



STATE BOARD OF EQUALIZATION
PROPERTY TAXES DEPARTMENT
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TO INTERESTED PARTIES:

PROPOSED NEW PROPERTY TAX RULE 29
POSSESSORY INTERESTS IN TAXABLE GOVERNMENT-OWNED REAL PROPERTY

As announced in Letter To Assessors No. 2001/005, Board staff are in the process of drafting a new Property Tax Rule which clarifies the assessment of taxable possessory interests in government-owned property taxable pursuant to section 11 of article XIII of the California Constitution. The proposed new rule is tentatively numbered rule 29 and titled *Possessory Interests in Taxable Government-Owned Real Property*.

Enclosed is a draft of the proposed new rule. Interested parties may submit proposed changes to the rule language in the form of alternative text. Proposed changes will be accepted until April 16, 2001. On June 1, 2001, staff will meet with interested parties to discuss proposed changes to the draft rule. The purpose of this meeting is to reach agreement on rule language. The meeting will be held at 9:30 a.m. in Room 122, Board of Equalization, 450 N Street, Sacramento. Prior to the interested parties meeting, staff will distribute an agenda matrix summarizing proposed changes to the rule submitted by interested parties.

Please submit any proposed changes to Benjamin Tang, Policy, Planning, and Standards Division (e-mail: benjamin.tang@boe.ca.gov; facsimile: (916) 323-8765). If you have any questions, please contact Mr. Tang at (916) 324-2720.

Sincerely,

/s/ Richard C. Johnson

Richard C. Johnson
Deputy Director
Property Taxes Department

RCJ:bt
Enclosure

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1 **Rule 29. POSSESSORY INTERESTS IN TAXABLE GOVERNMENT-OWNED**
2 **REAL PROPERTY.**

3
4 *Reference:* Article XIII, Section 11, California Constitution.

5
6 **(a) Definitions.** For purposes of this rule:

- 7
8 (1) “Land” is defined in rule 121.
9
10 (2) “Improvements” are defined in rule 122.
11
12 (3) “Real property” is the appraisal unit of real property, as defined in section 104 of
13 the Revenue and Taxation Code, that persons in the marketplace commonly buy and
14 sell as a unit or that is normally valued separately.
15
16 (4) “Taxable possessory interest” is defined in rule 20.
17
18 (5) “Section 11” means section 11 of article XIII of the California Constitution.
19
20 (6) “Taxable government-owned real property” means real property owned by a local
21 government outside of its boundaries that is taxable for property tax purposes
22 pursuant to section 11 of article XIII of the California Constitution.
23
24 (7) “Assessed value” is defined in subdivision (a) of section 135 of the Revenue and
25 Taxation Code.
26
27 (8) “Agriculture” means the production of plants or animals, including gardening,
28 horticulture, fruit growing, and the storage and marketing of agricultural products.
29
30 (9) The “section 11 value of taxable government-owned real property” means the sum
31 of the assessment amount for the taxable land included in the real property on the
32 lien date, determined pursuant to subdivision (b) and (c) of section 11 of article XIII
33 of the California Constitution, and the assessment amount for the taxable
34 improvements included in the real property on the lien date, determined pursuant to
35 subdivision (d) of section 11 of article XIII of the California Constitution.
36
37 (10) The “section 11 taxable possessory interest limitation amount” means the fair
38 market value of the taxable government-owned real property on the lien date less
39 the section 11 value of the taxable government-owned real property on the lien date.
40
41 (11) The “total assessed value of all taxable possessory interests” means the aggregate
42 assessed values of all taxable possessory interests in an appraisal unit of taxable
43 government-owned real property on the lien date.
44

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1 **(b) Taxable possessory interests in taxable government-owned real property.**
2

3 Except as set forth below in subsection (c) of this regulation, taxable possessory interests
4 in taxable government-owned real property, excluding those created as a result of the
5 possessor having a lease for agricultural purposes, shall be assessed and taxed for
6 purposes of property taxation in the same manner as other taxable possessory interests.
7

8 **(c) Limitation on the assessment of taxable possessory interests in taxable**
9 **government-owned real property.**
10

11 On each lien date, the total assessed value of all taxable possessory interests in an
12 appraisal unit of taxable government-owned real property shall be determined. If the
13 total assessed value of all taxable possessory interests on the lien date exceeds the section
14 11 taxable possessory interest limitation amount on the lien date, then the assessed values
15 of the taxable possessory interests shall be reduced as follows: (i) if there is only one
16 taxable possessory interest in the appraisal unit of taxable government-owned real
17 property on the lien date, then the assessed value of that taxable possessory interest shall
18 be reduced so that it does not exceed the section 11 taxable possessory interest limitation
19 amount; or (ii) if there is more than one taxable possessory interest in the appraisal unit of
20 taxable government-owned real property on the lien date, then the assessed value of each
21 such taxable possessory interest shall be ratably reduced in the proportion that it bears to
22 the total assessed value of all taxable possessory interests until the total assessed value of
23 all taxable possessory interests no longer exceeds the section 11 taxable possessory
24 interest limitation amount.