



STATE BOARD OF EQUALIZATION
 PROPERTY TAX DEPARTMENT
 450 N STREET, SACRAMENTO, CALIFORNIA
 PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064
 1-916 274-3350 • FAX 1-916 285-0134
 www.boe.ca.gov

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No. 2016/007

January 20, 2016

TO COUNTY ASSESSORS:

**PARENT-CHILD AND GRANDPARENT-GRANDCHILD EXCLUSION:
 PRO RATA INTEREST IN MOBILEHOME PARK OR FLOATING HOME MARINA**

Effective January 1, 2016, Senate Bill 803 (Stats. 2015, ch. 454) amends Revenue and Taxation Code¹ section 63.1 to apply the parent-child or grandparent-grandchild exclusion to a transfer of a pro rata interest in a resident-owned mobilehome park or floating home marina owned by a legal entity. Section 2(h) of article XIII A of the California Constitution and Revenue and Taxation Code section 63.1 provide that the terms "purchase" and "change in ownership" do not include the purchase or transfer between parents and their children of either a principal residence or the first \$1 million of the adjusted base year value of all other real property. This exclusion also applies, under limited circumstances, to transfers of real property from grandparents to grandchildren.²

Section 63.1(c)(8) provides that real property means that as defined in section 104 and specifically states that real property does not include any interest in a legal entity. Section 104 defines "real property" as land; all mines, minerals, and quarries in the land; all standing timber; and improvements. Pursuant to section 105, improvements includes (1) all buildings, structures, fixtures, and fences erected on or affixed to the land, and (2) all fruit, nut bearing, or ornamental trees and vines, not of natural growth, and not exempt from taxation, except date palms under eight years of age.

Sections 62.1 and 62.5 provide an exclusion from change in ownership for a transfer of a mobilehome park or floating home marina to an entity formed by the tenants of the park or marina to purchase their park or marina from the former owner. Once the initial conversion of a mobilehome park or floating home marina has been excluded from change in ownership, a subsequent transfer of a pro rata interest in the entity that owns the park or marina is a change in ownership. However, sections 62.1(b)(1) and 62.5(b)(1) specifically provide that a transfer of a pro rata interest may be excluded from change in ownership under section 62, 63, or 63.1.

To be consistent with sections 62.1(b)(1) and 62.5(b)(1), SB 803 amends section 63.1(c)(8) to specifically provide for transfers of a pro rata interest in a resident-owned entity that owns a mobilehome park or floating home marina, as follows:

¹ All statutory references are to the Revenue and Taxation Code unless otherwise indicated.

² See Letters To Assessors 97/32 and 2006/025.

(c) As used in this section: ...

(8) "Real property" means real property as defined in Section 104. Real property does not include any interest in a legal entity. For purposes of this section, real property includes *any of the following*:

(A) An interest in a unit or lot within a cooperative housing corporation, as defined in subdivision (i) of Section 61.

(B) A *pro rata ownership interest in a mobilehome park, as defined in subdivision (b) of Section 62.1.*

(C) A *pro rata ownership in a floating home marina, as defined in subdivision (c) of Section 62.5.*

Thus, this clarifies that any transfer of a pro rata interest in a resident-owned mobilehome park or floating home marina between parents and children, or, under certain circumstances, from grandparents to grandchildren, may qualify for the change in ownership exclusion if a claim³ is filed with the county assessor.

If you have any questions regarding the parent-child or grandparent-grandchild exclusion, please contact our County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee
Deputy Director
Property Tax Department

DRK:grs

³ BOE-58-AH, *Claim for Reassessment Exclusion for Transfer Between Parent and Child*, or BOE-58-G, *Claim for Reassessment Exclusion for Transfer from Grandparent to Grandchild*.