ taxable value of real property shall not reflect any actual market value depreciation or appreciation, whether caused by zoning changes or otherwise, ~~changes for depreciation, appreciation or changes in zoning~~ after the base assessment year full value has been established ~~other than by the inflation rate.~~

462. Change in Ownership.

There shall be a reappraisal of real property as of the date of the change in ownership of that property. The reappraisal will establish a new base year full value and will be enrolled on the lien date following the change in ownership. Except as otherwise provided in ~~subsection (b) and through (f) of~~ this section, "change in ownership" refers to all transfers of property whether by grant, gift, devise, inheritance, trust, contract of sale, addition or deletion of an owner, property settlement, or any other change in the method of holding title, whether by voluntary or involuntary transfer or by operation of law. ~~If any portion of property is transferred, other than an undivided interest, then only that portion transferred will be revalued.~~ A change in the name of an owner of property not involving a change in ownership is excluded from the term "transfer" as used in this section.

(a) A transfer of the full fee title ~~of~~ to land and/or improvements by any means is a ~~sufficient~~ change in ownership ~~for~~ requiring reappraisal of the property transferred. This includes ~~sales~~ transfers of units in planned developments as defined in Section 11003 and 11003.1 of the Business and Professions Code units in cooperative housing developments controlled by cooperative housing corporations as defined in Section 17265 of the Revenue and Taxation Code and condominiums as defined in Section 783 of the Civil Code.

The transfer of an undivided interest in property constitutes a change of ownership in the entire property except as provided in (d) (2) and (4) while the property of a divided interest results in a change in ownership only in the property or portion thereof transferred.

~~(b) When less than the fee title passes, the following rules apply:~~

~~(1) A transfer of bare legal title, such as a security interest, is not a change in ownership.~~

~~(2) A transfer of equitable title is a change in ownership.~~

All strikeout

~~(3) A transfer of the right to the beneficial use and possession, other than leases and taxable possessory interests of 10 years or less, including a transfer of stock of a corporation vested with legal title which conveys to the transferee the exclusive right to occupancy and possession of the real property, is a change in ownership.~~

(b) A transfer of equitable title is a change in ownership.

All underscore

(c) The creation, sublease or assignment of the right to beneficial use and possession of taxable or nontaxable real property and the transfer of the lessor's interest in any leased property constitutes a change in ownership of real property or not as follows:

(1) The creation, sublease or assignment of a lease in real property for a term or the remainder of a term in excess of 10 years is a change in ownership.

All underscore

(2) The transfer of the lessor's interest regardless of the term of the lease is a change in ownership.

(3) The creation, sublease or assignment of a lease for 10 years or less in taxable property is not a change in ownership.

(4) The creation of a lease in nontaxable publicly owned property and publicly owned property subject to tax under Section 11 of Article XIII of the Constitution, which lease constitutes a possessory interest as the term is defined in Section 21(b) of this code, is a change in ownership regardless of the period of the lease.

(5) The sublease or assignment of a taxable possessory interest with a remaining term of less than 10 years is not a change in ownership.

~~(e)~~ (d) Foreclosure.

(1) Mortgage or deed or trust foreclosed by judicial action is a sufficient change in ownership only:

(A) After the period of redemption has passed and property has not been redeemed, or

(B) Upon redemption when title vests in the original debtor's successor in interest.

(2) Deed of trust foreclosed by trustee's sale shall cause a reappraisal after the sale has taken place.

~~(d)~~ (e) Tax deed and tax sale. A tax sale to the state will not cause reappraisal, but a sale by the state of tax-deeded property will cause reappraisal. The reappraisal will take place whether the original owner redeems from the state or a new owner purchases from the state.

All strikeout

~~(e) Leases and Taxable Possessory interests. The crea-tion~~ or renewal of a lease for more than 10 years is a change in ownership causing reappraisal. The transfer of a lessee's interest, whether by assignment or sublease for more than 10 years, is also a change in ownership.

(1) The transfer of the lessor's interest by any means is a change in ownership causing reappraisal.

(f) The following transactions do not warrant reappraisal:

(1) Mere recording of a deed of trust or mortgage given as security for a loan.

~~(2) Change of name for the same person on a deed.~~

All underscore

(f) The following transfers do not constitute a change of ownership:

(1) The transfer of bare legal title.

(2) Any interspousal transfer to create or terminate community property or joint tenancy interest.

(3) Any transfer caused by the substitution of a trustee pursuant to the terms of a security or trust instrument.

(4) Any transfer between or among joint tenants whether voluntary, involuntary or by operation of law.

All underscore

(5) Any transfer to an existing assessee for the purpose of perfecting title to the property.

(6) Any transfer resulting in the creation, assignment, or reconveyance of a security interest not coupled with the right to immediate use, occupancy, possession or profits.

463. Newly Constructed Property.

(a) The term "newly constructed" means and includes any addition or improvement to land, whether classified as land or improvement for purposes of enrollment, and any addition of new improvements or alterations of existing improvements if said alteration results in a conversion to another use or an extension of the economic life of the improvement.

Examples of alterations that qualify as "newly constructed" and thereby require current market value appraisal of the alteration are those that result in any increase in the usable square footage of a structure, the removation of what was formerly residential property to make it usable for commercial purposes and vice versa, the conversion of property from one commercial use to another, and any alteration that ~~materially~~ increases the usefulness of the structure, such as the addition of a bathroom.

Excluded from alterations that qualify as "newly constructed" is construction or reconstruction performed for the purpose of routine or normal maintenance and repair, e.g., interior or exterior painting, replacement of roof coverings and the addition of aluminum siding. Also excluded are alterations which do not result in an increased usefulness of existing facilities, such as occurs in the modernization of a kitchen.

For purposes of Section 2(a) of Article XIII A of the Constitution, the definitions of land and improvements contained in Sections 121 and 122, respectively, and the examples contained in Section 124, shall apply.

(b) When real property, or a portion thereof, is newly constructed after the 1975 lien date, the assessor shall ascertain the full value of such "newly constructed property" as of the date of completion. This will establish a new base year full value for only that portion of the real property which is newly constructed. The taxable value of property which is removed during construction shall be deducted from the taxable value of pre-existing property; provided, that such net taxable value shall not be less than zero.

New construction in progress on the lien date shall be appraised at its full value on such date and each lien date thereafter until the date of completion, at which time the entire portion of property which is newly constructed shall be reappraised at its full value.

464. Exemptions.

Article XIII A does not repeal any property tax exemptions granted or authorized by the Constitution on or before July 1, 1978. The property tax rate shall apply to the current taxable value less any exemptions applicable to a specific property. Examples of the application of partial exemptions are as follows:

(a) Homeowners' exemption. The property tax rate applies to the current taxable value of property qualifying for the homeowners' exemption less the value of the exemption.

(b) Veterans' exemption. The sum of 25 percent of the taxable value of taxable assets and 100 percent of the current full cash value as defined in Revenue and Taxation Code Section 110 for non-taxable assets will determine the limitation for the veterans' property tax exemption. Article XIII A contains no provision for reconsidering the granting of the exemption prior to 1978. The property tax rate applies to the current taxable value of property qualifying for the veterans' exemption less the value of the exemption.

(c) Disabled veterans' exemption. The property tax rate applies to current taxable value of property qualifying for the disabled veterans' property tax exemption less the value of the exemption.

465. Nonprofit Golf Courses.

When appraising real property used exclusively for nonprofit golf course purposes in accordance with the provisions of Section 10 of Article XIII of the California Constitution, the assessor shall ascertain the value of such property on the basis of such use, plus the full value attributable to any mineral rights, as of the appropriate base year, regardless of the date such property qualified under the constitutional provisions.

466. Valuation and Enrollment of Trees and Vines.

The base year full value of fruit and nut trees, vines, bushes, or other perennials when planted in orchard, grove, or vineyard form whether or not enforceably restricted shall be the most recent of the following:

~~(1)~~ (a) The full value as of the 1975 lien date,

~~(2)~~ (b) The full value as of the date of planting, or

~~(3)~~ (c) The full value as of the date of a change in ownership.

The full value of trees and vines exempted by Article XIII, Section 3(i), of the State Constitution shall not be enrolled until the lien date following the expiration of the exemption.

467. Possessory Interests.

All strike-out

~~Regardless of the date of creation of the interest, the~~ assessor shall ascertain the full value of all taxable possessory interests as of the 1975 base year, unless a change in ownership (e.g. a lease in excess of 10 years) or new construction establish a new base year full value for the possessory interest, ~~or portion thereof.~~

All underscore

The assessor shall ascertain the full value of all taxable possessory interests as defined in Section 21 of this Code and created prior to March 1, 1975, as of that date. Possessory interests newly created subsequent to March 1, 1975, shall be appraised at their full value as of the date of creation.

Possessory interests subleased or assigned for a term in excess of ten years ahll be appraised as of the date the sublease or assignment obtains the right to occupancy or use of the property.

New improvements erected for the purpose of exercising the rights granted by the possessory interest held in land shall be valued as of the date of the completion of construction. When improvements owned by the holder of the possessory interests are in the course of construction for a period that covers more than one lien date, they shall be appraised in accordance with Section 463.

When it appears that the term of the possessory interest, determined in accordance with Section 23, will end at the conclusion of the estimated term, there shall be no reduction of full value as the term draws to an end. The value in this instance remains the taxable value.

468. Oil and Gas Producing Properties.

Petroleum, natural gas, and other fluid hydrocarbons are natural substances of the earth, and are classified as land. The volume of these hydrocarbons that will be removed from the land consists of the amount that is classified ~~at a given time~~ as "proved reserves." Proved reserves are the volumes of crude oil and natural gas which geological and engineering information indicate, ~~beyond reasonable doubt,~~ with reasonable certainty, to be recoverable in the future from oil and gas reservoirs. ~~under existing economic and operating conditions.~~ The development of proved reserves by drilling, ~~and~~ completing wells ~~and~~ or by installing production systems and additions to reserves that result only from economic changes constitute~~s an~~ additions to real property ~~and~~ while the production of oil and gas and decreases in reserves that result only from economic changes constitute~~s a~~ removals ~~of~~ from real property.

all strike-out

~~(a) The full value of an oil or gas producing~~ property is its base year full value adjusted for depletion of reserves. The value attributable to such depletion shall be determined annually employing the economic data that applied in the base year.

(b) The base year of newly developed reserves shall be the date of completion of the well or the ~~installation of the production system.~~

all underscore

(a) The full value of an oil or gas producing property is the sum of the full values of all of its base years' reserves adjusted annually for depletion caused by production, migration and similar causes valued on an average basis using the economic data that applied to each base years' reserves and factored at the appropriate annual percentage plus the new reserves valued as of the lien date for which taxable value is being calculated.

(b) Reserves established in a given year by the addition of improvements shall be estimated and valued using projected net income. Reserves established in a given year solely as the result of an increase in the price of oil or gas shall be estimated and valued using current prices and expenses.

469. Mines and Quarries.

Organic and inorganic minerals and rocks are natural substances of the earth, and are classified as land. The volume of minerals or rocks of acceptable quality that may be removed from the land under existing economic and operating conditions are classified as reserves. The creation of reserves by exploration or by development constitutes an addition to real property and the production of the minerals or rocks from a reserve constitutes a removal of real property.

(a) The full value of a mine or quarry is its base year full value adjusted for the depletion of reserves. ~~The value change attributable to the depletion of~~ The value of the depleted reserves shall be determined annually employing the economic data that applied to the establishment of the reserves in the base year.

(b) The base year of new reserves shall be the year in which either development or mining occurs. ~~In the absence of specific information on added reserves at a given property, the prior year's cost of development may be employed as a minimum indicator of the value of added reserves.~~

470. Open-Space.

All land subject to open-space enforceable restrictions imposed under provisions of the California Land Conservation Act shall have a base year restricted value determined by one of the following methods:

(a) If enforceably restricted prior to the 1975 lien date with no subsequent change in ownership, the base year full value is the 1975 restricted value.

(b) If an enforceable restriction is entered into subsequent to the 1975 lien date and no change in ownership has occurred, the base year full value is the value as if restricted in 1975.

(c) If a change in ownership has occurred subsequent to the 1975 lien date, the base year full value shall be the restricted value redetermined as of the date of the most recent change in ownership, regardless of the effective date of the enforceable restriction.

All base year restricted values shall be modified annually by the inflation rate. Subsequent land improvements such as wells and land leveling, will be valued by capitalizing the income attributable to the land improvements using the capitalization rate prescribed in Section ~~432~~ 423(b) of the Revenue and Taxation Code.

When an open-space contract is cancelled, pursuant to the provisions of Sections 51280 through 51285 of the Government Code, the full cash value of the land shall be the appropriate base year full cash value as modified annually by the inflation rate.

When an open-space contract is not renewed it shall be phased-out under the provisions of Section 426 of the Revenue and Taxation Code; "the full cash value of the land" shall be the base year full cash value modified annually by the inflation rate. The value of the land by capitalization of income shall be the base year restricted value modified annually by the inflation rate.

471. Timberland.

The base year full value for timberland zoned under the provisions of Sections 51110 or 51113 of the Government Code shall be the 1977 statutory timberland site class value modified annually ~~after the 1977 lien date~~ by the inflation rate.