



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

Date Amended:	04/26/04	Bill No:	AB 2857
Tax:	Property	Author:	Laird
Board Position:		Related Bills:	

BILL SUMMARY

This bill would clarify that when an assessment appeal application on a base year value is not timely heard and decided within two years of filing an appeal the taxpayer’s opinion of value will become the taxable value of the property until the appeal is decided.

Current Law

Revenue and Taxation Code Section 1604 provides that if the county assessment appeals board fails to hear evidence and fails to make a final determination on an application for reduction in assessment of property within two years of the timely filing of the application, the taxpayer's opinion of market value as reflected on the application for reduction in assessment shall be the value upon which taxes are to be levied for the tax year covered by the application.

If the applicant's opinion of value has been placed on the assessment roll, because a hearing was not timely held and decided, that value is to remain on the roll until the county board makes a final determination on the application.

Revenue and Taxation Code Section 80 provides that base year value appeals must be filed during the appropriate filing period for the year in which the assessment is placed on the roll or in any of the three succeeding years.

Proposed Law

This bill would amend Section 1604 to specify that when an applicant’s opinion of value is placed on the assessment roll for an application in the base year value of an assessment that was filed pursuant to Section 80, that value shall remain on the roll until the county board makes a final determination. In other instances, the applicant’s opinion of value shall be enrolled on the assessment roll for the tax year or years covered by the application.

In General

Assessment Appeals Boards. Local appeals boards are independent agencies, separate from the assessor’s office, established to decide disputes between county assessors and property owners. All 58 counties in California have assessment appeals proceedings. In some counties, the elected county board of supervisors will hear appeals directly, meeting as a board of equalization. Other counties, however, have separate assessment appeals boards appointed by the board of supervisors to fulfill this duty.

COMMENTS:

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.

1. **Sponsor and Purpose.** This bill is sponsored by the California Assessors' Association. Its purpose is to clarify that when a county board of equalization fails within two years to make a final determination on an application for reduction in assessment involving a base year value of real property, the applicant's opinion of value shall remain on the roll until the board acts to make a final determination on the application. By making this change it would clarify that a reduction in assessed value that occurs as a result of a failure of a board to render a timely decision on an application for reduction in an assessment of personal property or one that involves a decline in value would be effective for the one year covered by the application.
2. **The appeals board is expected to hear and decide all appeals within two years of the filing of an application.** If more than two years pass before an appeal is heard and decided, the taxpayer's opinion of value may temporarily become the taxable value of the property by default (until the appeals board hears and decides the appeal).
3. **There are different types of appeals.** Base year value appeals, which apply to real property, permanently affect the upper limit of value of property for all future tax years as long as a property is under the same ownership or does not undergo new construction. Decline in value and personal property appeals are only relevant to the one particular tax year in dispute.
 - **Base Year Value Appeals.** The "Base Year Value" of a property is the Proposition 13 protected value of a property. This is the "control figures" under Proposition 13 – once the base year value is established it can increase no more than 2% per year regardless of the actual market value of the property. For applications involving base year value appeals, if the applicant's opinion of value has been placed on the roll because the appeals board was unable to hear the application timely, that value remains on the roll until the appeals board makes a final determination on the application. Base year value appeals are the most important type of appeal because of their permanence.
 - **Decline in Value Appeals.** It is possible that the base year value annually factored forward by the maximum 2% inflation factor (called the "factored base year value") could exceed its fair market value. This generally occurs when there has been a real estate market decline or damage or destruction to a property. To ensure that property owners are never assessed for more than a property's current fair market value, the law provides that as of the lien date, which is January 1 of every year, the property is to be assessed at the lower of its current market value or its factored base year value. (Section 51) Decline in value reductions may be granted automatically by the assessor without any property owner action, but where the assessor has not made such a reduction and a property owner believes a reduction is warranted an appeal may be filed. Unlike the permanent control figure of the "base year value," an appeal for a decline in value reduction is date specific and only relevant to one tax year. For applications appealing decline in value that have not been heard and decided by the end of the two-year period, the applicant's opinion of value will be enrolled on the assessment roll for the tax year or years covered by the pending application.

- **Personal Property Appeals.** Other than the tax rate, Proposition 13 does not apply to personal property. Personal property is valued each year at its current market value. Consequently an appeal must be filed each year to seek a reduction in value. In some cases, the appeal may be on the grounds that the property is not taxable.

4. **This bill makes it clear that in cases other than a base year value appeal, the applicant’s appeal value becomes controlling due to lack of a timely determination for the tax year or years covered by the pending application.** These provisions address a recent court case in which a taxpayer’s opinion of value of “zero” on personal property was ordered to be placed on the roll for a seven year period.

COST ESTIMATE

The Board would incur insignificant costs (less than \$10,000) in informing and advising county assessors, the public, and staff of the change in law.

REVENUE ESTIMATE

This bill has no direct revenue impact.

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