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No. 79/143

August 28, 1979

TO COUNTY ASSESSORS:

EFFECT OF ASSEMBLY BILL 1488 UPON FIXTURES AND  
 MACHINERY AND EQUIPMENT CLASSIFIED AS IMPROVEMENTS

In assessors' letter number 79/59 we stated that the lower of either the factored base year value or the market value for a combined unit of fixtures and fixed machinery and equipment would be the taxable value to enroll. We then indicated that this value created a new base year value for subsequent years. That advice is no longer correct. Under the guidelines of Assembly Bill 1488 and revised Board Rules 460 and 461, the enrollment of a taxable value that is less than the trended base year value does not establish a new base year value when the decline in value is attributable to economic conditions. The annual comparison will now be made between the original base year value, adjusted for additions and deletions, and properly trended to the current lien date, and the current market value. You then enroll the lower of the two. The following year you would again compare the adjusted and trended original base year value to the current market value and enroll the lower amount.

For example: Assume a taxpayer had a machine that qualified as an improvement. Its base year was 1975 with a market value at that time of \$50,000. For 1979 the trended base year value would be \$54,120 (\$50,000 x 1.0824). You estimate the market value to be \$45,000. The lower of the two—\$45,000—is then enrolled as the 1979 taxable value. For 1980 the trended base year value is \$55,200 (\$50,000 x 1.104) but you estimate the market value to be \$60,000. The lower of the two—\$55,200—is enrolled as the 1980 taxable value.

The other concepts expressed in assessors' letter number 79/59 remain unchanged.

Any questions should be directed to Bud Florence of this division.

Sincerely,

Verne Walton, Chief  
 Assessment Standards Division

VW:sk