



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
1020 N STREET, SACRAMENTO, CALIFORNIA
(PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)
(916) 445-4982

WILLIAM M. BENNETT
First District, Kentfield

BRAD SHERMAN
Second District, Los Angeles

ERNEST J. DRONENBURG, JR.
Third District, San Diego

MATTHEW K. FONG
Fourth District, Los Angeles

GRAY DAVIS
Controller, Sacramento

BURTON W. OLIVER
Executive Director

January 31, 1992

No. 92/11

TO COUNTY ASSESSORS:

SALE AND LEASEBACK TRANSACTION, SUPREME COURT

In a recent California Supreme Court decision, Pacific Southwest Realty Co. v. County of Los Angeles (12/26/91), the Court held that a sale and leaseback is a change in ownership. This decision confirms our continuing position that a sale and leaseback constitutes a change in ownership for property tax purposes, as explained in our prior letter to assessor (No. 85/128).

This case involves the 1984 sale and leaseback of the Security Pacific Plaza office building which was sold to Metropolitan Life Insurance Company for \$310 million. An earlier appellate court decision affirmed the judgment of the trial court holding that the Security Pacific Plaza office building sale and leaseback was not a change in ownership. This recent California Supreme Court decision reversed that decision and confirms that sale and leaseback transactions are changes in ownership for property tax purposes.

The California Supreme Court applied the three-part test contained in Section 60 of the Revenue and Taxation Code. That test states that a change in ownership means:

1. A transfer of a present interest in real property,
2. Including the beneficial use thereof,
3. The value of which is substantially equal to the value of the fee interest.

In the opinion of the California Supreme Court, the sale and leaseback transaction met the definition of a change in ownership as contained in the three-part test in all aspects.

If you have any questions, please feel free to contact the Real Property Technical Services Unit at (916) 445-4982.

Sincerely,

Verne Walton, Chief
Assessment Standards Division

VW:sk