

790.0000 SUPPLEMENTAL ASSESSMENT

See Assessment

Assessment Appeals

Newly Constructed Property

790.0001 Addition To Roll. Revenue and Taxation Code sections 75 et seq. provide for supplemental assessments to be added to a supplemental roll or rolls whenever real property changes ownership or new construction is completed. Such property, excluding fixtures, is to be appraised as the date of the change or completion. LTA 8/9/83 (No. 83/82); LTA 10/19/83 (No. 83/111).

790.0003 Addition to Roll. For a property purchased on March 23, 1990, Revenue and Taxation Code section 75.11 requires that two supplemental assessments be placed on the supplemental roll because the property was purchased after March 1 but before May 31. Based on section 75.18, the 2% inflation factor would be added to the new base year value the following March 1, 1991, since the change in ownership entered on the supplemental roll took place between March 1 and June 30. C 9/13/94.

Note: Stats. 1995, Ch. 499, operative January 1, 1997, changed the lien date from March 1 to January 1.

790.0012 Addition to Roll. When adding an assessment to the supplemental roll to reflect value resulting from the completion of new construction, the assessor is not authorized to change the assessment on the regular roll which reflects the prior lien date value of the remainder of the property.

Assessments not reflecting lien date values can be appealed by taxpayers. Changes in values caused by economic conditions subsequent to the lien date can be taken into account when establishing values for the following lien date. C 1/14/87.

790.0020 Addition to Roll-Time Limits. As of September 14, 1992, Revenue and Taxation Code section 75.11(d) provides specific statutes of limitation for the making of supplemental assessments. Assessments made, i.e. actually added to the roll, before that date were unaffected. Neither were escape assessments affected by this legislative change. Section 75.11(e) provides that the time limits specified in section 75.11(d) may be extended by written agreement between the taxpayer and the assessor.

An agreement that extends the time for making a correction or claim for refund automatically extends the time for making a supplemental assessment. An agreement limited to a supplemental assessment does not automatically apply to a correction or to a claim for refund. LTA 1/7/93 (No. 93/03).

790.0030 Appeal. An appeal of a supplemental assessment must be filed within 60 days of the date that the supplemental assessment notice was mailed. If the 60th day falls on a Saturday, Sunday, or legal holiday, the assessee has until the next business day to file. It is the new base year value that is the subject of appeal. Thus, an assessee may not appeal on the basis that the taxable value on the current roll is too low and the supplemental assessment is too large.

If the assessee fails to appeal within said 60 days, he or she may appeal during the next regular filing period for assessment appeals (i.e., July 2 through September 15). Should a reduction in value be won, it would be effective only for the regular roll, and no refund would be due for payment of supplemental taxes since a timely appeal of the supplemental assessment was not filed.

If a supplemental assessment appeal is timely filed and heard, the assessee cannot again appeal the base year value during the regular filing period since the value established as a result of the original appeal is conclusively presumed to be the base year value. He or she may file an appeal based upon the contention that the property's current full cash value is less than the taxable value, however. LTA 3/16/84 (No. 84/33).

790.0031 Appeal. Upon a change in ownership where the assessor finds no change in base year value and the supplemental assessment is zero, Revenue and Taxation Code section 75.31(c) remains applicable and the assessee can still appeal the base year value. For example, a property with a March 1, 1984, roll value of \$57,000 sells for \$35,000 in November of 1984, but the assessor does not recognize the purchase price and reappraises the property at \$57,000, and the supplemental assessment is zero. Assuming that the assessee files an appeal within 60 days of the date that the supplemental assessment notice was mailed, the appeal should proceed to hearing.

In light of section 75.31(c), a value reduction granted on an appeal of a supplemental assessment should be given the same effect as a Revenue and Taxation Code section 1605 value reduction. Thus, if a 1983 supplemental assessment was noticed in January of 1985 and the assessee thereafter filed an appeal on or before February 28, 1985, any value reduction made by the appeals board would be available for the 1983 supplemental assessment (Revenue and Taxation Code section 80(a)(3)) and for the 1984 regular assessment and subsequent assessments, since the appeal was filed during the 1984-85 assessment year (section 80(a)(4)).

Where supplemental assessments have been made subsequent to a supplemental assessment which has been appealed, and the appeals board changes that assessment, such later assessments may be revised or cancelled in order to conform to the decision of the appeals board and to statutory requirements. C 4/26/85.

790.0032 Appeal. In cases involving two supplemental assessments as the result of two changes in ownership, where the first purchaser did not appeal the first supplemental assessment timely and a portion of that assessment became a secured lien against the property pursuant to Revenue and Taxation Code section 75.54(c), the second purchaser has no right to appeal any portion of the first supplemental assessment. "The supplemental assessment", as used in Revenue and Taxation Code section 75.31(c), refers only to the second supplemental assessment which resulted from the second change in ownership. C 7/29/85.

790.0045 Applicability. A property with a March 1, 1983, roll value of \$50,000 sells for \$100,000 on April 15, and sells again for \$120,000 in August of 1983. Assuming the sale price of \$120,000 was representative of market value, \$120,000 would become the new base year value, yielding a supplemental assessment of \$70,000 (\$120,000 less the \$50,000 taxable value on the current roll). The interim sale for \$100,000 would not be considered since it occurred prior to the July 1, 1983, effective date for the supplemental roll legislation. LTA 12/16/83 (No. 83/132); LTA 6/20/85 (No. 85/73).

790.0046 Applicability. The new base-year value of a newly constructed swimming pool begun prior to July 1, 1983, and completed subsequent thereto is subject to supplemental assessment in the amount of the value added by the new construction. Although construction commenced prior to the July 1, 1983, effective date for the supplemental roll legislation, the triggering event is the completion of new construction. LTA 3/16/84 (No. 84/33).

[790.0055](#) **Calculation.** A change in ownership occurring in May 1996 results in two supplemental assessments. Pursuant to Revenue and Taxation Code section 75.11, the first supplemental assessment is calculated by using the base year value enrolled on lien date 1995, and the second supplemental assessment is calculated by using the base year value for lien date 1996. The taxpayer timely filed applications for assessment appeal based on declines in value for lien dates 1996 and 1997, and the assessment appeals board granted those applications and reduced those values. However, the calculation of the supplemental assessments and the new base year value would reflect those reductions because the applications appealed only declines in value and not the base year value. C 3/28/2001.

[790.0060](#) **Disaster Relief.** An owner of property subject to a supplemental assessment and which is damaged by misfortune or calamity can receive tax relief under section 170 on both the supplemental roll and the regular roll. Such would require two sets of calculations to determine the amount of tax relief, one for the supplemental roll and one for the regular roll. LTA 6/27/85 (No. 85/75).

790.0061 **Disaster Relief.** C 10/14/93. (Deleted 1999)

790.0075 **Exemptions.** LTA 2/21/86 (No. 86/19). (Deleted 2008)

790.0076 **Exemptions.** LTA 12/22/93 (No. 93/78). (Deleted 2008)

[790.0077](#) **Exemptions.** Revenue and Taxation Code section 75.21(a) provides that exemption(s) shall be applied to the amount(s) of the supplemental assessment(s). The word "applied" implies the offsetting of one amount against the other. Therefore, exemptions should not be added to negative supplemental assessments since to do so would augment the negative assessments rather than offset against them. C 4/16/86; C 4/24/86.

[790.0078](#) **Exemptions.** A California nonprofit public benefit corporation operates a college that qualifies as a nonprofit institution of higher education. The corporation leases an entire building from a for-profit entity. The lease was a triple-net lease that passed on all costs and expenses of the property, including a portion of the property taxes to the corporation. However, the corporation received the college exemption for the property.

The entity that owns the real property sold the property subject to the lease to an LLC, another for-profit entity. However, since the corporation's use of the property to operate a college constituted exclusive use of the property for educational purposes and no change in the use of the property occurred, the property continued to be eligible for the college exemption. Thus, under Revenue and Taxation Code sections 75.21(c) and 75.22, the property can continue to be exempt despite a change in ownership. Therefore, the property will not be subject to supplemental assessment if the claimant files a claim for exemption within 30 days of the notice of supplemental assessment and meets all the qualification for exemption within 90 days after the change in ownership. C 7/29/2008.

[790.0090](#) **Fixtures.** As the result of the 1984 amendment to Revenue and Taxation Code section 75.5, redefining "property" to include fixtures, and the 1984 addition of section 75.15, requiring taxpayers to report to the assessor annually fixtures added and removed and the values thereof, fixtures as defined in Property Tax Rule 122.5 are subject to supplemental assessments and are to be added to a supplemental roll when they constitute new construction or when a change in ownership occurs. LTA 2/20/85 (No. 85/24).

[790.0091](#) **Fixtures.** As the result of the 1985 addition of Revenue and Taxation Code section 75.16, the value of fixtures removed on or after March 1, 1985, is to be included in any

computation of fixture value whether or not the removal is associated with other new construction. Pursuant to sections 75.15 and 75.16, the values of fixture removals reported for March 1, 1985, to February 28, 1986, will be considered as negative amounts, credits, when computing any supplemental assessment to be enrolled. If only fixture removals are reported, the taxpayer would get a refund, but only if the taxes had been previously paid; otherwise, the values become negative values that can offset positive values.

Fixtures are deemed to be removed when they are severed from realty; i.e., become personal property. The date of removal to be reported on AH 571D, the supplemental schedule for reporting monthly acquisitions and disposals of property, is the date on which the fixture is severed. LTA 3/31/86 (No. 86/32).

790.0092 Fixtures. As the result of the 1987 amendments to Revenue and Taxation Code sections 75.5 and 75.15 and the repeal of Revenue and Taxation Code section 75.16, effective August 1, 1987, fixtures are no longer subject to supplemental assessments. LTA 8/11/87 (No. 87/58).

790.0093 Fixtures. As of August 1, 1987, fixtures which are normally valued as separate appraisal units from structures are no longer subject to supplemental assessments. However, fixtures included with other property in a single appraisal unit which changes ownership or which is newly constructed are not excluded from the supplemental assessment of the entire unit. C 6/28/89.

790.0100 Government-Owned Land. The base year value for taxable government-owned property is the lower of the Phillips Factor value or the fair market value as of the date of change in ownership. Because a different value standard is used to determine base year values for taxable government-owned properties, supplemental assessments are not applicable to those properties. C 1/18/2002.

790.0105 Historic Property. Revenue and Taxation Code section 50 requires county assessors to establish new base year values for enforceably restricted historical property upon a change in ownership. However, the establishment of those new base year values merely enables the assessor to perform the three-way value comparison prescribed by Revenue and Taxation Code section 439.2(d) and to calculate the assessed values of historical property should the Mills Act contract enter nonrenewal status (section 439.3). Since the assessments of enforceably restricted historical properties are governed by article XIII, section 8 of the California Constitution, Revenue and Taxation Code section 75.14 precludes assessors from enrolling supplemental assessments for enforceably restricted historical properties upon a change in ownership. C 11/13/2003.

790.0110 Homeowners' Exemption. Revenue and Taxation Code section 75.54 requires proration of supplemental taxes when a property changes ownership prior to the mailing of a supplemental tax bill resulting from a previous change in ownership, and the exemption can only be allowed to the extent of the supplemental assessment. Thus, the latest owner would not be entitled to the full \$7,000 exemption if his supplemental assessment amount was \$5,000, and to receive the \$5,000 exemption, the owner would have to qualify the property for exemption. LTA 6/27/85 (No. 85/75).

790.0125 Homes Repossessed By Department of Veterans Affairs. When property is sold to a veteran by the Department of Veterans Affairs under an installment contract, the Department holds legal title to the property as security until the purchase price has been paid in full, but the beneficial interest in the property has passed to the veteran in possession (*Eisley v. Mohan*, 31 Cal.2d 637). Thus, there is a change of ownership and the veteran is liable for applicable property taxes.

If a veteran fails to make installment payments or otherwise breaches the contract, the Department may cancel the contract, force a forfeiture, and repossess the property (Military and Veterans Code section 987.77). At that time, the Department becomes the sole owner of the property; and unless it voluntarily agrees to pay property taxes, the property, being property owned by the State, is exempt from taxation under article XIII, section 3(a) of the California Constitution. C 2/27/85.

790.0145 Leasehold Improvements and Possessory Interests. Assuming that they are newly constructed real property and not fixtures, leasehold improvements are subject to supplemental assessment and would be placed on the supplemental roll upon completion or change in ownership. Similarly, the creation, renewal, sublease, or assignment of a taxable possessory interest after July 1, 1983, is a change in ownership requiring reappraisal and a supplemental assessment. LTA 12/16/83 (No. 83/132).

790.0160 Mineral Properties. A discovery well, an exploratory well that encounters a new and previously unknown mineral deposit, and its proved reserves are subject to supplemental assessment. If newly discovered reserves cannot be produced as a result of the lack of approval by a government agency or the physical inability to produce, the reserves do not meet the definition of proved reserves and should not be assessed until they do. Economic reserves, reserves resulting from enhanced recovery programs, well workovers, recompletions or redrills, or additional reserves resulting from incorrect estimates used for the regular well are not subject to supplemental assessment unless they meet the discovery well test.

New improvement value for development wells, reworks, recompletions or redrills, created as a result of completed new construction, is subject to supplemental assessment provided that the improvement is not classified as a fixture (Revenue and Taxation Code section 75.10(a)). If an appraisal as of the lien date of reserves related to a proposed development well based upon all relevant information available proves inaccurate, no adjustment to the reserves or the value thereof may be made until the next regular roll. And if a well has been abandoned and the structure removed, the improvement value of the well is the only value change recognized for supplemental assessment purposes (Revenue and Taxation Code section 75.10(b)). Any part of the well classified as a fixture cannot be recognized for supplemental assessment purposes and remains on the roll until the next lien date, there is no adjustment for reserves until the next regular roll, and no depletion is allowed on the supplemental roll between the event date and the last assessment. LTA 12/15/87 (No. 87/100).

790.0175 New Construction. Revenue and Taxation Code section 75.12 excludes any newly constructed real property, including grading, constructing roads, and installing underground utilities in a new subdivision, from supplemental assessment where the property is held for sale and the notice required thereby, that the owner notifies the assessor prior to, or within 30 days of, the date of commencement of construction that he does not intend to occupy or use the property, is given. In such event, the new construction will become subject to supplemental assessment at the time the property is occupied or used with the owner's consent.

If the required notice is not given, the date of completion of the new construction is the date upon which the new construction is available for use by the owner, the date upon which the property has been inspected and approved by the appropriate government official, or, in the absence of such inspection and approval procedures, the date as of which the prime contractor has fulfilled all of the contractual obligations. C 3/29/85.

790.0176 New Construction. The addition of new wells to an operating geothermal steam producing property constitutes new construction, as does the addition of the pipeline gathering system and the machinery used in connection therewith. These additions should be considered part of the original appraisal unit and subject to supplemental assessment. Changes in value of the remainder of the property which did not undergo new construction cannot be considered.

Property Tax Rule 468, by its express terms, is limited to oil and gas producing properties. Property Tax Rule 461(d) is applicable when determining declines in value for geothermal properties. C 3/15/90.

790.0185 Open-Space Lands – Nonrenewal. Williamson Act properties undergoing nonrenewal are not subject to supplemental assessment in addition to the method mandated by Revenue and Taxation Code section 426. C 8/24/94.

790.0195 Possessory Interests. When a possessory interest lease in real property is terminated in an assessment year and a new possessory interest lease is entered into with a new lessee for the same property, the full cash value of the new possessory interest as of the date of its creation should be added to the supplemental roll. LTA 1/28/86 (No. 86/12).

790.0210 Probated Property. Revenue and Taxation Code sections 75 and following place no time limits on the assessor and other county officials to determine a new base year value, issue a notice thereof to the assessee, compute the tax or issue a tax bill. These statutory provisions apply without regard to limitation periods applicable to the filing of claims with the probate court.

If an executor or administrator fails to file the notice of change in ownership as required by Revenue and Taxation Code section 480(b), the assessment for the change in ownership that occurred as of the date of death could be delayed until after the close of probate proceedings and could result in the attachment of a lien on the inherited property. C 7/8/88.

790.0220 Property Acquired By State Assessee. Property acquired by a state assessee becomes assessable by the Board at the time of transfer, is no longer subject to article XIII A of the California Constitution, and is not subject to any supplemental assessment. LTA 6/27/85 (No. 85/75); C 3/5/98.

790.0221 Property Acquired By Stated Assessee. Pursuant to Revenue and Taxation Code section 75.54(c), a state assessee that acquires real property from a local assessee acquires it subject to a lien for prorated supplemental tax as the result of a supplemental assessment made for the change in ownership that occurred when the local assessee acquired the property. The prorated supplemental tax results not from a supplemental assessment made upon the transfer of the property from the local assessee to the state assessee but rather from the supplemental assessment made when the property was transferred to the local assessee. There is no statutory provision for removal of a supplemental tax lien or cancellation of a supplemental tax by reason of a subsequent acquisition by a state assessee. C 11/3/2000.

790.0230 Property Formerly Assessed By The Board. Once a new base-year value for property, formerly assessed by the Board but which has been sold and becomes locally assessable, has been established pursuant to Revenue and Taxation Code section 75.10, the taxable value on the current roll or the roll being prepared must be determined from figures from the Board roll. LTA 6/27/85 (No. 85/75); C 10/8/99.

790.0250 Proved Reserves. Reserves do not become proved until all permits are secured and the production facilities are built, pipelines installed, etc. Only at that time can the base

year value for proved reserves be determined and the property value reflect such reserves. Mineral rights or reserves cannot be treated as construction-in-progress, that is, they cannot be assessed at market value each year until production begins (*Lynch v. State Board of Equalization*, 164 Cal.App.3d 94.). LTA 12/15/87 (No. 87/100).

790.0280 Real Property And Mobilehomes. All real property and any mobilehome subject to taxation under Revenue and Taxation Code sections 5800 et seq. are subject to supplemental assessment except:

1. Fixtures which are normally valued as a separate appraisal unit from a structure.
2. Property that is restricted to timberland use pursuant to section 3(j) of article XIII of the California Constitution.
3. Property that is enforceably restricted pursuant to section 8 of article XIII of the California Constitution.
4. Property subject to valuation as a golf course pursuant to section 10 of article XIII of the California Constitution.
5. Property subject to valuation as municipally owned property located outside the municipality's boundaries pursuant to section 11 of article XIII of the California Constitution.
6. State assessed property.

A mobilehome sold new on or after July 1, 1983, being subject to local property tax, would be valued as of the date of change in ownership and would be subject to supplemental assessment. A mobilehome purchased new on or after July 1, 1980, and brought into California on or after July 1, 1983, would be valued as of the date of entry and would be subject to supplemental assessment with proration based on date of entry. Where a mobilehome is placed upon the local property tax roll voluntarily or because the license fee has been delinquent more than 120 days, there is no supplemental assessment, however, since there has been no change in ownership. LTA 12/6/83 (No. 83/128).

790.0300 Statute of Limitations. On or after January 1, 1995, supplemental assessments are appropriate if made within the period of the statute of limitations of Revenue and Taxation Code section 75.11 in effect at the time the supplemental assessment is made, notwithstanding that such supplemental assessments would have been barred under the provisions of the previous version of the statute. C 2/6/95.

790.0310 Tenant Improvements. A supplemental assessment, whether based on taxpayer-supplied information or other data, requires the assessor to provide the statutory notice to the assessee. The assessor may enroll, the assessee may challenge, and the assessment appeals board may determine only the value of tenant improvements subject to the supplemental assessment. C 10/30/90.

790.0325 Time Limitations. Prior to the amendments to Revenue and Taxation Code section 75.11, effective September 14, 1992, adding express time limits for making supplemental assessments, there were no time limits for making such assessments resulting from an error or omission not involving the exercise of the assessor's judgment as to value. The provisions of the Revenue and Taxation Code relating to escape assessments are not applicable to supplemental assessments. C 12/1/92.