STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
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Controller, Sacramento

DOUGLAS D. BELL
Executive Secretary

April 28, 1978

No. 78/75

TO COUNTY ASSESSORS:

SUMMARY OF PROPOSED LEGISLATION NUMBER 15

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. 2023 - Amended April 18, 1978

An act to amend Sections 6443, 6501, 6531, 6550, 6570, 6571, and 6631 of, to add Sections 6505 and 6530.5 of, and to repeal Section 6505 of, the Streets and Highways Code, relating to the Improvement Act of 1911, and declaring the urgency thereof, to take effect immediately.

(1) Under the Improvement Act of 1911, the treasurer is required to send a card, not later than April 1st and October 1st, to the owner of property for which assessments are delinquent stating the amount due and the date when payment is due from him on the assessment and stating that the payment is subject to penalty if not paid on or prior to the due date.

The bill would require the card to include, in English and Spanish in 14-point boldface type, stating that the property will be sold if the assessments are not paid and that the assessments are not related to property tax.

(2) Under the act, the treasurer is required to send a notice of sale to any owner of property to be sold for nonpayment of assessment.

The bill would require that the notice include, in English and Spanish in 14-point boldface type, a warning that the property will soon be sold unless payment is made. The telephone number of the foreclosure clerk at the treasurer's office would be included in the notice.

(3) Under the act, the day specified in the notice of sale may not be less than 30 days from the date of the first publication of the notice. At least 15 days prior to the sale, the treasurer is required to send a copy of

ASSEMBLY BILLS (Contd.)

No. 2023 - (Contd.)

the notice to the bondholder and to the property owner as shown on the last equalized roll and the person to be shown as the owner on the next roll.

The bill would revise the above periods to 45 days and 30 days respectively.

The treasurer would be required to send, with the copy of the notice of sale, to the property owner and such person another notice in English and Spanish in 14-point boldface type, stating that the treasurer has arranged to sell the property at a specified date unless the delinquency debt is paid by that date. The telephone number of the foreclosure clerk would be included in the second notice.

(4) Under the act, the owner of any property sold for nonpayment of assessment may redeem the property within 12 months from the date of sale or before application by the purchaser for a deed.

The bill would require the treasurer, within 10 days of the issuance of a certificate of sale, to send by first-class mail to the owner of the property as shown on the last equalized assessment roll and the person to be shown as the owner on the next roll a notice, in English and Spanish in 14-point boldface type, stating that the property was sold for failure to pay for the improvement, but that there is still at least 11 months to make the necessary payment to save the property. The telephone number of the foreclosure clerk would be included.

(5) Under the act, redemption of property may be made by payment to the treasurer of an amount which, among other things, includes the purchase money.

The bill would require the amount for redemption to include, among other things, the amount due on the bond rather than the purchase money.

(6) Under the act, the purchaser of the property is required, at least 30 days prior to the expiration of the time of redemption or 30 days before his application for a deed, to request the treasurer to send, by certified mail, to the property owner a notice stating the intention of the purchaser to apply for a deed. The treasurer is required to mail and post the notice by such 30-day period. In addition, the notice is required to be personally served on the owner.

The bill would increase the above periods from 30 days to 60 days.

The bill would also require the notice to state, in English and Spanish in 14-point boldface type, that the property has been sold, but may be saved by paying what is owed by a specified date. The notice would include the telephone number of the foreclosure clerk.

The bill would delete the requirement that the owner be personally served if the treasurer executes a certificate stating, among other things, that the owner could not, with reasonable diligence, be so served during the 60-day period.

(7) Under the act, the purchaser, within 60 days of the purchase of property for delinquency, may send to the person to whom the property is assessed for taxation as shown on the last equalized assessment roll and to the legal owner as shown in the recorded deed a copy of the certificate of sale by registered mail. If a copy is so sent, no action may be commenced to attack the validity of the sale after 1 year of the date of sale.

The bill would require that the copy of certificate of sale be sent by first-class mail also and would bar any such action 1 year after the date of mailing the copy. The bill would require that a notice be sent also. The

ASSEMBLY BILLS (Contd.)

No. 2023 - (Contd.)

notice would be in English and Spanish in 14-point boldface type stating that the property has been sold for nonpayment of assessments and that the validity may be contested within 1 year of the date of the mailing of the notice.

(8) Under the act, any action contesting the validity of a deed issued for the purchase of property because of nonpayment of assessment, or the validity of the proceedings subsequent to the issuance of the certificate of sale, is required to be brought within 6 months after the issuance of the deed.

The bill would extend the above period to 12 months.

(9) Under the act, the treasurer is required to reinstate any delinquent bond upon payment to him of all principal and interest coupons delinquent at the time of reinstatement together with enumerated penalties and costs.

The bill would authorize the treasurer also to collect $3 for ascertainment of the name and address of the property owner in such a case.

(10) The bill would require that all of the above notices also be in any other language if it is known to the treasurer that the property owner reads only that language.

(11) The bill would provide that neither appropriation is made nor obligation created for reimbursement of any local agency for any costs incurred by it pursuant to this bill for a specified reason.

~~(11)~~ (12) The bill would take effect immediately as an urgency statute.

No. 2077 - Amended April 20, 1978

An act to amend Section 41201 of the Education Code, relating to school districts, and declaring the urgency thereof, to take effect immediately.

Existing law provides that any state entity which allocates funds to any school district on the basis of the assessed valuation of property within the district, or which makes any computation on that basis for school building fund repayment purposes, shall adjust the assessed valuation used in making computations to conform to the statewide average. The State Board of Equalization is required to formulate factors to be used for this purpose and transmit them to the Superintendent of Public Instruction on or before October 1st of each year. Also, if the factor for the current fiscal year is not provided to the county superintendent of schools by the fifth working day of August, a preliminary factor may be used.

This bill would instead require that whenever the factor for a school district is redetermined after July 1 of any fiscal year, the adjusted factor shall be used in the succeeding fiscal year for adjusting the district's state equalization aid entitlement.

This bill would also delete obsolete language relating to the three-year average factor for 1970 to 1973.

This bill would take effect immediately as an urgency statute and become operative on July 1, 1978.

No. 2295 - Amended April 18, 1978

An act to add Section 2230.5 to the Revenue and Taxation Code, relating to local agencies.

Existing law provides for the reimbursement to local agencies of costs incurred by such local agencies as a result of certain programs mandated by

ASSEMBLY BILLS (Contd.)

No. 2295 - (Contd.)

the state, and for the reimbursement of local agencies for tax revenue losses which are the result of certain legislation or executive orders. There is no provision mandating the reimbursement of local agencies for property tax revenues lost as a result of the acquisition of property by the state.

This bill would specify that the state shall reimburse ~~local agencies~~ special districts, other than school districts, for certain tax revenue lost as the result of the acquisition of property by the state.

ASSEMBLY CONCURRENT RESOLUTION

No. 143 - April 12, 1978

Relative to a study of the feasibility of establishing a Department of Tax Appeals.

This measure requests the State Board of Equalization to conduct a study on the feasibility of establishing a Department of Tax Appeals to hear most, if not all, appeals for refunds by taxpayers and to report its findings and recommendations to the committee on revenue and taxation in each house of the Legislature by no later than January 15, 1979.

SIGNED BY THE GOVERNOR

Bill Number	Chapter Number	Date Signed	Effective Date
AB 7X	1	April 20, 1978	Immediately

An act to amend Sections 41814 and 84772 of, and to add Sections 41815 and 84773 to, the Education Code, to amend Section 16113 of, and to repeal Section 29100.5 of, the Government Code, and to amend Sections 219, 6359.4, 23151, 23181, 23182, 23184, 23186, and 23400 of, and to add Sections 234, 26482, and 26483 to, and to repeal Sections 6354, 6359.5, 6383, and 6395 of, the Revenue and Taxation Code, relating to taxation, making an appropriation therefore, and declaring the urgency thereof, to take effect immediately.

Under existing law, all property is taxable unless otherwise exempted. Presently, 50% of the assessed value of business inventories is exempt from property taxation. Procedures have been established for computing revenue losses caused by such exemption, and the state reimburses entities of local government in full for the amount of such losses.

This bill would increase such exemption in specified increments, annually, until 100% of the assessed value of business inventories is exempted for the 1982-83 fiscal year and thereafter.

Under existing law, local agencies receive a subvention from the state for revenues lost by reason of the exemption of such property through a continuous appropriation of money from the General Fund to the Controller to make such subventions. Any increase in such exemption affects the continuing appropriation.

This bill would increase the property tax exemption from business inventories, would affect the subventions to local agencies and would thus affect the continuing appropriation for such purpose. This bill would also limit the amount of such state subventions based on an inventory tax factor.

SIGNED BY THE GOVERNOR (Contd.)

No. AB 7X - (Contd.)

The bill would also exempt materials and supplies owned by a railroad and used in railroad operations from property taxation in specified increments, annually, until 100% of the assessed value of such materials is exempted for the 1982-83 fiscal year and thereafter. The bill would provide for claims by local agencies for property tax losses as a result of such exemption in the same manner as for fishing boats.

Existing California 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 from such tax.

Moreover, counties, cities, and certain transit districts are authorized to impose local sales and use taxes in conformity with the state's taxes. Exemptions from state sales and use taxes enacted by the Legislature are automatically incorporated into the local taxes.

This bill would eliminate the exemptions on gold and silver bullion, dry ice for shipping and packing, and certain cargo containers, presently exempted under the Sales and Use Tax Law, thus subjecting such items to sales and use tax, and would increase the sales and use tax on certain vending machine items.

Under existing law, "items of tax preference" are defined as excess investment interest, certain deductions for depreciation, depletion allowances, stock options, capital gains, and reserves for bad debts, as computed for purposes of the Personal Income Tax Law or the Bank and Corporation Tax Law. Under such laws, items of tax preference are not included for purposes of computing the normal taxes, but such items are subject under both laws to a special minimum tax. Personal income is taxed at graduated rates ranging from 0.5% to 5.5% of preference income. Bank and corporation preference income is taxed at 2.5% after a $30,000 exclusion.

This bill would increase the bank and corporation tax rate on preference income to 5%, except that the percentage depletion tax preference income in excess of $30,000 with respect to oil and gas shall be taxed at the rate of 2½%.

Under existing Bank and Corporation Tax Law taxes are imposed according to, or measured by, net income, at the general rate of 9%, and at a rate not to exceed 13% with regard to banks, which is in lieu of other specified taxes.

This bill would increase the bank and corporation taxes by specified increments, would revise the in lieu provisions for banks, and would include financial corporations within those provisions. One-half of the funds resulting from such increase shall be transferred by the Controller from the General Fund to the Financial Aid to Local Agencies Fund, which would be created by the bill.

Existing Bank and Corporation Tax Law permits specified offsets against the franchise tax for financial corporations.

This bill would allow such offsets if not used, to be carried forward and used to offset taxes due during the income years 1980 through 1985.

The provisions of the bill would only become operative if the proposed constitutional amendment known as the "Jarvis-Gann Initiative" is rejected by the voters.

SIGNED BY THE GOVERNOR (Contd.)

No. AB 7X - (Contd.)

The bill would take effect immediately as an urgency statute, but would specify various operative dates for its provisions.

Sincerely,

Jack F. Eisenlauer

Jack F. Eisenlauer, Chief
Assessment Standards Division

JFE:sk
Enclosures