



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE ENROLLED BILL ANALYSIS**

DRAFT

Date:	Enrolled	Bill No:	<u>Senate Bill 825</u>
Tax Program:	Property	Author:	Committee on Governance and Finance
Sponsor:	California Assessors' Association Treasurer and Tax Collectors' Association	Code Sections:	See below
Related Bills:		Effective Date:	01/01/14

BILL SUMMARY

Among its provisions, this annual property tax omnibus measure:

- Clarifies that residential subdivision developers receiving the builders' supplemental assessment exclusion must notify the assessor when a subdivision's home becomes ineligible. (Revenue and Taxation Code (RTC) §75.12);
- Increases from \$25,000 to \$50,000 the greatest assessed value that the assessor can combine between contiguous parcels in different tax rate areas and under the same ownership. (RTC §606); and
- Increases from 10 to 30 days the time within which the tax collector must notify the assessor when it sells tax defaulted property. (RTC §3716)

ANALYSIS

BUILDERS' EXCLUSION – ASSESSOR NOTIFICATION
RTC §75.12

CURRENT LAW

Existing property tax law requires the assessor to reassess property immediately when new construction is completed. A prorated assessment (called the supplemental assessment) is made to increase property value as of the completion date. This supplemental tax bill is made in addition to the regular annual property tax billing. Without a supplemental assessment, an assessment increase is delayed from four to sixteen months when the annual regular tax billing cycle reflects the added value.

A builder who constructs property for resale can file a claim with the assessor to exempt them from a supplemental assessment for the completed construction. This is called the "builders' exclusion." The builder must notify the assessor within 45 days of certain events that make the builder ineligible to continue benefiting from the delayed reassessment the builders' exclusion provides.

While the law generally requires a builder to file a claim for the builders' exclusion, in the case of a builder that constructs homes in residential subdivisions, the assessor can grant the exclusion automatically and the builder need not file a claim for each home in the subdivision.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.

PROPOSED LAW

This bill changes the notification requirement under the builders' exclusion. A residential subdivision builder that receives the exclusion automatically would also have to notify the assessor of any event that makes the builder ineligible to continue benefiting from a delayed reassessment. Notification would be required under certain events, such as selling the home using an unrecorded contract of sale, using or occupying the home, or renting or leasing the home.

COMMENT

Sponsor and Purpose. The California Assessors' Association (CAA) is sponsoring this provision to ensure the law explicitly requires subdivision builders to notify the assessor if they remove a home from their resale inventory. When the CAA previously sponsored legislation to streamline administration of the builders' exclusion in residential subdivisions, conforming amendments to the notification procedures were not included. Any owner who receives the builders' exclusion, regardless of whether the owner requested the exclusion or the exclusion was automatically granted, should notify the assessor of changes in eligibility.

CONTIGUOUS PARCELS – THRESHOLD
*RTC §606***CURRENT LAW**

Under existing law, when any tract of land is situated in two or more revenue districts (tax rate areas), each district must be separately assessed. However, when two or more contiguous parcels comprising the land tract have the same owner, the parcels may be combined into one assessment under two circumstances:

1. If the full value of any parcel is less than \$25,000, that parcel may be combined with the contiguous parcel with the greatest assessed valuation.
2. If the tract of land is being used for a single-family residence and constitutes 45,000 square feet or less, the smallest parcel may be combined with the largest contiguous parcel.

A tax rate area is a specific geographical area within a county wherein each parcel is subject to the same combination of tax agency authority. There are approximately 58,000 tax rate areas in California.

PROPOSED LAW

This bill increases the threshold for combining parcels in separate tax rate areas, from \$25,000 to \$50,000.

COMMENT

Sponsor and Purpose. The CAA is sponsoring this provision to allow assessors to combine more parcels that currently are separately assessed because the land crosses tax rate areas. Typically, property owners will request that the assessor combine contiguous parcels to reduce per parcel special assessments and special taxes.

TAX DEFAULTED SALE NOTIFICATION
RTC §3716

CURRENT LAW

Existing law requires the tax collector to notify the assessor within 10 days when a property is sold to collect delinquent taxes. The assessor must reassess property whenever a change in ownership occurs.

PROPOSED LAW

This provision increases from 10 to 30 the number of days for the sale notification.

COMMENT

Sponsor and Purpose. The California Treasurer and Tax Collectors' Association is sponsoring this provision to provide more time to make the required notification.

COST ESTIMATE

Any BOE costs incurred associated with this measure would be absorbable. These costs would include notifying affected stakeholders and taxpayers, updating publications, and answering inquiries from the public.

REVENUE ESTIMATE

This bill has no impact on ad valorem property tax revenues.

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