



Stanford Mansion, Sacramento County

Property Taxes

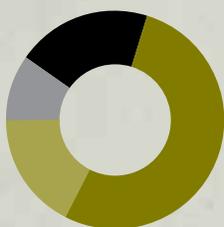
Revenues

California property tax levies for fiscal year 2007-08 totaled \$47.21 billion, an increase of 9.4 percent from the previous year's total of \$43.16 billion. County-assessed property values increased \$200 billion during 2007-08 to reach \$4.48 trillion for the 2008-09 tax year.

In 2008, the BOE set the values of state-assessed properties, primarily privately owned public utilities and railroads, at \$75.71 billion for the 2008-09 roll. This was a \$4.03 billion increase from 2007-08 values. State-assessed properties produced an estimated \$786 million in local property tax revenues for the state's 58 counties in 2008-09.

For detailed property tax information, please see the [Appendix, pages A-4 through A-22](#).

2007-08 General Property Tax Dollar



- School Purposes \$0.53
- Counties \$0.17
- Cities \$0.10
- Other \$0.20

Programs

Under its constitutional mandate, the BOE oversees the assessment practices of the state's 58 county assessors, who are charged with establishing values for approximately 12 million properties each year. In addition, the BOE assesses the property of regulated railroads and specific public utilities, and assesses and collects the private railroad car tax and timber yield tax.

General Property Taxes

County-assessed property values for the 2008-09 roll increased 4.7 percent over the previous year, a growth rate of less than half of last year's 9.6 percent rise. Slowdowns in residential real estate sales and lower sale prices reduced growth in residential values. There was a small increase in nonresidential construction activity, which contributed to growth. County-assessed property values increased an average of 8.6 percent per year over the past 10 years.

Proposition 13, passed by California voters in 1978, imposed a property tax rate of one percent of the property's full cash value, with limited exceptions. In addition, it allows reappraisal of real property at current fair market value only when there is a change in ownership or upon completion of new construction. Otherwise, Proposition 13 limits annual increases in the value of real property to the previous year's California Consumer Price Index for all items, up to a maximum of two percent.

State-Assessed Properties

In accordance with Article XIII, section 19 of the California Constitution, the BOE assesses certain public utility and other specified properties and allocates the assessed values among the counties where the properties are physically located. Each county taxes the allocated value of state-assessed properties at the same rate as locally assessed properties.

State-assessed properties include:

- Pipelines, flumes, canals, ditches, and aqueducts lying within two or more counties.
- Property (except franchises) owned or used by regulated railway, telegraph, or telephone companies; railroad car companies operating on railways in the state; and companies transmitting or selling gas or electricity.

Private Railroad Car Tax

Private railcar owners pay the private railroad car tax on railcars operated in California. For 2008-09, the BOE-adopted assessed value for private railroad cars totaled \$546.5 million. The total assessed value reflects the application of a 59.94 percent assessment ratio as required by the Federal Railroad Revitalization and Regulatory Reform Act. The estimated private railroad car tax revenue for the state's 2008-09 General Fund is \$5.99 million.

Additional information on the private railroad car tax can be found in the [Appendix on pages A-21 and A-22](#) and in the [foldout chart](#) inside the back cover of this report.

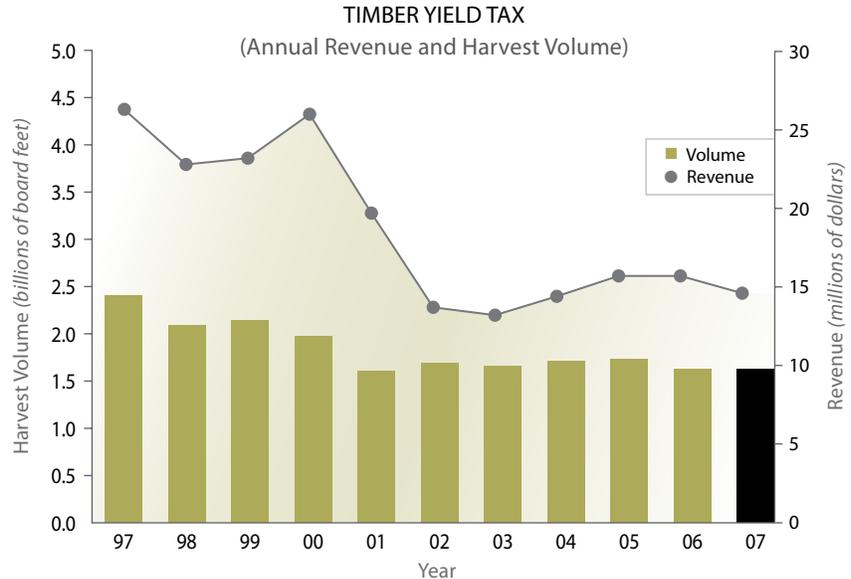
Timber Yield Tax

Timber owners pay the 2.9 percent timber yield tax based on the immediate harvest value of trees harvested for wood products. Revenues are returned to the counties where the timber was harvested. Calendar year 2007 revenues totaled \$14.58 million.

Timber harvest volume of 1.63 billion board feet remained the same in 2007. The total value of the year’s harvest decreased to \$474.4 million. The number of registered timber owners

decreased from 2,084 active program registrants at the end of June 2007 to 1,893 program registrants as of June 30, 2008. Thirty timber owners paid approximately 84 percent of the tax collected in 2007.

Additional information on the Timber Yield Tax can be found in the [Appendix on page A-20](#) and in the [foldout chart](#) inside the back cover of this report.



Operations

County-Assessed Properties Division

The County-Assessed Properties Division develops property tax assessment policies and informational materials to guide county assessors and local assessment appeals boards. The division conducts periodic Assessment Practices Surveys of each county assessor’s office and issues reports to state and local officials.

In 2007-08, the BOE issued survey reports for the counties of Del Norte, Imperial, Inyo, Kings, Los Angeles, Madera, Monterey, San Francisco, Santa Clara, Shasta, Sierra, and Tulare. Copies of the reports are found in the “Property Taxes” section of the BOE’s website.

Additionally, the division provides technical expertise and guidance to assessors, the Legislature, and others concerned with property tax assessment matters, and ensures that the content of property tax forms is uniform throughout the state.

The division also collects and administers the state’s timber yield tax, described above. Timber Tax Section staff gathers data on timber harvest sales and develops timber harvest value schedules for consideration by the BOE’s Timber Advisory Committee and approval by the Board Members. The division also registers timber owners who harvest timber, and collects the timber yield tax.

In 2007-08, County-Assessed Properties Division staff provided the following services to local governments and the public:

- Updated three sections of the Assessors' Handbook to reflect current, annually collected data: *Residential Building Costs* (AH 531), *Rural Building Costs* (AH 534), and *Equipment Index and Percent Good Factors* (AH 581).
- Published and distributed [publication 149](#), *Property Tax Welfare Exemption*.
- Issued 96 advisory Letters to Assessors.
- Responded by telephone to almost 8,700 outside inquires regarding property tax matters, prepared 1,022 written responses, and responded to 360 inquiries from users of the BOE website.
- Reviewed 5.6 million homeowners' exemption claims, revealing nearly 38,000 duplicate claims and saving \$2.7 million in state tax subvention payments to counties.
- Reviewed over 1,215 claims for Organizational Clearance Certificates and 529 claims for Supplemental Clearance Certificates associated with the welfare exemption.
- Reviewed approximately 1,009 periodic filings of organizations holding Organizational Clearance Certificates to ensure continued eligibility for the welfare exemption.
- Conducted 43 formal appraisal courses and workshops attended by more than 1,168 students. Also reviewed results of web-based, self-study training sessions taken by 316 students.
- Developed three web-based, self-study training sessions titled *Assessment of General Aircraft*, *Assessment of Petroleum Properties*, and [publication 149](#), *Property Tax Welfare Exemption*.
- Sent more than 113,000 questionnaires to legal entities, including corporations and partnerships, resulting in the reassessment of 4,033 parcels owned by 592 legal entities.

State-Assessed Properties Division

The State-Assessed Properties Division provided the Board Members with value indicators for state-assessed properties, described on [page 17](#), and allocated the BOE-determined value of those properties to the counties where the properties are physically located. The division also audited the financial records of utility and transportation companies for property tax purposes and was responsible for the valuation of private railroad cars located in California. Since 1977, their audits have resulted in adjusted property tax assessments of more than \$15.99 billion, yielding additional property tax revenue for local governments.

Tax Area Services Section

The Tax Area Services Section continued to maintain maps of more than 10,100 revenue district boundaries that encompass 61,045 tax rate areas, helping to ensure the proper allocation of local tax revenue to counties, cities, and special tax districts.

Appeals

Local assessment appeals boards hear and decide appeals of county-assessed property values. The Board hears and decides appeals of state-assessed property values, appeals filed under the Timber Yield Tax and



Prairie Creek State Park, Humboldt County

Private Railroad Car Tax Laws, appeals of welfare exemption denials, and appeals made by local governments concerning assessments of properties they own outside their boundaries. For more information regarding appeals filed with the BOE in 2007-08, see [page 44](#).

Court Decisions

Absolute Control Not Necessary to Find Independence for Taxable Possessory Interest

The Court of Appeal held that where there is no agency relationship and the possessor retains sufficient control to obtain profit or

other private benefit from the use of the property, the use meets the independence requirement for a taxable possessory interest, and "absolute control" is not necessary.

Korean Air Lines Co. Ltd. v. Los Angeles County (2008) 162 Cal.App.4th 552.

Exclusions from Change in Ownership of Property Transferred Between Registered Domestic Partners Upheld as Constitutional

Under current law, California will not reassess the tax value of a married couple's home when one spouse dies and the other spouse inherits the property. The BOE extended this protection to registered domestic partners (RDP) with Property Tax Rule 462.240, subdivision (k), which excludes from change in ownership any transfer of separate property inherited by a surviving RDP by intestate succession upon the death of a RDP. Several county assessors filed a lawsuit challenging the rule as unconstitutional. The Court of Appeal upheld Property Tax Rule 462.240, subdivision (k), concluding that the rule was constitutional in that the Legislature ratified it through the addition of section 62, subdivision (p), which created an exclusion from change in ownership for *any* transfer of property between RDPs. The court further held that the Legislature's power to create new exclusions from the general definition of change in ownership is not limited by the California Constitution if the new exclusions are not arbitrary and there is a rational policy reason for creating them.

Strong v. State Board of Equalization (2007) 155 Cal.App.4th 1182.

Assessors Must Deduct or Offset Any Proprietary Application Software Embedded in Equipment

The Court of Appeal held that bundling by itself is not dispositive of whether application software included in a bundled programming package as defined in Property Tax Rule 152 is taxable under Revenue and Taxation Code sections 995, 995.2 as basic operational programming. Rather, when application software is bundled into the sale or lease price of computer equipment, the burden is on the taxpayer to do the work of segregating out the value of nontaxable application software from the otherwise taxable value of the computer.

Cardinal Health 301, Inc. v. Orange County (2008) 167 Cal.App.4th 219.

Aircraft Used for Unscheduled Air Taxi Qualifies as Common Carrier

The Court of Appeal held that the definition of common carrier, found at California Code of Regulations, Title 18, section 1593, subdivision (a)(2), includes aircraft used for unscheduled air taxis even though they are not commercial aircraft used for scheduled airline operations. Accordingly, such aircraft would be exempt from sales and use tax under Revenue and Taxation Code section 6366.1, subdivision (a), and therefore, the court held no amount attributed to sales tax should be included in an assessor's valuation of the aircraft.

Auerbach v. Los Angeles County Assessment Appeals Board No. 2; CKE Assoc. (2008) 167 Cal.App.4th 1428.

Apportionment Formula for Aircraft May Result in a Combined Valuation Exceeding 100 Percent if the Formula Is Not Arbitrary and Is Rationally Based

The Court of Appeal held that an assessor's formula to account for time an aircraft is in other states may be used even if the combined valuation of the aircraft by the other state and California exceeds 100 percent of the property value so long as the assessor's formula is not arbitrary and is rationally related to the opportunities, benefits, and protections afforded to the taxpayer by California.

Auerbach v. Los Angeles County Assessment Appeals Board No. 2; TWC Aviation, Inc. (2008) 167 Cal.App.4th 1415.

Lessees of Long-Term Lease Agreements Have Standing to Pursue Refund Claim

Where the lessee under a 55-year lease filed an action against the county seeking a refund on property taxes paid, the Court of Appeal concluded that the lessee had standing to pursue the refund claim under sections 469(b)(3), 1603(f), and 5140 of the Revenue and Taxation Code. As a tenant under a long-term lease that extended over 35 years and the party who paid the property taxes for the years at issue, the lessee was considered the beneficial owner of the property for property tax purposes and an affected party.

Los Angeles County v. Raytheon Co. (2008) 159 Cal.App.4th 27.

Property Tax Legislation

Disaster Relief

Allows persons whose homes were destroyed in specified governor-declared disasters to retain the homeowners' exemption on their property while rebuilding. Also provides local governments with funds to replace property tax revenue losses that will occur when assessments are reduced due to the disaster.

Assembly Bill 62, Chapter 224, Statutes of 2007; effective September 21, 2007

Senate Bill 38, Chapter 222, Statutes of 2007; effective September 21, 2007

Senate Bill 114, Chapter 223, Statutes of 2007; effective September 21, 2007

Disaster Relief—Freeze Damaged Trees

Restarts the four-year exemption period for trees that, while they were still in their exemption period, were so severely damaged by the January 2007 freeze that they required pruning to the trunk or bud union to establish a new shoot as a replacement for the damaged tree.

Assembly Bill 297, Chapter 225, Statutes of 2007; effective September 21, 2007

Change in Ownership—Foster Children

Expands the parent-child change in ownership exclusion to include transfers between foster parents and foster children.

Assembly Bill 402, Chapter 450, Statutes of 2007; effective January 1, 2008

Residential Co-ops

Requests that certain residential cooperative housing projects annually report ownership information to county assessors.

Assembly Bill 402, Chapter 450, Statutes of 2007; effective January 1, 2008

Change in Ownership—Right of Redemption Period

Provides that a recordation of a certificate of sale on a foreclosed property, as specified, that is subject to a right of redemption, is not a change in ownership during the time period open to redemption.

Assembly Bill 1020, Chapter 277, Statutes of 2007; effective January 1, 2008

Assessment Appeal Applications—Electronic Filing

Expressly provides in law for assessment appeal applications to be filed electronically provided they are accompanied with an authenticated electronic signature.

Assembly Bill 1042, Chapter 195, Statutes of 2007; effective January 1, 2008

Innocent Spouse

For the Timber Yield Tax and the Private Railroad Car Tax, this BOE-sponsored measure authorizes the Board to provide relief of liability for an innocent spouse, if, in light of all the facts and circumstances, it is inequitable to hold that spouse liable for any unpaid tax, fee, or any deficiency.

Assembly Bill 1748, Chapter 342, Statutes of 2007; effective January 1, 2008

Fractionally Owned Aircraft

Establishes streamlined property tax administration procedures to use in the assessment of fractionally owned aircraft using a centralized approach whereby the manager in control of the aircraft fleet would file a single property statement with a designated “lead” county. It also provides for coordinated multi-county audits.

Senate Bill 87, Chapter 180, Statutes of 2007; effective August 24, 2007

Business Property Statement—Use Tax

Requires annual business property statements filed with county assessors for property tax purposes to include information about the use tax, as specified.

Senate Bill 87, Chapter 180, Statutes of 2007; effective August 24, 2007

Change in Ownership—Registered Domestic Partners

Provides a retrospective change in ownership exclusion for any transfer of property between registered domestic partners occurring between January 1, 2000 and January 1, 2006.

Senate Bill 559, Chapter 555, Statutes of 2007; effective October 12, 2007

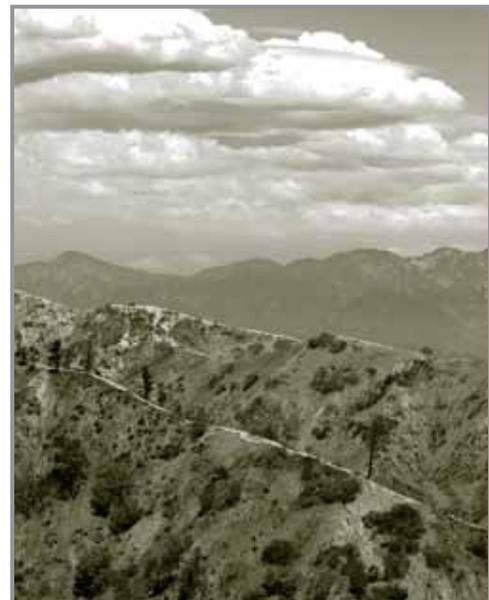
Property Tax Omnibus Bill

Parent-Child Change in Ownership Exclusion

Clarifies that a property need only be eligible for the homeowners’ exemption, and not actually receiving the exemption, to qualify as a principal residence.

Base Year Value Transfers

Corrects terminology used in the list of persons who have access to the confidential claim forms by substituting the proper term of “claimant” and adds trustees.



Griffith Park Hillside, Los Angeles County

Veterans' Organization Exemption

Adds a cross-reference to the Organizational Clearance Certificate issued by the BOE necessary to obtain the exemption from the local assessor.

Senate Bill 1045, Chapter 449, Statutes of 2007; effective January 1, 2008

Regulations

Rule 101

Board-Prescribed Exemption Forms

Rule 101 revises the forms approval process for Board-prescribed forms used by county assessors. It allows/encourages counties to submit their forms electronically for approval, prescribing that only copies of rearranged forms are to be submitted with the forms approval checklists, and deleting the requirement that the assessor annually provide copies of each property tax form used by the assessor.

Title 18, California Code of Regulations, section 101; effective February 22, 2008

Rule 171

Board-Prescribed Forms for Property Statements

Rule 171 revises the forms approval process for Board-prescribed forms used by county assessors. It allows/encourages counties to submit their forms electronically for approval, prescribing that only copies of rearranged forms are to be submitted with the forms approval checklists, and deleting the requirement that the assessor annually provide copies of each property tax form used by the assessor.

Title 18, California Code of Regulations, section 171; effective February 22, 2008

Rule 474

Petroleum Refining Properties

Rule 474 defines “petroleum refining property” and establishes a rebuttable presumption for purposes of recognizing declines in value that fixtures, machinery and equipment classified as improvements for a petroleum refining property are part of the same appraisal unit as the land and structures.

Title 18, California Code of Regulations, section 474; effective December 8, 2007