July 2, 2021
State Board of Equalization
Attn: Henry Nanjo, MIC 121
P.O. Box 942879
Sacramento, CA  94279-0121

Re: LETTER TO ASSESSOR 2021-028 DATED JULY 2, 2021
PROPOSED RULE 462.520

Dear Mr. Nanjo,

We would like to make a suggestion and request clarification on issues surrounding the proposed property tax rule.

SUGGESTION:

Example 7-4 under section d(2): Please add a note to this example to the effect that since the full cash value ($800,000) is less than the new base year value ($833,306) the Assessor is obligated to enroll the market value as a decline in value pursuant to Revenue and Taxation Code Section 51(a)(2).

Our experience shows some Assessor’s do not automatically enroll the market value when a new base value established due to a partial interest transfer is higher than market value.

CLARIFICATION:

The examples provided only go so far as to transferring property from one generation to the next generation. Proposition 19 claimed it was protecting the property tax base on a family home as long as it continued use as a primary residence. Below is a scenario we would like you to consider and clarify.

Scenario:

Parent (generation 1) transfers principal residence to only child (generation 2) and generation 2 meets exclusion requirements. The taxable value of the property is $159,181. The full market value is $800,000. The new taxable value remains at $159,181 and the new base value is $800,000.

Five years later generation 2 transfers the property to their child (generation 3) who meets the exclusion requirements.
With 2% factoring, the taxable value is now $175,748. The factored base value established for generation 2 is now $883,263. The full market value is $1,100,000. What is generation 3’s taxable value and new base value?

What if the market value was $1,300,000?

Including an example demonstrating this in the proposed rule could be helpful and provide transparency.

Thank you for your consideration.

Very Truly Yours,
Assessment Counselling Services

[Signature]

Kent A. Meyer
Senior Consultant