New Construction

General

Article XIII A, section 2 of the California Constitution defines the "full cash value" as the county assessor's valuation of real property as shown on the 1975-76 tax bill or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. Section 110.1(a)(2)(B) further defines full cash value for newly constructed property as the fair market value as of the date on which new construction is completed, or if uncompleted, on the lien date.

Section 70(a) defines "newly constructed" and "new construction" as: (1) any addition to real property, whether land or improvements, including fixtures, since the last lien date; and (2) any alteration of land or improvement, including fixtures, since the last lien date that constitutes a major rehabilitation thereof or that converts the property to a different use. Section 70(b) further provides that any rehabilitation, renovation, or modernization that converts an improvement or fixture to the substantial equivalent of a new improvement or fixture is a major rehabilitation of that improvement or fixture.

Section 71 provides that the assessor must determine the new base year value for that portion of any newly constructed taxable real property. The base year value of the remainder of the property, which has not undergone new construction, shall not be changed. New construction in progress on the lien date shall be appraised at its full value as of the lien date and each lien date thereafter until the date of completion. At the time of completion, the entire portion of newly constructed property shall be reappraised at its full value.

There are several statutory exclusions from assessment that apply to new construction. Sections 70(c) and (d), and sections 73 through 74.7 addresses these exclusions.

Rules 463 and 463.500 clarify the statutory provisions of sections 70 and 71. A detailed discussion regarding the assessment of new construction can be found in Assessors' Handbook Section 410, Assessment of Newly Constructed Property (AH 410), Assessors' Handbook Section 502, Advanced Appraisal (AH 502), Chapter 6, also provides guidance for the assessment of new construction.

Scope of Review

The BOE's assessment practices survey includes a review of the assessor's practices and procedures for the discovery and valuation of assessable new construction.

The specific areas of review may include, but are not limited to, the following:

- General Elements
- Building Permits
- Unpermitted New Construction
• Cost Questionnaires
• Valuation
• Construction in Progress (CIP)
• Exclusions