

**Amend Sections 75.11 and 532 of the Revenue and Taxation Code to provide additional cleanup related to restoring the statute of limitations on escape assessments and associated supplemental assessments.**

**Source: Legislative Division**

Last year the Board sponsored legislation (SB 2170, Ch. 647, SR&T) to restore a limitation on the number of escape assessments (and associated supplemental assessments) that may be levied for prior tax years, except in cases of fraud or involving property owned by a legal entity in which a change in ownership statement was not filed. These amendments were made in response to Ch. 544, (SB 1726, 1995, Kopp), which had modified the former statute of limitations provisions to provide that, when a taxpayer does not file a change in ownership statement with the assessor, regardless of the reason or circumstance, taxes will be levied for every tax year that the property was underassessed. Prior to Senate Bill 1726 of 1995, there had been a statutory limit of the last eight tax years.

Senate Bill 2170 amended Section 75.11 by adding paragraph (3) to subdivision (d) to restore the pre-1995 eight year limit on making supplemental assessments in cases where a change in ownership statement is not filed. However, Senate Bill 2170 did not also modify paragraphs (1) and (2) of subdivision (d), relating to situations where a four or six year limit apply, to remove references to change in ownership statements. The references to change in ownership statements in paragraphs (1) and (2) of subdivision (d) had been made by 1995's Senate Bill 1726. Consequently, the four and six year statute of limitations in paragraph (1) and (2) are also keyed to the filing of change in ownership statement, in conflict with newly added paragraph (3). This amendment would correct this conflict by restoring the language of paragraph (1) and (2) to its pre-1995 form.

In addition, with respect to escape assessments, for the purpose of technical precision, the phrase "change in ownership" in paragraph (3) of subdivision (b) of Section 532 should state "change in ownership or change in control" to conform with the identical phrase used in paragraph (2) of subdivision (b).

*Sections 75.11 of the Revenue and Taxation Code are amended to read:*

75.11. (a) If the change in ownership occurs or the new construction is completed on or after January 1 but on or before May 31, then there shall be two supplemental assessments placed on the supplemental roll. The first supplemental assessment shall be the difference between the new base year value and the taxable value on the current roll. In the case of a change in ownership of the full interest in the real property, the second

supplemental assessment shall be the difference between the new base year value and the taxable value to be enrolled on the roll being prepared. If the change in ownership is of only a partial interest in the real property, the second supplemental assessment shall be the difference between the sum of the new base year value of the portion transferred plus the taxable value on the roll being prepared of the remainder of the property and the taxable value on the roll being prepared of the whole property. For new construction, the second supplemental assessment shall be the value change due to the new construction.

(b) If the change in ownership occurs or the new construction is completed on or after June 1 but before the succeeding January 1, then the supplemental assessment placed on the supplemental roll shall be the difference between the new base year value and the taxable value on the current roll.

(c) If there are multiple changes in ownership or multiple completions of new construction, or both, with respect to the same real property during the same assessment year, then there shall be a net supplemental assessment placed on the supplemental roll, in addition to the assessment pursuant to subdivision (a) or (b). The net supplemental assessment shall be the most recent new base year value less the sum of (1) the previous entry or entries placed on the supplemental roll computed pursuant to subdivision (a) or (b), and (2) the corresponding taxable value on the current roll or the taxable value to be entered on the roll being prepared, or both, depending on the date or dates the change of ownership occurs or new construction is completed as specified in subdivisions (a) and (b).

(d) No supplemental assessment authorized by this section shall be valid, or have any force or effect, unless it is placed on the supplemental roll on or before the applicable date specified in paragraph (1), (2), or (3), as follows:

(1) The fourth July 1 following the July 1 of the assessment year in which the event giving rise to the supplemental assessment occurred. ~~either a statement reporting the change in ownership was filed pursuant to Section 480, 480.1, or 480.2, a preliminary change in ownership report was filed pursuant to Section 480.3, or the new construction was completed.~~

(2) The sixth July 1 following the July 1 of the assessment year in which the event giving rise to the supplemental assessment occurred ~~either a statement reporting the change in ownership was filed pursuant to Section 480, 480.1, or 480.2, a preliminary change in ownership report was filed pursuant to Section 480.3, or the new construction was completed,~~ if the penalty provided for in Section 504 is added to the assessment.

(3) The eighth July 1 following the July 1 of the assessment year in which the event giving rise to the supplemental assessment occurred, if the change in ownership or change in control was unrecorded and a change in ownership statement required by Section 480 or preliminary change in ownership report, as required by Section 480.3, was not timely filed.

For the purposes of this subdivision, “assessment year” means the period beginning annually as of 12:01 a.m. on the first day of January and ending immediately prior to the succeeding first day of January.

(e) If, before the expiration of the applicable period specified in subdivision (d) for making a supplemental assessment, the taxpayer and the assessor agree in writing to extend the period for making a supplemental assessment, correction, or claim for refund, a supplemental assessment may be made at any time prior to the expiration of that extended period. The extended period may be further extended by successive written agreements entered into prior to the expiration of the most recent extension.

*Section 532 of the Revenue and Taxation Code is amended to read:*

532. (a) Except as provided in subdivision (b), any assessment made pursuant to either Article 3 (commencing with Section 501) or this article shall be made within four years after July 1 of the assessment year in which the property escaped taxation or was underassessed.

(b) (1) Any assessment to which the penalty provided for in Section 504 must be added shall be made within six years after July 1 of the assessment year in which the property escaped taxation or was underassessed.

(2) Any assessment resulting from an unrecorded change in ownership or change in control for which either a change in ownership statement, as required by Section 480 or a preliminary change in ownership report, as required by Section 480.3, is not filed with respect to the event giving rise to the escape assessment or underassessment shall be made within eight years after July 1 of the assessment year in which the property escaped taxation or was underassessed. For purposes of this paragraph, an “unrecorded change in ownership or change in control” means a deed or other document evidencing a change in ownership that was not filed with the county recorder’s office at the time the event took place.

(3) Notwithstanding paragraphs (1) and (2), in the case where property has escaped taxation, in whole or in part, or has been underassessed, following a change in ownership or change in control and either the penalty provided for in Section 503 must be added or a change in ownership statement, as required by Section 480.1 or 480.2 was not filed with respect to the event giving rise to the escape assessment or underassessment, an escape assessment shall be made for each year in which the property escaped taxation or was underassessed.

(c) For purposes of this section, “assessment year” means the period defined in Section 118.