

Fiscal Year 2014-2015

TITLE OF PROPOSAL

Valuation Factors Studies for County-Assessed Properties

DIVISION PRIORITY NUMBER

PROGRAM IMPACTED

County Assessment Standards Program

SUMMARY OF REQUEST *(including impact if request denied)*

This proposal requests funding for County-Assessed Properties Division (CAPD) to establish and permanently fund 2.0 positions to conduct studies to update the valuation factors for non-production computer equipment, semiconductor manufacturing equipment, biopharmaceutical industry equipment, and fixtures previously adopted by the Board. Commencing with lien date January 1, 2015, values determined by use of these factors will no longer be rebuttably presumed the full cash value of that property unless the BOE conducts a review. It is essential that the BOE respond to changing environments and be proactive in conducting valuation studies to arrive at accurate factors to ensure equitable treatment and fairness to taxpayers in the assessment of personal property and fixtures and to promote assessment uniformity.

BACKGROUND/HISTORY

For locally assessed property, the Replacement Cost New Less Depreciation (RCNLD) indicator is the most widely used method of valuing business personal property and fixtures. Personal property is defined under current law as all property except real estate. A fixture is defined as an item of tangible property, the nature of which was originally personal property, but that is classified as realty for property tax purposes because it is physically or constructively annexed to realty with the intent that it remain annexed indefinitely. The assessment of personal property and most fixtures, for property tax purposes, is based on the fair market value of the property on each lien date. Pursuant to the mandate in section 401.5 to promote uniformity in appraisal practices and in assessed values throughout the state, the BOE annually publishes Assessors' Handbook Section 581 that is used as a guide by county assessors' staff in the mass appraisal of personal property and fixtures. Valuation factors are contained in this handbook.

STATE LEVEL CONSIDERATIONS *(including impact to other departments)*

The BOE is mandated by sections 15606 and 15608 of the Government Code to issue instructions to assessors to promote uniformity in property assessment throughout the state. Additionally, the BOE is mandated by section 401.5 of the Revenue and Taxation Code to promulgate guidance for county assessors to follow in valuing locally assessed property. CAPD has received requests from industry to conduct studies of satellite set top boxes, food processing equipment, wind turbines, and high-speed production printers. Conducting studies to derive factors for specific types of industry personal property and fixtures is integral to fulfilling the BOE's mandate to promulgate such guidance for county assessors to follow in valuing locally assessed property. The positions may also conduct other valuation factor studies.

JUSTIFICATION *(including link to Strategic Plan)*

This proposal is consistent with the mission statement adopted by the BOE that states, in part, the BOE will serve the public through fair, effective, and efficient tax administration and will interpret and apply tax and fee laws correctly, consistently, and fairly. This proposal is also consistent with the BOE's Strategic Plan. Specifically, this proposal conforms to: Part II, Goals and Objectives, Objective 4.1, Improve Partnerships, the BOE will continue working at local, state, and national levels to ensure equitable treatment for all taxpayers and property owners. The consequences of not receiving these positions would be that CAPD cannot conduct valuation factor studies, which results with a lack of uniformity in assessment. This also results in an increase in property tax appeals which are costly to industry and to local county assessors and are resolved on a case-by-case basis compared to valuation factor studies developed for use by all county assessors.

COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR [2014-15])

New funding Continuation Redirection

COST	REVENUE <i>(if applicable)</i>
\$ \$351,000 in FY 2014-15, \$318,000 ongoing	\$ N/A
POSITIONS <i>(if applicable)</i>	COST SAVINGS <i>(if applicable)</i>
2.0	\$ N/A

PREPARED AND APPROVED

PREPARED BY	DIVISION CHIEF APPROVAL
Ladeena Ford	David Gau
AUTHOR'S TELEPHONE NUMBER	DATE
(916) 323-9486	4/8/13

ACTION

Concept Approved Request Denied

EXECUTIVE DIRECTOR *(signature)*
