



STATE BOARD OF EQUALIZATION  
PROPERTY AND SPECIAL TAXES DEPARTMENT  
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No. 2005/029

May 6, 2005

TO ELECTRIC GENERATION FACILITIES STATE ASSESSEES,  
COUNTY ASSESSORS, AND OTHER INTERESTED PARTIES:

EMISSION REDUCTION CREDITS

In February 2005, Honorable Bill Leonard, Member, State Board of Equalization, requested that the Property Tax Committee review the current practice of assessing the cost of emission reduction credits (ERC's) to property owned by state-assessed electric generation facilities. On March 22, 2005, the Property Tax Committee discussed the ERC's issue. After hearing testimony, the committee referred the issue to the interested parties process for further discussions.

Staff is announcing this interested parties project and is soliciting comments on the issue of the taxability of ERC's. Currently, there are three positions that have been suggested to staff for consideration:

1. That ERC's are nontaxable intangible assets and rights that should be excluded as a component of the cost approach value indicator.
2. That ERC's are taxable intangible attributes of the improvements and should be included in the value of the improvements.
3. That ERC's are taxable intangible attributes of the land and should be included in the value of the land.

Interested parties may submit comments, and support for the comments/positions, regarding the taxability of ERC's to Mr. David Yeung at david.yeung@boe.ca.gov, or mail to:

Mr. David Yeung  
State Board of Equalization  
Assessment Policy and Standards Division  
P. O. Box 942879  
Sacramento, CA 94279-0064

May 6, 2005

It is anticipated that this project will proceed as follows:

- ◆ Interested parties will have until June 10, 2005 to submit comments/positions on the issue.
- ◆ Staff will meet with interested parties on July 12, 2005 to discuss the various positions. The meeting will be held at the Board's headquarters in Sacramento, 450 N Street, Room 122, beginning at 9:30 a.m.
- ◆ On September 1, 2005, the Property Tax Committee will hear presentations on issues regarding the taxability of ERC's as they pertain to state-assessed electric generation facilities.

This letter and all documents regarding this project will be posted to the Board's website at [www.boe.ca.gov/proptaxes/ptcwplan05.htm](http://www.boe.ca.gov/proptaxes/ptcwplan05.htm). If you have questions regarding this project, you may contact Mr. Yeung at 916-324-2812.

Sincerely,

/s/ David J. Gau

David J. Gau  
Deputy Director  
Property and Special Taxes Department

DJG:sk