STATE OF CALIFORNIA

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No. 78/42

March 10, 1978

TO COUNTY ASSESSORS:

EFFECT OF SENATE BILL 1 ON COUNTY ASSESSORS

On March 3, 1978, the Governor signed Senate Bill 1, as amended on February 28, 1978, (Chapter 24). The purposes of this letter are to summarize the major provisions of the bill, the effects on county assessors and the actions the Board of Equalization will take to assist county assessors in implementation of the bill.

Major Provisions of Bill

The major provisions of this comprehensive tax relief measure are as follows:

1. State assumption of the homeowners' share of county costs for Medi-Cal, aid to aged, blind and disabled adults (SSI/SSP) and Aid to Families with Dependent Children (AFDC) to be accomplished by a reduced tax rate for homeowners. In addition to the county "welfare equivalent" rate reduction, the bill requires further tax rate reductions to reduce total property taxes paid by homeowners by a total of 30 percent.

2. An increase in the renters' income tax credit from $37 to $75.

3. Expansion of property tax relief for senior citizen homeowners and renters. The bill extends eligibility to otherwise qualified homeowners under age 62 who are surviving spouses of deceased claimants and removes the $8,500 assessed value restriction, imposes a $1,500 payment ceiling, increases the household income limit from $12,000 to $13,000, and raises the reimbursement percentages for existing claimants. For senior citizen renters, the bill extends eligibility for assistance to otherwise qualified claimants under age 62 who are surviving spouses and increases the property tax equivalent from $220 to $250, raises the income limit from $5,000 to $13,000, and increases the reimbursement percentages applicable to the tax equivalent for existing claimants.

4. Imposition of local property tax revenue limits based on a difference in tax rates for owner-occupied dwellings and all other property.

5. Imposition of a state revenue limit.

Although the operation of these relief provisions are contingent upon voter approval of Proposition 8 and voter rejection of Proposition 13 (Jarvis-Gann), on the ballot for the statewide election on June 6, 1978, Section 43 of the measure specifically requires county assessors to immediately begin to separate and identify those properties which will be subject to tax as owner-occupied dwellings and to determine properties common to both the current and prior years' secured roll for purposes of computing maximum tax rates. The bill also provides that assessors may submit claims to the Controller for reimbursement for costs incurred prior to July 1, 1978, in performing the duties mandated by the act.

Effects on County Assessors

1. The bill adds Section 253.6 to the Revenue and Taxation Code which permits any person who is not receiving or is not eligible for the homeowners' exemption and who is the owner of an owner-occupied dwelling to file with the assessor an affidavit for eligibility for the homeowners' reduced property tax rate. In order for such dwellings to be eligible for the preferential rates for the 1978-79 fiscal year, the affidavits must be filed with the assessor no later than April 15 of this year. The form of the affidavit, which is required to be prescribed by the State Board of Equalization, is scheduled for Board consideration at its March 15 meeting in San Francisco. The Board's staff within the limited time remaining is working with county assessors on this affidavit form. The affidavit provision appears to apply primarily to veterans, particularly those claiming the disabled veterans' exemption. Since the number of potential applicants is relatively small, the Board encourages the assessors to contact them by the April 15 deadline.

2. After the assessor has separated and identified those properties on the 1978-79 secured roll for which a homeowners' property tax exemption is claimed or for which an affidavit under section 253.6 has been filed, Section 5 of the bill (adding Section 401.6 to the Revenue and Taxation Code) requires the assessor, if necessary, to separate the value attributable to the residential dwelling from the value of the

total property. The assessor shall then transmit the separate valuations of the residential dwelling and of the remainder of the property to the county auditor, who shall enter the separate descriptions and valuations of the parcel on the roll, and shall compute the amount of taxes due thereon. The bill charges the State Board of Equalization with the responsibility of prescribing rules and regulations to govern assessors when making separate valuations of such residential dwellings. In this regard, the Board's staff, in conjunction with the State Association of County Assessors and its committees, is preparing such a rule which is scheduled for emergency adoption by the Board at its April 18 meeting in Pasadena.

3. For purposes of computing the maximum tax rate, the assessor must identify on the 1977-78 secured roll those properties which received the homeowners' exemption in both the 1977-78 and 1978-79 fiscal years and which were not the subject of a separate valuation. These properties are considered to be owner-occupied dwellings common to both the current and the prior years' secured rolls. The assessor must also immediately begin to determine "other property" which is common to both the current and prior years' secured roll which is defined as those properties for which the improvement valuation has increased by less than 50 percent of the prior year's total improvement valuation. Personal property on the secured roll shall be considered common to both the current and prior year's secured rolls if the real property to which it is secured is common to the current and prior year's secured rolls; however, personal property of banks is not considered to be common to both the current and the prior year's secured rolls.

For those counties which received a higher amount of property tax revenue from common properties in 1976-77 than in 1977-78, the bill provides an option for the 1978-79 fiscal year only whereby the local agency may consider the 1976-77 roll as the prior year's roll for the purpose of determining maximum tax rates. The assessor's role in this respect is being clarified and additional information will be sent to you as soon as possible.

The Board's staff is presently conferring with staff of the Controller's Office and will soon be advising assessors by letter of the most appropriate method of identifying and designating common properties on the secured roll.

Conclusion

You will receive additonal information on the bill and its implementation as soon as it becomes available. The Board will continue to work with the county assessors on the problem associated with the bill. This will include consultation with the Legislature on clean-up legislation. Meanwhile, if you have any comments, please send them to our Property Tax Department.

Sincerely,

D D Bell

Douglas D. Bell
Executive Secretary

DDB:fp

cc: Chairman, Board of Supervisors