

Issue Paper Number **10-005**



- Board Meeting
- Business Taxes Committee
- Customer Services and Administrative Efficiency Committee
- Legislative Committee
- Property Tax Committee
- Other

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## **Property Tax Rules 1020 and 471**

### **I. Issue**

Should the State Board of Equalization (Board) authorize publication of amendments to Property Tax Rule 1020, *Timber Value Areas*, and authorize repeal of Property Tax Rule 471, *Timberland*?

### **II. Alternative 1 - Staff Recommendation**

Staff recommends that the attached proposals to amend Property Tax Rule 1020, *Timber Value Areas*, and repeal Property Tax Rule 471, *Timberland*, be adopted and authorized for publication (Attachment A).

### **III. Other Alternative(s) Considered**

None

#### **IV. Background**

Under Government Code section 15606, subdivision (c), the Board is given the power and duty to prescribe rules and regulations to govern local boards of equalization and assessment appeals boards when equalizing and county assessors when assessing. In compliance with this duty, the Board has adopted Property Tax Rules relative to timber valuation procedures.

Specifically, in accordance with the provisions of Revenue and Taxation Code section 38204, the Board is required to determine timber value areas throughout California. Section 38204 provides in part:

(a) On or before December 31, 1976, and periodically thereafter as determined by the board, the board after consultation with the Timber Advisory Committee and after public hearings held pursuant to the Administrative Procedure Act, shall designate areas containing timber having similar growing, harvesting, and marketing conditions to be used as timber value areas for the preparation and application of immediate harvest values....

In compliance with section 38204, Property Tax Rule 1020, *Timber Value Areas*, was adopted in 1976 and last amended in January 1977. While similar growing and harvesting conditions have not significantly changed since 1977, marketing conditions make it necessary to re-designate the current nine value areas (Attachment A).

Rule 471, *Timberland*, was adopted in 1978 and last amended in August 1979. The rule was implemented in conjunction with the passage of Proposition 13 when there were concerns about how certain properties subject to special assessment provisions should be treated. Since the rule is duplicative of statutory provisions, e.g., Revenue and Taxation Code section 52(b), Board staff recommends that it be repealed (Attachment A).

#### **V. Discussion**

The project to amend Rule 1020 and repeal Rule 471 was announced via Letter To Assessors (LTA) 2009/031, August 6, 2009. Few comments were received from interested parties. Subsequently, the proposed rulemaking efforts were discussed at the November 10, 2009 Timber Advisory Committee (TAC) meeting. Since few comments were received from interested parties during the first comment period, the Timber Advisory Committee decided that the rules should be reopened for possible additional comments/suggestions. The project was again announced to interested parties via LTA 2010/008, January 29, 2010. No additional comments were received from interested parties.

In a further effort to ensure that the proposed amendments to Rule 1020 were accurate, Timber Tax staff met with one timber industry representative to review data provided by that representative. Both the Timber Tax staff and the industry representative concluded that the value areas proposed by Board staff in Rule 1020 are appropriate.

The proposed rulemaking efforts were again discussed at the April 27, 2010 TAC meeting. The TAC recommended adoption of staff's proposals relative to Rules 1020 and 471 (Attachment A).

#### **VI. Alternative 1 - Staff Recommendation**

Adopt and authorize for publication amendments to Property Tax Rule 1020, *Timber Value Areas*, and repeal of Property Tax Rule 471, *Timberland*.

**A. Description of Alternative 1**

Staff recommends that the attached proposals to amend Property Tax Rule 1020, *Timber Value Areas*, and repeal Property Tax Rule 471, *Timberland*, be adopted and authorized for publication (Attachment A). The focus of the amendments to Rule 1020 is to ensure that the Board is in compliance with the provisions of Revenue and Taxation Code section 38204. The purpose for the recommendation to repeal of Rule 471 is to eliminate an unnecessary regulation.

Similar to the economic changes for many industries, marketing conditions for timber products throughout California have significantly changed over the past few years. Economic and environmental pressures have caused the closing of a large number of timber mills and processing facilities in California. In many instances, these facility closings have made it necessary for the timber products (e.g., logs) to be shipped further distances for processing, thereby adding to the cost of marketing the products. The proposed amendments to Rule 1020 will better align timber areas within California to reflect these added marketing costs.

Rule 471 was put in place right after Proposition 13 was enacted when there was concern/doubt about how certain properties subject to special assessment provisions should be treated. That is, would such properties still be assessed under their special provisions (California Timber Yield Tax Law) or did Proposition 13 eliminate those provisions? Over time that doubt was cleared and various statutory changes clarified matters. Therefore, Rule 471 is duplicative of statutory provisions and is no longer necessary.

**B. Pros of Alternative 1**

Amendments to Rule 1020 will ensure compliance with Revenue and Taxation Code section 38204 whereby timber having similar growing, harvesting, and marketing conditions will be valued similarly. Repeal of Rule 471 will eliminate an unnecessary regulation.

**C. Cons of Alternative 1**

None

**D. Statutory or Regulatory Change for Alternative 1**

Action by the Board to adopt changes to Property Tax Rule 1020 will amend Title 18 of the California Code of Regulations, chapter 1, subchapter 11, section 1020; and repeal of Property Tax Rule 471 will repeal section 471 of Title 18 of the California Code of Regulations, chapter 1, subchapter 4.

**E. Operational Impact of Alternative 1**

None

**F. Administrative Impact of Alternative 1**

**1. Cost Impact**

Development of Property Tax Rules is within the scope of statutory duties of the County-Assessed Properties Division and will be absorbed by existing staff.

**2. Revenue Impact**

None

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**G. Taxpayer/Customer Impact of Alternative 1**

None

**H. Critical Time Frames of Alternative 1**

Action by the Board at its May 25, 2010 Board meeting will ensure that the rulemaking efforts can be accomplished and in effect by December 1, 2010. This will permit the new timber value areas to be used when the 2011 first and second quarter immediate harvest values are adopted at the Board's December 14, 2010 meeting (Revenue and Taxation Code section 38204).

**VII. Other Alternatives**

**A. Description of Alternative**

N/A

**Preparer/Reviewer Information**

Prepared by: Property and Special Taxes Department; County-Assessed Properties Division

Current as of: April 27, 2010

State of California  
BOARD OF EQUALIZATION  
**PROPERTY TAX RULES**

Chapter 1. State Board of Equalization – Property Tax  
Subchapter 11. Timber Yield Tax  
Article 1. Valuation of Timberland and Timber

**Rule 1020. TIMBER VALUE AREAS.**

Authority: Section 45606, Government Code 38701, Revenue and Taxation Code.  
Reference: ~~Chapters 1 and 3, Part 18.5, Division 2 Sections 38109 and 38204,~~ Revenue and Taxation Code.

**(a)** The following nine designated areas contain timber having similar growing, harvesting, and marketing conditions and shall be used as timber value areas in the preparation and application of immediate harvest values:

**Area 1**

~~Del Norte County  
Humboldt County  
Trinity County south and west of that part of the exterior boundary of the Shasta Trinity National Forest between Humboldt and Tehama Counties.~~

**Area 2**

~~Alameda County  
Contra Costa County  
Marin County  
Mendocino County  
Napa County  
Monterey County  
San Francisco County  
San Mateo County  
Santa Clara County  
Santa Cruz County  
Sonoma County~~

**Area 3**

~~Alameda County  
Contra Costa County  
Monterey County  
San Francisco City and County  
San Mateo County  
Santa Clara County  
Santa Cruz County  
Siskiyou County west of Interstate Highway No. 5~~

**Area 4**

~~Colusa County  
Glenn County  
Lake County  
Solano County  
Shasta County west of Interstate Highway No. 5  
Siskiyou County west of Interstate Highway No. 5  
Tehama County west of Interstate Highway No. 5  
Trinity County except that portion which is south and west of that part of the exterior boundary of the Shasta Trinity National Forest between Humboldt and Tehama Counties  
Yolo County~~

**Area 5**

~~Colusa County  
Glenn County  
Lake County  
Napa County  
Sacramento County  
Shasta County east of Interstate Highway No. 5~~

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Siskiyou County east of Interstate Highway No. 5  
~~Solano County~~  
~~Tehama County west of Interstate Highway No. 5~~  
~~Yolo County~~

**Area 6**

Lassen County  
Modoc County  
~~Shasta County east of State Highway No. 89~~  
~~Siskiyou County east of Interstate Highway No. 5~~

**Area 7**

Butte County  
Nevada County  
Placer County  
Plumas County  
~~Shasta County between Interstate Highway No. 5 and State Highway No. 89~~  
Sierra County  
Sutter County  
Tehama County east of Interstate Highway No. 5  
Yuba County

**Area 8**

Alpine County  
Amador County  
Calaveras County  
El Dorado County  
Sacramento County  
San Joaquin County  
Stanislaus County  
Tuolumne County

**Area 9**

~~Alpine County~~  
Fresno County  
Imperial County  
Inyo County  
Kern County  
Kings County  
Los Angeles County  
Madera County  
Mariposa County  
Merced County  
Mono County  
Orange County  
Riverside County  
San Benito County  
San Bernardino County  
San Diego County  
~~San Joaquin County~~  
San Luis Obispo County  
Santa Barbara County  
~~Stanislaus County~~  
Tulare County  
Ventura County

History: Adopted November 4, 1976, effective January 1, 1977.  
Amended January 31, 1977, effective February 1, 1977.

State of California  
BOARD OF EQUALIZATION  
**PROPERTY TAX RULES**

~~Chapter 1. State Board of Equalization—Property Tax  
Subchapter 4. Equalization by State Board  
Article 3. Taxable Property of a County, City or Municipal Corporation~~

**Rule 471. TIMBERLAND.**

Authority: Section 15606(c), Government Code.  
Reference: Article XIII A, Sections 1 and 2, California Constitution

~~Consistent with the intent of the provisions of Section 3 (j) of Article XIII of the California Constitution and the legislative interpretation thereof, the value for land which has been zoned as timberland pursuant to Section 51110 or 51113 of the Government Code shall be ascertained for the 1979 lien date from the schedule contained in Section 434.5 of the Revenue and Taxation Code and thereafter from the most recent board-adopted timberland site class value schedule.~~

History: Adopted June 29, 1978, effective July 3, 1978.  
Amended September 26, 1978, effective October 2, 1978.  
Repealed Old Rule and Adopted New Rule August 16, 1979, effective August 22, 1979.