



STATE BOARD OF EQUALIZATION
PROPERTY TAXES DEPARTMENT
450 N STREET, MIC: 64, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064
TELEPHONE (916) 445-4982
FAX (916) 323-8765
www.boe.ca.gov

February 22, 2002

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No. 2002/015

TO COUNTY ASSESSORS AND INTERESTED PARTIES:

ASSESSMENT GUIDELINES FOR
PUBLIC RETIREMENT SYSTEM PROPERTIES

Government Code section 7510 sets forth requirements for the assessment of investment properties owned by public retirement systems. Ambiguity in the specific language of section 7510 has led to some debate over its application. Accordingly, Board staff is beginning a project to develop guidelines for assessment of public retirement system properties.

To assist us in developing these guidelines, we are seeking input from interested parties. Enclosed is a listing of topics that staff intends to address in the guidelines. Please submit any comments or suggestions for content by March 15, 2002.

After suggestions are received, it is anticipated that the project will proceed as follows:

- Staff will distribute a draft of the guidelines in mid-April 2002. Interested parties will have the opportunity to submit proposed changes to the draft until mid-May 2002.
- Staff will meet with interested parties on June 14, 2002, to discuss proposed changes to the draft of the guidelines. The purpose of the meeting is to arrive at final language for the guidelines. Staff will distribute an agenda matrix prior to the meeting.
- Staff will submit an issue paper and other required documents for the July 31, 2002 Property Tax Committee meeting at which the Committee will hear discussion of any unresolved issues regarding the guidelines.

This letter and all future letters regarding this project will be posted to the Board's Web site (www.boe.ca.gov) and can be accessed by way of Property Taxes, Property Tax Committee Work Plans, then Property Tax Committee Work Plans 2002. If you have any questions, please contact Mr. Mark Nisson at (916) 324-0295, mark.nisson@boe.ca.gov or Mr. Robert Lambert at (916) 324-6593, robert.lambert@boe.ca.gov.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property Taxes Department

DJG:lt
Enclosure

TOPICS FOR INCLUSION IN ASSESSMENT GUIDELINES FOR PUBLIC RETIREMENTS SYSTEM PROPERTIES

Board staff has identified the following items to address in the guidelines:

- Requirements for the assessment of public retirement system properties as set forth in Government Code section 7510. Discussion will address the differences in requirements for local public retirement systems versus state public retirement systems.
- Effect of lease requirements as set forth in Government Code section 7510, subdivision (b)(1). Discussion will address whether the requirements of subdivision (b)(1) are meant to insure compliance with Revenue and Taxation Code section 107.6, or if those provisions are converted into mandatory assessment procedures by subdivision (b)(5)'s injunction that "This subdivision shall apply to the assessment, computation, and collection of taxes for the fiscal year beginning on July 1, 1992, and each fiscal year thereafter."
- The meaning of "lessee's allocable share" in Government Code section 7510, subdivision (b)(1).
- Valuation of partially leased properties. Discussion will address whether the assessment of taxable possessory interests in partially leased properties owned by a state public retirement system includes the reversionary interests retained by the retirement system after the termination of the leases.
- Creation of taxable possessory interests resulting from a change in ownership of property subject to private leases. Discussion will address whether the acquisition by a public retirement system of an income property subject to private leases constitutes the "creation" of a taxable possessory interest under Revenue and Taxation Code section 61, subdivision (b).
- Application of section 7510 when a local public retirement system acquires investment property outside its boundaries.
- Retirement systems and properties that are subject to the in-lieu fee. Discussion to include methods for determining whether a specific retirement system is within the category that is subject to the in-lieu fee.
- Valuation of possessory interests. Discussion to include the valuation of possessory interests owned by local public retirement systems versus property owned by state public retirement systems.