

Amend Sections 75.11 and 532 of the Property Taxes Law to delete the erroneous reference to “change in control.”

Source: Property and Special Taxes Department and Legal Department

Under current law, Section 75.11(d)(3) provides that any supplemental assessment resulting from an unrecorded change in ownership or change in control for which either a change in ownership statement required by Section 480 or a preliminary change in ownership report required by Section 480.3 is not timely filed may be made within eight years after July 1 of the assessment year in which the event occurred. Similarly, Section 532(b)(2) provides that any escape assessment resulting from an unrecorded change in ownership or change in control for which either a change in ownership statement required by Section 480 or a preliminary change in ownership report required by Section 480.3 is not filed may be made within eight years after July 1 of the assessment year in which the property escaped taxation or was underassessed. However, neither Section 480 nor Section 480.3 cover a change in control. Change in control involves legal entities to which Section 480.1 applies. The unlimited statute of limitations period under Section 532(b)(3) applies to legal entities who have not filed a change in ownership statement as required by Sections 480.1 or 480.2.

This proposal would delete the erroneous reference to ‘change in control’ in Section 75.11.

This proposal would also add “timely” to subdivisions 532(b)(2) and (b)(3) in order to clarify and make consistent the statute of limitations in situations when a change in ownership statement was not properly filed. For example, an individual should not be able in the 6th year after a change in ownership event to file a change in ownership statement six years after the fact to technically exclude them from (b)(2)’s “not filed” language and thereby default to the 4-year statute of limitations rather than the eight year statute of limitations. The addition of “timely” is consistent with the last sentence of 532(b)(2) which states that, for the “unrecorded change in ownership”, the deed or other document evidencing the change in ownership must be filed with the county recorder’s office “at the time the event took place.” This addition would also be consistent with Section 75.11(d)(3).

Section 75.11 of the Revenue and Taxation Code is 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.

(2) 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 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.

(4) Notwithstanding paragraphs (1), (2), and (3), there shall be no limitations period on making a supplemental assessment, if the penalty provided for in Section 503 is added to the assessment.

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.

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 eight 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 timely 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 timely 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.