



SOURCE: Board Action

SUMMARY

Amend Revenue and Taxation Code section 155.20 to extend the \$50,000 "low value" exemption ordinance¹ limit that a county board of supervisors may apply to any taxable possessory interest.

EXISTING LAW

Section 1(a) of article [XIII](#) of the California Constitution provides that all property is taxable unless otherwise provided by the Constitution or the laws of the United States. Section 7 of article XIII provides that the Legislature may authorize a county board of supervisors to exempt real property having a full value so low that, if not exempt, the total taxes and applicable subventions on the property would amount to less than the cost of assessing and collecting them.

Revenue and Taxation Code section [155.20](#) authorizes a county board of supervisors to exempt from property tax real property with a factored base year value and personal property with a full value so low that, if not exempt, "the total taxes, special assessments, and applicable subventions on the property would amount to less than the cost of assessing and collecting them." The exemption permitted under this section of law is commonly referred to as the "low value" exemption, and is enacted by local ordinance.

The amount of the low value exemption may not exceed \$10,000 except that, through lien date 2024, the exemption is increased to \$50,000 in the case of a possessory interest.

CODE SECTIONS TO AMEND

Amend Revenue and Taxation Code section 155.20.

IDENTIFICATION OF PROBLEM

The \$50,000 low value exemption for all possessory interests is set to sunset on January 1, 2025.

PROPOSED SOLUTION

This proposal will allow the \$50,000 low value exemption for all possessory interests to continue for another five years.

JUSTIFICATION

- A. The \$50,000 low value threshold will revert back to applying only to a possessory interest for a temporary and transitory use in a publicly owned fairground, fairground facility, convention facility, or cultural facility.

¹ The term "ordinance" is used in this analysis for simplicity to refer to any action by a county board of supervisors that is effective to implement the low value exemption pursuant to Revenue and Taxation Code section 155.20.

- B. The BOE is an advisory agency on property tax assessment matters and has oversight over County Assessor policies and procedures. For property tax purposes, possessory interests are valued by County Assessors.
- C. Effective July 12, 2019, Assembly Bill 608 (Stats. 2019, ch. 92) amended section 155.20 to extend the \$50,000 threshold for temporary use in a publicly owned fairground, fairground facility, convention facility, or cultural facility to all possessory interests through the 2024 lien date.

PROGRAM BACKGROUND/LEGISLATIVE HISTORY

Possessory Interests. In certain instances, a property tax assessment may be enrolled when a person or entity has exclusive use of publicly owned real property that, with respect to its public owner, is exempt from property taxation. These uses are commonly referred to as "taxable possessory interests" and are typically found where an individual or entity leases, rents, or uses federal, state, or local government facilities and/or land.

Section [107](#) establishes parameters within which assessors and judicial authorities are to determine the existence of taxable possessory interests. Generally, those determinations are made according to the facts and circumstances in each individual case.

Low Value Exemption. Section 7 of article XIII provides that the Legislature may authorize a county board of supervisors to exempt real property having a full value so low that, if not exempt, the total taxes and applicable subventions on the property would amount to less than the cost of assessing and collecting them.

The Legislature enacted section [155.20](#) to provide the necessary statutory implementation. Section 155.20 authorizes a county board of supervisors to exempt from property tax real property with a factored base year value and personal property with a full value so low that, if not exempt, "the total taxes, special assessments, and applicable subventions on the property would amount to less than the cost of assessing and collecting them." Prior to July 12, 2019, the amount of the low value exemption could not exceed \$10,000 except that the limit was increased to \$50,000 in the case of a possessory interest for a temporary and transitory use in a publicly owned fairground, fairground facility, convention facility, or cultural facility.

Effective July 12, 2019, Assembly Bill 608 (Stats. 2019, ch. 92) amended section 155.20 to extend the \$50,000 threshold to all possessory interests through the 2024 lien date.

ARGUMENTS PRO AND CON

Pros

- Continuing this \$50,000 low-value threshold for all possessory interests will avoid wasteful and inefficient administrative costs, and save money for both government and small business owners.

Cons

- Allowing the \$50,000 low-value threshold for all possessory interests to sunset will limit this threshold to a possessory interest for a temporary and transitory use in a publicly owned fairground, fairground facility, convention facility, or cultural facility.

- If the \$50,000 threshold for all possessory interests sunsets, County Assessors may have to value and enroll possessory interests formerly exempt under the \$50,000 threshold.
- If the \$50,000 threshold for all possessory interests sunsets, those counties that have enacted the \$50,000 threshold will have to amend their ordinances.

PROBABLE SUPPORT AND OPPOSITION

Support – California Assessors’ Association

OTHER EXTERNAL PARTIES THAT MAY BE AFFECTED

None known.

FISCAL IMPACT (If known)

None

DRAFT LANGUAGE

Section 155.20 of the Revenue and Taxation Code is amended to read:

(b) (1) (A) The board of supervisors shall have no authority to exempt property with a total base year value, as adjusted by an annual inflation factor pursuant to subdivision (f) of Section 110.1, or full value of more than ten thousand dollars (\$10,000), except as otherwise provided in subparagraph (B).

(B) The limitation specified in subparagraph (A) on the amount of the exemption authorized by this section shall be increased as follows:

(i) For lien dates occurring on or after January 1, 2020, and before January 1, ~~2025~~2030, the limitation is increased to fifty thousand dollars (\$50,000) in the case of a possessory interest.

(ii) For lien dates occurring on or after January 1, ~~2025~~2030, the limitation is increased to fifty thousand dollars (\$50,000) in the case of a possessory interest, for a temporary and transitory use, in a publicly owned fairground, fairground facility, convention facility, or cultural facility. For purposes of this paragraph, “publicly owned convention or cultural facility” means a publicly owned convention center, civic auditorium, theater, assembly hall, museum, or other civic building that is used primarily for staging any of the following:

(I) Conventions, trade and consumer shows, or civic and community events.

(II) Live theater, dance, or musical productions.

(III) Artistic, historic, technological, or educational exhibits.

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