LEGISLATIVE BULLETIN

PROPERTY TAX LEGISLATION 2001
# Property Tax Legislation

## Table of Contents

### Chaptered Legislation Analyses

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assembly Bill 136 (Corbett) Chapter 161</td>
<td>3</td>
</tr>
<tr>
<td>Employee Owned Hand Tools</td>
<td></td>
</tr>
<tr>
<td>Assembly Bill 184 (Liu) Chapter 330</td>
<td>6</td>
</tr>
<tr>
<td>Seismic Safety Improvements</td>
<td></td>
</tr>
<tr>
<td>Assembly Bill 645 (Horton) Chapter 238</td>
<td>11</td>
</tr>
<tr>
<td>Nonmandatory Audits – Appeal Rights</td>
<td></td>
</tr>
<tr>
<td>Assessment Appeal Filing Deadline</td>
<td></td>
</tr>
<tr>
<td>Assembly Bill 1123 (Committee on Revenue and Taxation Chapter 251</td>
<td>19</td>
</tr>
<tr>
<td>Board-sponsored Relief of Interest Provisions</td>
<td></td>
</tr>
<tr>
<td>Private Railroad Car and Timber Yield Tax</td>
<td></td>
</tr>
<tr>
<td>Assembly Bill 1457 (Keeley) Chapter 772</td>
<td>20</td>
</tr>
<tr>
<td>Manufactured Home Parks – Tenant Owned</td>
<td></td>
</tr>
<tr>
<td>Senate Bill 198 (Chesbro) Chapter 533</td>
<td>25</td>
</tr>
<tr>
<td>Welfare Exemption – Properties in Their Natural States</td>
<td></td>
</tr>
<tr>
<td>Senate Bill 882 (O’Connell) Chapter 609</td>
<td>29</td>
</tr>
<tr>
<td>Welfare Exemption – Public Parks Leased by Nonprofit Organization</td>
<td></td>
</tr>
<tr>
<td>Senate Bill 1181 (Committee on Revenue and Taxation) Chapter 407</td>
<td>33</td>
</tr>
<tr>
<td>Property Tax Omnibus Bill – Board of Equalization sponsored</td>
<td></td>
</tr>
<tr>
<td>Timberland Production Zone – Tax Recoupment Fee</td>
<td></td>
</tr>
<tr>
<td>Statute of Limitation – Supplemental Assessments</td>
<td></td>
</tr>
<tr>
<td>Disaster Relief</td>
<td></td>
</tr>
<tr>
<td>Disabled Veterans’ Exemption – Low-Income Inflation Adjustments</td>
<td></td>
</tr>
<tr>
<td>State Assessee Penalty Calculation</td>
<td></td>
</tr>
<tr>
<td>Confidentiality of State Assessee Information – Counties</td>
<td></td>
</tr>
<tr>
<td>Assessment Appeals – Exchange of Information</td>
<td></td>
</tr>
<tr>
<td>Manufactured Homes – Change In Ownership Provisions</td>
<td></td>
</tr>
<tr>
<td>Private Railroad Car Appeals</td>
<td></td>
</tr>
<tr>
<td>Bill Number</td>
<td>Chapter Number</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Senate Bill 1182</td>
<td>744</td>
</tr>
<tr>
<td>Senate Bill 1184</td>
<td>613</td>
</tr>
</tbody>
</table>

### Senate Bill 1182
- Property Tax Omnibus Bill – California Association of Clerks and Election Officials
- Farmland Security Zones
- State Assessee Appeals
- Assessment Appeals – Assessments Outside the Regular Period

### Senate Bill 1184
- Property Tax Omnibus Bill – California Assessors’ Association
- Parent-Child Exclusion – Claim Signatures
- Base Year Value Transfers – Original Property Suffers Disaster
- Statute of Limitations – Escape Assessments
- Contiguous Parcels – Combined Assessment

### Table of Sections Affected

59
Assembly Bill 136 (Corbett) Chapter 161
Employee Owned Hand Tools


BILL SUMMARY

This bill increases the current property tax exemption for employee-owned hand tools from $20,000 to $50,000.

Sponsor: International Association of Machinists

LAW PRIOR TO AMENDMENT

Section 3(m) of Article XIII of the California Constitution and Section 224 of the Revenue and Taxation Code exempt from property tax household furnishings and personal effects which are not held or used in connection with a trade, profession or business. Section 224 states:

The personal effects, household furnishings, and pets of any person shall be exempt from taxation.

The phrase "personal effects, household furnishings, and pets" does not include boats, aircraft, vehicles, or personalty held or used in connection with a trade, profession or business or pets so held or used.

For purposes of this section, "pets" mean and include any animals held for noncommercial purposes and not as an investment.

Revenue and Taxation Code Section 241 provides a personal property tax exemption for the first twenty thousand dollars ($20,000) of hand tools owned by an employee who is required, as a condition of employment, to supply his or her own hand tools. Without this exemption, this property would be subject to property tax under Section 224.

"Hand tools" is defined to mean hand-held implements and equipment, including hand-held power tools, of which any one may be transported to and from the workplace and which are necessary for the ordinary and regular performance of the employee’s work. The exemption also extends to appropriate storage containers for the implements and equipment.
AMENDMENT

This bill amends Section 241 to increase the employee-owned hand tool exemption from $20,000 to $50,000.

IN GENERAL

The taxation of any personal property, which is not already tax exempt under the California Constitution, is discretionary with the Legislature. Section 2 of Article XIII of the California Constitution provides that the Legislature, two-thirds of the membership in each house concurring, may classify personal property for differential taxation or exemption.

Personal property used in a trade or business is generally taxable, and its cost must be reported annually to the assessor on the business property statement as provided for in Section 441. Personal property is not subject to the value limitations of Proposition 13. Therefore it is valued annually at its current fair market value as of January 1 (the lien date). The business property statement shows all taxable property, both real and personal, owned, claimed, possessed, controlled, or managed by the person filing the property statement. The assessor may request a signed business property statement from any person owning taxable personal or real property. When the aggregate cost of the taxable personal property is $100,000 or more, the person is required to file a signed property statement each year with the assessor.

In the annual determination of “current fair market value” of personal property, the valuation method generally used is based on the acquisition cost of the property. The acquisition cost is multiplied by a price index, an inflation trending factor based on the year of acquisition, to provide an estimate of its replacement cost new. The replacement cost new is then multiplied by a depreciation index, also called percent good tables, to provide an estimate of the depreciated replacement cost of the property (replacement cost new less depreciation). The replacement cost new less depreciation value becomes the taxable value of the property for the following fiscal year.

BACKGROUND

In 1994, Assembly Bill 3514 (Ch. 527, Stats. 1994, Costa) was enacted to create the hand tool exemption. AB 3514 was sponsored by the International Association of Machinists. At that time, some owners of smaller independent businesses, primarily auto repair shops, who supply their employees with tools (and thus pay taxes on the tools) had expressed concern to their local county assessors that they were at a competitive disadvantage because some of their competitor’s, namely auto dealership repair shops, required their employees to provide their own work tools and therefore those businesses did not incur the added expense of property tax on the value of those tools. Although technically employee-owned tools would be subject to property tax, in practice, these items generally had not previously been assessed.
The assessment of personal property owned by an employee and used in connection with the employee’s profession, trade, or business (e.g. automobile mechanics, beauticians, plumbers, carpenters, dental hygienists) is generally of low priority for property tax administrators since these items are not readily discoverable and can be of relatively minimal value compared to other competing priorities. Consequently, the staff resources needed to locate, value and assess this type of property can often exceed the revenue collected. However, because of the concerns expressed, an effort was made in a few counties to begin the taxation of employee owned tools. Thereafter, the employees who received property tax bills for their tools expressed concern that the tax was unjust because an employer could pass on the property tax cost to their customers, but an employee would have to bear the cost directly. AB 3514 was subsequently introduced and enacted to address these concerns by creating a property tax exemption for employee-owned hand tools.

COMMENTS

1. **Purpose.** The purpose of this bill is to increase the exemption level to reflect the increased cost of hand tools used by laborers in their employment.

2. **Prior Amendments.** As introduced, this bill would have, beginning on January 1, 2002, annually increased the exemption amount by an inflation factor. The March 28th amendment instead increased the exemption amount from $20,000 to $50,000 and eliminated the annual inflation adjustment. This amendment was made to address assessor concerns that the concept of applying an automatic annual inflation adjustment to an exemption amount would result in administrative difficulties and additional costs.

3. **The taxation of personal property is discretionary with the Legislature.** Section 2 of Article XIII of the California Constitution provides that the Legislature, two-thirds of the membership in each house concurring, may classify personal property for differential taxation or exemption. In contrast, real property exemptions generally require a constitutional amendment.

4. **Personal property when used in a trade, profession, or business, whether owned by an individual or a business, is subject to property tax.** While employee-owned tools are legally subject to property tax, in practice, this property generally is not assessed in most counties. In the early 1990’s some counties began to assess hand tools owned by auto mechanics that were employees of automobile repair businesses. In response, the exemption was created. As a result of the exemption, some of those counties discontinued actively discovering employee owned hand tools.
**Assembly Bill 184 (Liu) Chapter 330**

**Seismic Safety Improvements**

*Tax levy; effective September 25, 2001. Amends Sections 70 and 74.5 of the Revenue and Taxation Code.*

**BILL SUMMARY**

This bill, for purposes of the seismic safety new construction exclusion, (1) modifies filing requirements and (2) modifies the definition of “improvements utilizing earthquake hazard mitigation technologies.”

**Sponsor: Board of Equalization and the Seismic Safety Commission**

**LAW PRIOR TO AMENDMENT**

The law generally requires that when a property with existing improvements undergoes “new construction” the assessed value of the property must be increased by an amount equal to the value added by the new construction, i.e., by the amount of the new base year value of the new construction. Some types of improvements are excluded from the definition of “new construction.” In these cases, while the improvements may increase the value of property, the additional value is not added to the base year value of the property.

Revenue and Taxation Code Section 70(d) implements Proposition 23, approved by voters in 1984, and Section 74.5 implements Proposition 127, approved by voters in 1990. These propositions amended Section 2 of Article XIII A of the California Constitution to provide a new construction exclusion for certain seismic safety improvements. Section 70(d) provides a 15-year new construction exclusion for improvements to *unreinforced masonry buildings* undertaken to comply with local ordinances on seismic safety. Section 74.5 provides a new construction exclusion for (1) seismic retrofitting improvements and (2) improvements utilizing earthquake hazard mitigation technologies. The exclusion provided by Section 74.5 is not limited to 15 years and applies to both masonry and nonmasonry buildings.

**Filing Requirements.** To receive these new construction exclusions, the statutory provisions require that the property owned file a claim and provide certain documents. To receive the new construction exclusion under Section 70(d) a property owner must file a “certificate of compliance,” which is obtained from the local agency who required the improvements, by the “following April 15.” Local agencies do not issue a certificate of compliance until after the improvements are completed.
completed. To receive the new construction exclusion under Section 74.5, a property owner must notify the assessor prior to, or within 30 days of, completion of the project that he or she intends to claim the exclusion for seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies. Additionally, all documents needed to support the claim must be filed by the "following April 15."

**Qualifying Improvements.** Section 74.5(b)(2) defines “improvements utilizing earthquake hazard mitigation technologies” to mean “improvements, to existing buildings identified by a local government as being hazardous to life in the event of an earthquake, that utilize earthquake hazard mitigation technologies approved by the State Architect pursuant to Section 16102 of the Health and Safety Code.”

Section 16102 provides:

(a) The State Architect shall develop and adopt by January 1, 1992, regulations for the application of earthquake hazard mitigation technologies to buildings which do all of the following:

1. Prescribe design criteria and performance standards with the objective of reasonably ensuring the limitation of earthquake damage or the continuous operational capability of buildings with earthquake hazard mitigation technologies, or both.

2. Determine the procedure for estimating the life cycle costs of a building designed and constructed according to the provisions of this chapter.

3. Establish the criteria for determining the suitability of earthquake hazard mitigation technology as compared to conventional construction considering project-specific design requirements and life cycle costs.

(b) The advisory board established pursuant to Section 16022 shall advise the State Architect in the development of regulations for this chapter.

**AMENDMENTS**

**Filing Requirements.** This bill amends Sections 70(d) and 74.5 of the Revenue and Taxation Code to eliminate the “following April 15th” deadline and instead provide that necessary documents must be filed not later than six months after completion of the project. Additionally, for purposes of the 15-year new construction exclusion of Section 70(d), the failure to file a certificate within the prescribed filing period is be deemed to be a waiver of the exclusion for that year.

**Qualifying Improvements.** This bill also amends Section 74.5 of the Revenue and Taxation Code to change the definition of "improvements utilizing earthquake hazard mitigation technologies" to mean “improvements to existing buildings identified by a local government as being hazardous to life in the event of an earthquake. These improvements shall involve strategies for earthquake protection of structures. These improvements shall use technologies such as those referenced in Part 2 (commencing with Section 101) of Title 24 of the California Building Code and similar seismic provisions in the Uniform Building Code.”
IN GENERAL

Property Tax System. Article XIII, §1 of the California Constitution provides that all property is taxable, at the same percentage of “fair market value,” unless specifically exempted, or authorized for exemption, within the Constitution. Article XIII A, §2 of the California Constitution defines “fair market value” as the assessor's opinion of value for the 1975-76 tax bill, or, thereafter, the appraised value of property when purchased, newly constructed, or a change in ownership has occurred. This value is generally referred to as the “base year value”. Barring actual physical new construction or a change in ownership, annual adjustments to the base year value are limited to 2% or the rate of inflation, whichever is less. Article XIII A, §2 provides for certain exclusions from the meaning of “change in ownership” and “newly constructed” as approved by voters via constitutional amendments.

New Construction. The constitution does not define the term “new construction.” Revenue and Taxation Section 70 defines it, in part, to mean:

Any addition to real property, whether land or improvements (including fixtures), since the last lien date.

Any alteration of land or improvements (including fixtures) since the lien date that constitutes a “major rehabilitation” or that converts the property to a different use. A major rehabilitation is any rehabilitation, renovation, or modernization that converts an improvement or fixture to the substantial equivalent of a new improvement or fixture.

With respect to any new construction, the law requires the assessor to determine the added value upon completion. The value is established as the base year value for those specific improvements qualifying as “new construction” and is added to the property’s existing base year value. When new construction replaces certain types of existing improvements, the value attributable to those preexisting improvements is deducted from the property's existing base year value. (R&T Code §71)

New Construction Exclusions. Over the years, Article XIII A, §2 of the Constitution has been amended to specifically exclude certain types of construction activity from assessment as “new construction.” Consequently, while these improvements may increase the value of the property, the additional value is not assessable.
Seismic Safety Exclusions. As noted previously, there have been two constitutional amendments relating to improvements made for seismic safety purposes.

Revenue and Taxation Code Section 70(d). Unreinforced masonry structures that must be improved to comply with local seismic safety ordinances are given a 15-year new construction exclusion.

Revenue and Taxation Code Section 74.5. This provision applies to any qualifying construction other than work that falls under the 15 year new construction exemption for unreinforced masonry structures provided under Section 70(d).

COMMENTS

1. Purpose. To update the definition of “improvements utilizing earthquake hazard mitigation technologies” in conformance with existing practices and to modify filing periods to ensure taxpayers are not inadvertently denied the exemption due situations outside their control.

2. Amendments. The July 2 amendment eliminates the arbitrary cut-off date of April 15, regardless of when construction was completed, to address an issue that has arisen with the filing deadline. The April 16 amendment adds co-authors and makes a non-substantive amendment.
3. **Fixed Filing Deadline.** It has been reported that in the city and county of San Francisco at least one property owner has lost the new construction exclusion of Section 70(d) because they were unable to obtain the required “certificate of compliance” from the local agency that required the improvements by the “following April 15.” Under this bill, the property owner prevented from timely filing the certificate in a given year would lose the exclusion for only that year.

4. **Other Exclusions.** A deadline imposed for a new construction exclusion where a claim or other document is required should be based on the date of completion rather than a fixed date. The change in filing deadline to six months after the completion date would bring the new construction exclusions for seismic safety improvements into conformity with the only other new construction exclusion that requires specific documentation, which is the exclusion for disabled accessibility improvements for non-owner occupied property found in Section 74.6. The other new construction exclusion provisions of law have no notice or due date requirements. (See Section 73 for active solar energy systems; Section 74 for fire safety improvements; and Section 74.3 for disabled person accessibility improvements for owner occupied homes.)

5. **Current definition refers to regulations that do not exist.** The current definition of “improvements utilizing earthquake hazard mitigation technologies” found in Section 74.5 is keyed to certain technologies approved by the State Architect. However, rather than adopting regulations referenced in Section 16102 of the Health and Safety Code, the State Architect instead developed guidelines and seismic performance standards to insure the seismic performance of buildings utilizing earthquake hazard mitigation technology.

6. **State Agencies collaborated on the proposed replacement definition.** The staff of the State Architect’s office, Seismic Safety Commission and the Board of Equalization worked together to formulate this new definition.
Assembly Bill 645 (Horton) Chapter 238
Nonmandatory Audits – Appeal Rights
Assessment Appeal Filing Deadline


BILL SUMMARY

This bill:
- Provides all taxpayers with equivalent assessment appeal rights after a property tax audit.
- Extends the final date to file applications for assessment appeal from September 15 to November 30 if value notices are not sent by August 1.

Sponsor: Board of Equalization

Nonmandatory Audits – Appeal Rights
Revenue and Taxation Code Section 469

SUMMARY

Extends the final date to file applications for assessment appeal from September 15 to November 30 if value notices are not sent by August 1.

LAW PRIOR TO AMENDMENT

Revenue and Taxation Code Section 469 requires county assessors to audit, at least once every four years, the books and records of any taxpayer engaged in a profession, trade, or business, if the taxpayer has assessable trade fixtures and business tangible personal property valued at $400,000 or more. These statutorily required audits are commonly referred to as “mandatory audits.” Additionally, the assessor may audit the books and records of taxpayers with holdings below $400,000 in value under the authority of Revenue and Taxation Code Section 470. These audits are referred to as “nonmandatory audits.” Generally, assessors perform both mandatory and nonmandatory audits to ensure that the audit program includes a representative sample of all sizes and types of property.

Section 469, in addition to requiring the periodic audit of specified taxpayers, specifies that when a mandatory audit has been conducted and the audit has “disclosed property subject to an escape assessment,” then the original assessment of all the property of the assessee at that location is open to appeal for the year of
the escape, except property for which the value has been previously equalized (i.e. a previous assessment appeal on the property was heard and decided). In contrast, when a nonmandatory audit is conducted and an escape assessment is made, the taxpayer may appeal only the property subject to escape assessment.

**AMENDMENT**

This bill amends Section 469 of the Revenue and Taxation Code to provide taxpayers subject to nonmandatory audits the identical assessment appeal rights currently provided to taxpayers after mandatory audits.

**IN GENERAL**

Revenue and Taxation Code Section 469 requires that an assessor perform periodic audits (once every four years) of the books and records of any business with taxable personal property and fixtures valued at $400,000 or more.

Generally, after the assessor audits the taxpayer, there are three possible outcomes:

- **No Change.** The audit results in “no change” in the original value placed on the property. There are two ways an audit can result in “no change:”
  - No changes were discovered.
  - Any changes discovered were “netted out,” by overassessments offsetting underassessments. (For efficiency purposes, overassessments can offset underassessments in calculating the amount of taxes due or owing.)

- **Refunds.** A “net overassessment” is discovered, resulting in a refund of property taxes previously paid.

- **Escape Assessments.** A “net underassessment” is discovered, resulting in an “escape assessment” and additional taxes will be due.

Section 469 and Section 1605 specify that, when an audit has been conducted, and the audit “disclosed property subject to an escape assessment,” then all the property of the taxpayer at that location is open to appeal for the year of the escape, except property whose value was determined pursuant to a previous assessment appeal. “All the property,” means all real and personal property.

The phrase “subject to an escape assessment” is without statutory definition. It has been the Board’s longstanding position that the phrase “subject to” gives the assessee the right to appeal, regardless of whether the assessor actually enrolls an escape assessment. In other words, for any year in which the assessor determined that some property was either underassessed or not assessed, the taxpayer is entitled to an appeal hearing on the entire property whether or not a tax bill is
ultimately issued. An Attorney General's opinion, 97-315, concurs with the Board's interpretation on this matter.

Senate Bill 1752 (Chap. 732, Stats. 1978; Ayala) added the provision that provides when any mandatory audit discloses property subject to an escape assessment, then all the property of the taxpayer at that location is open to appeal for the year of the escape, except property the value of which was determined pursuant to a previous assessment appeal. The Taxation Section of the California State Bar was the sponsor of Senate Bill 1752. In an August 31, 1978, letter to then Governor Brown, the State Bar outlined the purpose of their legislation. That letter reads in pertinent part:

"The bill is needed because many taxpayers do not protest assessments when the overall assessment at a business premises seems fair, even though some components are over-assessed and some under-assessed. Then, years later the assessor by reason of audit, proposes an escape assessment for the under-assessed component. Under present law, the taxpayer has no redress for the over-assessment component at the late date of the proposed escape assessment.

The bill has a *de minimis* or no costs to local government and was not opposed by the Legislature. It is particularly important due to the passage of Proposition 13 because assessors now have to review 1975-76 assessments of real property.

In that year (1975-76), many fixtures and heavy machinery were misclassified as personal property, either by the taxpayer or assessor. It did not make a difference in tax then because both real and personal property were taxed at virtually the same rate. Under Proposition 13, real property is to be rolled back to its 1975-76 value. Hence if the assessor in an audit wants to reclassify property assessed as real property in 1975-76 year as being personal property, the taxpayer may need the whole assessment reviewed in order to have fair and equal treatment under the property tax law."

**BACKGROUND**

This change was prompted as a result of recent rule making activity at the Board of Equalization. The staff of the Board of Equalization was drafting a proposed regulation, Property Tax Rule 305.3, which would interpret the provisions of Section 469 relating to assessment appeal rights and appeals boards’ jurisdiction to equalize the original assessment of all property of the assessee at the location of the profession, trade, or business for the year of the mandatory audit.

In preparing this regulation, Board staff first meets with interested parties to discuss issues related to the proposed regulation and reach consensus where possible. When consensus on a particular issue is not formed, staff presents the issue to the Members of the Board of Equalization, meeting as the Property Tax Committee, for resolution. Interested parties did not meet consensus as to whether the appeal provisions contained in Section 469 applied only to mandatory audits or all audits.
Consequently, on November 1, 2000, the Board of Equalization’s Property Tax Committee decided this as well as other unresolved issues necessary to provide staff with direction in drafting Rule 305.3. The Committee concluded that the appeal provisions contained in Revenue and Taxation Code Section 469 applied only to mandatory audits, but that legislation should be sought to extend the appeal provisions to nonmandatory audits.

COMMENTS

1. Purpose. This provision is intended to eliminate the current disparity in treatment between taxpayers based on whether or not their audit was mandated by law. This bill guarantees that all taxpayers who are audited by a county assessor, regardless of the value of their assessable trade fixtures and business tangible personal property, have the same opportunity to file an application for equalization of the original assessment of all property at the location of the business, trade, or profession for the year of the audit when the result of any audit discloses property subject to escape assessment.

2. Amendments. The June 20 amendment incorporates amendments to Section 469, which were previously contained in AB 1433 (Horton). The May 17 amendment to AB 1433 redrafts the bill to amend existing Section 469 to accomplish the same purpose rather than moving language from Section 469 into a new section of code and then amending various sections of law to update cross references. This change was made to address concerns expressed by interested parties that it is preferable to amend Section 469 to ensure that there are no unintended consequences of moving the language into a separate section of code, since Section 469 has been subject to recent litigation.

3. Appeal Timing – During the Annual Filing Period or After an Audit. Ordinarily, a taxpayer who does not file an appeal application within the prescribed annual filing period from July 2 through September 15 for a particular tax year is thereafter precluded from appealing the value of their property for that year. Notwithstanding this general provision, appeals are permitted for certain prior tax years after a mandatory audit, if the audit discovers property subject to an escape assessment. For instance, if a business taxpayer does not file an appeal on its 1998-1999 assessed value between July 2, 1998 and September 15, 1998, the assessed value of its property for the 1998-99 tax year is generally final for that year and the taxpayer may not later challenge the value determined. However, if a mandatory audit of the taxpayer’s property for the 1998-99 tax year is completed in 2001 and the audit discovers property subject to an escape assessment for the 1998-99 tax year, then in 2001, the business could appeal the original assessment of all property at the location for the 1998-99 tax year. Of course, generally it is in the best interest of a business to file an appeal in 1998 if it disagreed with the value set by the assessor.

4. What is the difference in appeal rights? A taxpayer subject to a nonmandatory audit (generally smaller businesses) may appeal only the value of the property subject to escape assessment. A taxpayer subject to a mandatory
audit (generally larger businesses) may appeal the original assessment of all the property at the location of the business, trade or profession in addition to the specific property subject to escape assessment. For instance, if a nonmandatory audit disclosed that a particular piece of equipment was not assessed, the small business owner could only challenge the value of the specific piece of equipment as determined by the escape assessment. Conversely, a large business owner subject to a mandatory audit could appeal the original assessment of the land, building, and/or personal property in addition to the escape assessment of the particular piece of equipment.

5. **What is the rationale for permitting a taxpayer to appeal all the property rather than just the property subject to an escape assessment?** The purpose of opening the original assessment of the entire property to appeal is to protect taxpayers from misallocation of value within the total assessment. When an entire property is originally assessed, a taxpayer may agree with the value determined by the assessor for the entire property but may disagree with the allocation of the value among real and personal property. As a result, the taxpayer does not appeal the overall assessment, even though some components are overvalued and some undervalued. Years later, after an audit, the assessor could propose an escape assessment for the undervalued component but leave the overvalued component unchanged. By permitting the taxpayer to appeal the original assessment of all the property at the location, the county assessment appeals board has the power of oversight to ensure that the entire assessment (the original assessment and the escape assessment) is correct.

6. There appears to be no supportable reason why larger businesses should have greater appeal rights than small business owners. This bill affords all taxpayers the same rights regardless of the value of their holdings.

7. **Supporters of equal appeal rights have noted that the disparity could create an incentive for an assessor to manipulate “nonmandatory audits” of larger businesses.** Specifically, it is stated that by limiting the application of the equalization provisions to mandatory audits, an assessor could perform a superficial mandatory audit with a no change result and later conduct a nonmandatory audit that discloses property subject to escape assessment. In that event, the taxpayer would have the right to appeal only the property for which an escape assessment has been made.

8. **Potential opponents of this measure dislike current law, and therefore oppose any expansion of it.** Such persons state that the ability to appeal after an audit is used by some taxpayers as a mechanism to attempt to receive retroactive reductions in value when the taxpayer had otherwise failed to file a timely appeal at the time the original assessment was made. Additionally, they believe that taxpayers should not be allowed the opportunity to appeal the value of all the property; rather they believe appeal rights should be limited to the value of the escaped property.
Assessment Appeal Filing Deadline
Revenue and Taxation Code Section 1603

SUMMARY
Extends the final date for filing an assessment appeal from September 15th to November 30th in those counties where the county assessor does not send value notices to taxpayers of the assessed value of their real property by August 1.

LAW PRIOR TO AMENDMENT
Revenue and Taxation Code Section 1603 requires that a taxpayer file an assessment appeal application between July 2 and September 15 to appeal the assessed value of their property for property tax purposes.

Revenue and Taxation Code 619 generally requires the assessor to notify taxpayers of changes in the assessed values of their property by July 1, the date that the assessment roll must be completed. However, a notice is not required when the only value change is the application of the annual 2% inflation factor.

AMENDMENT
This bill amends Section 1603 of the Revenue and Taxation Code to extend the final date to file an assessment appeal application for real property to November 30th if the county assessor does not send a notice of the property’s assessed value to the taxpayer by August 1.

BACKGROUND
Previous legislative attempts to extend the filing deadline for assessment appeals are summarized in the following table:

<table>
<thead>
<tr>
<th>Bill</th>
<th>Year</th>
<th>Author</th>
<th>Sponsor</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB 2169</td>
<td>2000</td>
<td>SR&amp;T Committee</td>
<td>Board of Equalization</td>
</tr>
<tr>
<td>SB 657</td>
<td>1995</td>
<td>Maddy</td>
<td>California Taxpayers’ Association</td>
</tr>
<tr>
<td>AB 614</td>
<td>1993</td>
<td>Rainey</td>
<td>Contra Costa County Assessor</td>
</tr>
<tr>
<td>SB 1795</td>
<td>1992</td>
<td>Johnson</td>
<td>Author</td>
</tr>
</tbody>
</table>

These bills previously failed primarily due to opposition from either the California Assessors’ Association or individual county assessors.

---

1 Assessors may receive a 30 day extension period to complete the assessment roll pursuant to Revenue and Taxation Code 155.
COMMENTS

1. **Purpose.** This provision is intended to provide taxpayers with a realistic opportunity to appeal their assessed value once they receive some form of communication from the county as to the value determined by the assessor, either by a value notice or the tax bill, as the case may be.

2. **Amendments.** The April 26 amendments change the date by which value notices must be sent, from September 1 to August 1, in order to maintain the current September 15th countywide assessment appeal deadline. This change was made at the request of Santa Clara County to ensure taxpayers would have sufficient notice before the end of the appeals period. Without the amendment, if the county sent notices on September 1, taxpayers would have had only 15 days after value notification to file their appeal.

3. **Tax Bills Arrive After Appeal Filing Period Has Ended.** Annual property tax bills must be mailed before November 1. The taxes are payable in two equal installments, with the first installment due November 1 and delinquent on December 10. (§§2610.5, 2704)

4. **Taxpayers Often Express Outrage and Disbelief.** The fact that the bill arrives in the mail only after the period to challenge the assessment has passed confounds many taxpayers. They often express their belief that the system has been designed to prevent them from exercising their right to appeal.

5. **The Appeals Filing Period was Designed for Pre-Proposition 13 Times.** The appeals filing period was not adjusted after Proposition 13. The July 2nd to September 15th appeals filing period worked well prior to Proposition 13 when property was cyclically reappraised to current market value and assessors were required to notify taxpayers of increases in their assessed value prior to July 1.

6. **Annual Assessed Value Notices.** The law still generally requires the assessor to notify taxpayers of increases in assessed value prior to July 1, but the requirement to send a notice is waived when the only change in assessed value is the application of the annual 2% inflation adjustment pursuant to the provisions of Proposition 13. Since the majority of properties fall into this category, most taxpayers do not receive a notice of the current assessed value of their property until the tax bill arrives at the end of October.

7. **Presumably Annual Notices were Deemed Unnecessary Post-Proposition 13.** With Proposition 13, absent any change to the property, a taxpayer could expect that the assessed value would not increase by more than two percent and could independently estimate the value for the next tax year. However this line of reasoning also assumes that taxpayers would remember the annual appeals filing period, as well as remember the assessed value for the prior year, without any prompting.
8. **Currently Only Five Counties Still Send Value Notices to All Taxpayers.** The five counties are Alameda, Orange, San Luis Obispo, Santa Clara, and Sutter. Counties that send value notices generally believe that the assessment appeal date should not be extended in their case. Counties that do not send notices generally state that they do not send value notices to all taxpayers because it is too costly.

9. **Creates Lack of Statewide Uniformity.** This measure creates a lack of statewide uniformity in assessment appeal filing periods between counties that send value notices and those that do not. This reflects a compromise in order to remove the opposition of some county assessors who would otherwise oppose the filing date extension. While a lack of uniformity is undesirable, it is necessary so that the greatest number of taxpayers who own property in counties that do not send an annual value notice are provided with value information prior to the deadline to challenge their assessment.

10. **Local Option.** Any county can decide to send value notices if they do not wish to extend the final filing deadline in their county.

11. **The Appeals Period Extension is Limited to Real Property.** This was done at the request of the Assessors’ Association because taxes on unsecured personal property assessments are due on August 31.
Assembly Bill 1123 (Committee on Revenue and Taxation) Chapter 251  
Board-sponsored measure

Effective January 1, 2002. Amends Section 25205.6 of the Health and Safety Code, amends Sections 42886 and 42886.1 of the Public Resources Code, amends Sections 6593.5, 7285, 7285.5, 7288.3, 7655, 7657, 7658, 7658.1, 7659.2, 8878, 8878.5, 11409, 30014, 30016, 30104, 30108, 30176.1, 30181, 30283.5, 32255, 32256.5, 38455, 40103.5, 41097.5, 43152.9, 43158.5, 45156.5, 46157.5, 50112.4, 55046, and 60212 of, adds Article 2.5 (commencing with Section 7659.9) to Chapter 5 of Part 2 of Division 2 of, and repeals Section 30463 of, the Revenue and Taxation Code.

BILL SUMMARY

With respect to the Private Railroad Car Tax and Timber Yield Tax, this Board of Equalization-sponsored housekeeping bill expands the circumstances under which relief of interest may be granted due to an unreasonable error or delay by the Board.

LAW PRIOR TO AMENDMENTS

Under existing law, tax payments made after the due date are subject to interest. Current law allows the Board to relieve the taxpayer of interest when the reason for late payment is due to a disaster or due to an unreasonable error or delay by an employee of the Board acting in his or her official capacity.

COMMENT

The provision to allow the Board to grant relief from interest was added by AB 1638 (Chapter 929, Statutes of 1999). The purpose of that Board-sponsored bill was to address situations where interest was imposed upon the taxpayer due to unreasonable errors or delays by Board employees. However, the bill inadvertently omitted situations where interest is imposed due to an audit determination or a late prepayment of sales tax on diesel or other fuels by not including the appropriate code sections that address those situations.

These amendments provide the Board the authority to grant relief of interest in all applicable instances, including an audit determination and late prepayment of the private railroad car tax or timber yield tax, provided the reason for late payment is due to unreasonable error or delay by an employee of the Board.

For example, in the situation where an audit determination is made, an unreasonable error or delay by an employee of the Board could include delays due to an unexpected lengthy absence from work by the auditor which results in a significant delay in completion of the audit. However, it would not include situations where the completion of the audit is delayed due to delays requested by the taxpayer, delays due to normal verification procedures used in an audit, or due to the Board not selecting the taxpayer’s account for audit until a later date.
Assembly Bill 1457 (Keeley) Chapter 772
Manufactured Home Parks – Tenant Owned


BILL SUMMARY

This bill relieves mobilehome park residents of additional property tax liability for escape assessments for prior tax years due to previously undiscovered pro rata changes in ownership of tenant owned mobilehome parks.

Sponsor: Assembly Member Keeley

LAW PRIOR TO AMENDMENT

Existing law excludes certain transfers of mobilehome parks from change in ownership reassessments if the tenants who rent the individual spaces of the mobilehome park purchase it. Qualifying conversions to resident ownership permit the residents of the park to retain the base year value of the previous owner, rather than triggering a reassessment of the mobilehome park to current market value. Existing law also provides that once the park has been excluded from a change in ownership and the park has not been converted to condominium, limited equity, or cooperative ownership, then any transfer (after January 1, 1989) of the shares of stock or ownership interests in the entity which acquired the park results in a pro-rata change in ownership in the park real property for the portion of ownership interests which have transferred. In other words, once the residents who participated in the original purchase of the park sell or otherwise transfer their ownership interests in the park, that particular share in the park would be reassessed to current market value.

AMENDMENT

This measure amends Revenue and Taxation Code Section 62.1 to provide that in instances where an assessor failed to timely reappraise subsequent pro rata changes in ownership of a resident-owned mobilehome park that had previously been granted a change in ownership exclusion, the assessor will correct the assessment on a prospective basis commencing with the January 1, 2002 lien date. It also provides that, in this specific situation, escape assessments, and any associated supplemental assessment, for prior tax years may not be levied for pro rata changes in ownership that occurred between January 1, 1989, and January 1,
2002. Additionally, any outstanding taxes that may have been levied for failure to timely reappraise these pro rata changes in ownership between January 1, 2000 and January 1, 2002 are to be cancelled. However, any taxes paid by a mobilehome park for these escape assessments and associated supplemental assessment before January 1, 2002 will not be refunded.

Assessors that correct base year values are be required to notify the parks that its residents may be eligible for the property tax assistance programs offered by the Controller (the Property Tax Postponement Program) or the Franchise Tax Board (the Homeowner Assistance Program). Additionally, manufactured parks are required to provide any information to assessors needed to correct these assessments.

This bill also amends Section 62.1 to add a requirement that if a resident-owned mobilehome park does not use recorded deeds to transfer ownership interests in the spaces or lots, then the park must file by February 1 of each year, a report with the county assessor’s office containing the following information:

1. The name and mailing address of each owner, stockholder, or holder of an ownership interest in the mobilehome park.
2. The situs address, including space number, of each unit.
3. The date that the ownership interest was acquired.
4. If the unit is a manufactured home, the Department of Housing and Community Development decal number or serial number, or both, and whether the manufactured home is subject to the vehicle license fee or the local property tax.

In addition to the annual report filed by the park, this bill requires any person that acquires an interest in the park to file within 30 days a change in ownership statement.

**IN GENERAL**

California’s system of property taxation under Article XIII A of the State Constitution (Proposition 13) values property at its 1975 fair market value, with annual increases limited to the amount of inflation or 2%, whichever is less, until the property changes ownership or is newly constructed. At the time of the ownership change or new construction, the value of the property for property tax purposes is redetermined based on current market value. The value initially established, or redetermined where appropriate, is referred to as the "base year value." Thereafter, the base year value is subject to annual increases for inflation. This value is referred to as the "factored base year value."

**Exclusion for Sale of Undivided Mobilehome Park to Resident Owned Entity-§62.1(a):** A transfer on or after January 1, 1985 of a mobilehome park to a specified legal entity, formed by the tenants of a park, for purposes of purchasing the park, is excluded from change in ownership provided that any transfer of the park on or after January 1, 1989 involves 51% ownership of the acquiring legal
entity by tenants renting at least 51% of the spaces in the park prior to the transfer. Under Section 62.1(c), if the park has been excluded from a change in ownership and the park has not been converted to condominium, limited equity, or cooperative ownership, then any transfer (after January 1, 1989) of the shares of stock or ownership interests in the entity which acquired the park in accordance with Section 62.1(a), results in a pro-rata change in ownership in the park real property equal to the portion of ownership interests which have transferred. As an exception, this pro-rata change in ownership does not take place, if the transfers are for the purpose of converting the park to condominium or cooperative ownership.

Exclusion for Sale of Individual Rental Spaces to Individual Residents—§62.1(b): Transfers of rental spaces in a mobilehome park to individual tenants of the spaces are also excluded from change in ownership provided that (1) at least 51% of the spaces are purchased by individual tenants renting their spaces prior to purchase, and (2) the individual tenants form, within one year after the first purchase of a rental space by a tenant, a resident organization, defined in Health & Safety Code §50781. If the tenant(s) notify the assessor of their intent to comply with these conditions, there is no reappraisal of any spaces purchased by individual tenant(s) during that time period. The assessor may levy escape assessments, if the requirements for the exclusion are not met. This exclusion applies only to parks in operation for five years or more, and to qualifying transfers on or after January 1, 1985.

Exclusion for Interim Holding By Non-Resident Owned Entity - §62.2: In some cases, prior to the transfer to the tenants directly or to an entity owned by the tenants, there is an interim transfer of the mobilehome park to a non-tenant owned entity. This entity helps facilitate the purchase and conversion to a resident-owned park. Section 62.2 allows for application of the change of ownership exclusion in Section 62.1 upon the occurrence of an “interim transfer” of the mobilehome park to an entity (including a governmental entity) not owned by the park residents. This exclusion permits an initial transfer to an entity not formed by the tenants, followed within 18 months, by a transfer to one that is formed by the tenants or to the individual tenants (§62.1, above). For parks originally transferred on or after January 1, 1993, the interim time period is extended to 36 months, and for parks located within disaster areas, the time period is extended to 76 months.

COMMENTS

1. Purpose. The author’s office notes that after the original change in ownership exclusion was created, the Legislature changed the law to provide that pro rata changes of ownership in resident-owned mobilehome parks would be subject to reassessment. This subsequent legislation was not well publicized, with many homeowners and assessors reportedly unaware of the change. The author’s office states that because sales of shares in these mobilehome parks does not generate paperwork normally filed with the assessor, such as a recorded deed, assessors who were unaware of the new law had no mechanism by which to become aware of these changes in ownership.
2. Amendments. The September 7 amendments specifically addressed the situation of Santa Clara County, the only county to have completed the reassessment process for previously undiscovered pro rata changes in ownership prior to the introduction of this bill. The amendments provide that outstanding taxes that have yet to be paid will be cancelled, but any payments made prior to the effective date of this legislation will not be refunded. The September 7 amendments also limit notification of property tax assistance programs to the parks themselves, rather than to all residents in the park, to eliminate the need for counties to claim cost reimbursement for sending these notices.

The June 21 amendments, in part, amended subparagraph (4) of paragraph (A) of subdivision (b) to provide that the provisions of this bill apply to any form of tenant ownership, (i.e. nonprofit corporation, stock cooperative, limited equity stock cooperative, or other entity formed by tenants) by specifying that its provisions apply to any change in ownership exclusion specified in “subdivision (a).” Various paragraph and subdivision letter designations were also renumbered.

The May 31 amendments require the assessor to notify residents of the park of the property tax assistance programs. (This was subsequently amended to limit notification to parks.) The amendments also specified that this bill does not apply to assessments levied prior to January 1, 2002. (This was subsequently amended out.)

3. Statement of Legislative Intent. This bill includes a statement of legislative intent which states, in part, that “[i]n 1988, the Legislature changed, for purposes of property taxation, the method for determining changes in ownership of resident-owned mobilehome parks, but failed to specify a notice process for those changes in ownership. The Legislature finds and declares, as a result, that there exists a situation in which the failure to timely assess changes in ownership in resident-owned mobilehome parks has or will result in the issuance of escape and supplemental assessments in an unfair and inequitable manner. Residents of those parks have been or will be faced with unforeseen tax bills in significant amounts that have imposed or will impose an unfair and unreasonable burden on the residents of the parks, many of whom are persons of limited means or fixed incomes. The Legislature further finds and declares that it is in the public interest to avoid the unfair and unreasonable burden on the park residents that results from escape and supplemental assessments in this situation.”

4. Many counties have recently discovered that they have not reassessed resident owned mobilehome parks for pro rata changes in ownership. Consequently, these counties have contacted the resident owned parks to explain the situation and request information necessary to correct the assessments. In addition to increasing the assessed value of the park to reflect the subsequent pro rata changes in ownership, current law also requires that increased taxes be levied for at least the last four years. These mobilehome park residents have been concerned with the financial impact of these escape
assessments as well as the increased future tax liability once the pro rata changes in ownership are processed.

5. **Values to be Corrected Prospectively.** This bill requires that county assessors revalue resident-owned mobilehome parks beginning on January 1, 2002 so that their values reflect any changes in ownership between January 1, 1989 and January 1, 2002 that were not previously reflected in the value of the property. It also provides that any escape or supplemental assessment will not be levied for any change in ownership in a resident-owned mobilehome park that occurred between January 1, 1989 and January 1, 2002 if the assessor failed to timely discover the pro rata change in ownership after the initial exclusion.

6. **Annual Reporting Requirements.** This bill establishes a mechanism by which assessors will be notified of future ownership changes in resident-owned mobilehome parks to ensure that this situation will not repeat.
Senate Bill 198 (Chesbro) Chapter 533
Welfare Exemption – Properties in their Natural States


BILL SUMMARY

This bill extends the property tax welfare exemption for property in their natural states to the January 1, 2012 lien date.

Sponsor: Senator Chesbro

LAW PRIOR TO AMENDMENT

The welfare exemption has been extended to properties in their “natural states.” These are properties open to the general public that are used exclusively for the preservation of native plants or animals, biotic communities, geological or geographical formations of scientific or educational interest, or open-space lands used solely for recreation and for the enjoyment of scenic beauty.

To qualify, the property must be owned and operated by a scientific or charitable organization with a primary interest of preserving those natural areas and meeting all the requirements of Section 214. This exemption is scheduled to sunset after the January 1, 2002 lien date.

AMENDMENT

This bill amends Section 214.02 to extend, until the January 1, 2012 lien date, the current exemption provided to properties in their natural states and similar properties, thereby preventing an otherwise scheduled repeal of the property tax exemption.

IN GENERAL

Welfare Exemption. Under Section 4(b) of Article XIII of the California Constitution, the Legislature has the authority to exempt property (1) used exclusively for religious, hospital, or charitable purposes, and (2) owned or held in trust by nonprofit organizations operating for those purposes. This exemption from property taxation, popularly known as the welfare exemption, was first adopted by voters as a constitutional amendment on November 7, 1944. With this amendment, California became the last of 48 states in the country to provide such an exemption from property taxes. The ballot language in favor of the amendment stated:
These nonprofit organizations assist the people by providing important health, citizenship and welfare services. They are financed in whole or in part by your contributions either directly or through a Community Chest. It is good public policy to encourage such private agencies by exemption rather than to continue to penalize and discourage them by heavy taxation.

When the Legislature enacted Section 214 of the Revenue and Taxation Code to implement the Constitutional provision in 1945, a fourth purpose, scientific, was added to the three mentioned in the Constitution. Section 214 parallels and expands upon the Constitutional provision by exempting property used exclusively for the stated purposes (religious, hospital, scientific, or charitable), owned by qualifying nonprofit organizations if certain requirements are met. An organization's primary purpose must be either religious, hospital, scientific, or charitable. Whether its operations are for one of these purposes is determined by its activities. A qualifying organization's property may be exempted fully or partially from property taxes, depending on how much of the property is used for qualifying purposes and activities. Section 214 is the primary welfare exemption statute in a statutory scheme that consists of more than 20 additional provisions. Over the years, the scope of the welfare exemption has been expanded by both legislation and numerous judicial decisions.

The Constitution and statutes impose a number of requirements that must be met before property is eligible for exemption. In general:

- The property must be irrevocably dedicated to religious, hospital, scientific, or charitable purposes.
- The owner must not be organized or operated for profit and must be qualified as an exempt organization, under a specific federal or state statute, by the Internal Revenue Service or the Franchise Tax Board.
- No part of the net earnings of the owner may inure to the benefit of any private shareholder or individual.
- The property must be used for the actual operation of the exempt activity.

**BACKGROUND**

**Properties in their Natural States.** Section 214.02 was added during the 1971 special session of the Legislature. This provision had been included in bills heard during the 1971 regular session (AB 1264, Biddle and AB 185, Bagley), and was the product of a 1970 Assembly Revenue and Taxation Committee interim hearing on the subject of natural lands preservation. In 1970, the Committee held hearings and conducted studies to investigate alternative tax policies that would have a positive environmental influence on the future of the state. The staff report to the committee concluded that, due to an over reliance on property tax revenues, local governments were reluctant to preserve open space areas, recreational areas, and ecologically valuable areas. Hence, land was becoming a vanishing resource subject to irreparable damage. (Source: The Fiscal Implications of Environmental Control; an

**Sunset Date History.** The intent of the original legislation enacting Section 214.01 was to assist nonprofit organizations that purchase open-space and similar lands, hold the lands temporarily, and then sell or donate the lands to public agencies for permanent use as park facilities. When this legislation was considered in the Senate Revenue and Taxation Committee, a sunset date was added to ensure that the charitable organizations sold or donated the lands rather than hold them indefinitely. However, since that time, it appears that many charitable organizations may be the permanent owners of lands due, in part, to the limited ability of public agencies to acquire and maintain additional parklands. The sunset date has been continuously extended as noted in the following table.

<table>
<thead>
<tr>
<th>Bill</th>
<th>Author</th>
<th>Years Extended</th>
<th>Sunset Lien Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB 971 (Ch. 67, Stats. 1982)</td>
<td>Bergeson</td>
<td>1</td>
<td>1982</td>
</tr>
<tr>
<td>AB 2308 (Ch. 1485, Stats. 1982)</td>
<td>Bates</td>
<td>5</td>
<td>1987</td>
</tr>
<tr>
<td>AB 2890 (Ch. 1457, Stats. 1986)</td>
<td>Hannigan</td>
<td>5</td>
<td>1992</td>
</tr>
<tr>
<td>AB 2442 (Ch. 786, Stats. 1992)</td>
<td>Baker</td>
<td>10</td>
<td>2002</td>
</tr>
</tbody>
</table>

The constitutionality of Section 214.02 was questioned and upheld in *Santa Catalina Island Conservancy v. County of Los Angeles* 126 Cal.App.3d 221(1981) on the basis that preservation of natural environments and open space recreational opportunities for the benefit of the general public is a “charitable” purpose.

**COMMENTS**

1. **Purpose.** The purpose of this bill is to ensure the exemption currently provided to open-space and similar lands owned by nonprofit organizations is maintained.

2. **Without this bill this property would have been subject to property tax in 2003.** This exemption has been continuously available since 1972. Periodically extending the sunset date gives the Legislature an opportunity to review the merits of this exemption.

3. **What property is currently exempt under this section?** Examples of property exempted pursuant to this section include property holdings by the Nature Conservancy, Santa Catalina Island Conservancy, Big Sur Land Trust, Napa County Land Trust, Land Trust of Santa Cruz County, Point Reyes Bird Observatory, California Trout Foundation, Monterey Bay Aquarium Foundation, Marine World Foundation, Yosemite Foundation, Sacramento Garden & Arts Center, John Muir Institute, Elkhorn Slough Foundation, The Trust for Public Land, Palo Verdes Peninsula Land Conservancy, Peninsula Open Space, Del Monte Forest Foundation, Greenspace: The Cambria Land Trust, Cambria Land Conservancy, Save the Redwoods League, Rowdy Creek Fish Hatchery, San

4. **Related Legislation.** This bill is similar to last year’s SB 1878 (Johnston) which would have extended the exemption to the year 2011. Those provisions were amended into the bill near the end of the 2000 legislative session (August 28). SB 1878 contained many other provisions related to various land conservation and land use programs but failed in the Assembly.
Senate Bill 882 (O'Connell) Chapter 609
Welfare Exemption - Public Parks Leased by Nonprofit Organization

Tax levy; effective October 9, 2001. Adds Section 236.5 to the Revenue and Taxation Code.

BILL SUMMARY

This bill exempts a leasehold interest in a public park held by a charitable foundation that will acquire ownership of the park at the end of the lease term.

Sponsor: Senator O'Connell

LAW PRIOR TO AMENDMENT

Under existing property tax law, real property is reassessed to its current fair market value whenever there is a “change in ownership.” (Article XIII A, Sec. 2; Revenue and Taxation Code Sections 60 - 69.7)

When property is subject to a lease, in tracking whether a change in ownership occurs, the “owner” of the property is considered to be either the lessee or the lessor depending upon the term of the lease and the point in time of the lease. This is done to identify a “primary owner” of the property, so that only a transfer of that person’s interest in the real property will be a change in ownership. Generally when the lease term is for 35 or more years, the lessee’s interest is tracked for change in ownership purposes rather than the actual owner of the property. The interest in property for a 35 year term is considered to be equivalent in value to fee ownership. Generally, with respect to property that is leased, as it relates to this bill, a “change in ownership” occurs

- upon the creation of a leasehold interest for a term of 35 years or more, or
- upon the transfer of a leasehold interest having a remaining term of 35 years or more.

Under existing law, certain property owned and operated by nonprofit organizations for charitable purposes may be exempt from property tax under the “welfare exemption.” (Revenue and Taxation Code Section 214)

To qualify for the welfare exemption, the property must be owned and operated by a qualifying organization that meets all the requirements for exemption. Under existing law, one condition is that the organization own the property. Property that is leased or rented by an otherwise qualified applicant is ineligible for welfare exemption. Thus, while existing law provides that a 35-year lease is equivalent in value to fee ownership for change in ownership reassessment purposes, it does not similarly provide that it is “ownership” for purposes of the welfare exemption.
AMENDMENT

This bill adds Section 236.5 to the Revenue and Taxation Code to provide that any otherwise taxable interest in real property, leased for an original term of 35 years or more and used exclusively by the lessee for the operation of a public park that is uniquely of a governmental character, as described in paragraph (4) of subdivision (b) of Section 231, is, during the term of the lease, within the exemption provided for in subdivision (b) of Section 4 and Section 5 of Article XIII of the California Constitution, if all of the following conditions are met:

1. The lessee is a charitable foundation that has received a determination that it is a charitable organization as described in Section 501(c)(3) of the Internal Revenue Code.
2. The operation of the public park by the lessee is within the tax exempt purposes of the lessee.
3. The lessee acquired the leasehold in the property by means of a charitable donation.
4. Under the terms of the lease, the lessee will acquire the entire ownership interest in the property on or before the end of the lease term.

BACKGROUND

Wynmark Company and its partners constructed a public park, Lester A. & Viola S. Girsh Park in Goleta, California [http://www.girshpark.org] and donated it to a nonprofit foundation, the Camino Real Park Foundation, which was established to operate the park. The company currently has a long term lease in the land and will acquire fee ownership of the land in 20 years, at which point it will donate the full fee simple ownership of the park and land to the nonprofit foundation. Currently, the foundation has a 70-year lease in the park but will acquire full ownership of the park before the end of the lease in another 20 years. The transfer of the leasehold interest from Wynmark Park to the foundation was a change in ownership of the property requiring reassessment to current fair market value since the term of the lease exceeded 35 years.

COMMENTS

1. **Purpose.** The purpose of this bill is to provide an exemption for a public park that is leased to a non-profit organization. Under current law, the park will not be exempt from property tax under the welfare exemption until the non-profit organization acquires fee ownership of the property in 20 years.

2. **Amendments.** The July 16 amendments address comments made in the Board’s analysis of the bill as introduced. First, it provides a definition of the term “public park” to preclude any potential claim that the exemption could apply to theme parks where an admission fee is required for entrance. The purpose of this amendment is to limit the provisions to parks “uniquely of a government character,” as provided in Section 231(b)(4), i.e. a traditional community park,
accessible and “free” to the public, to the same extent government owned parks are accessible and free. Secondly, it substitutes the phrase “on or before” for “at” before “at the end of the lease term” since it appears that the foundation will technically acquire ownership before the end of the lease.

3. Under the circumstances outlined in this bill, property tax law considers a nonprofit organization to be the “owner” of the property for change in ownership purposes, but not for welfare exemption. Girsh Park in Goleta is a community park, currently leased to a nonprofit foundation formed to operate the park, as explained under Background. The property was recently reassessed to current fair market value as a “change in ownership” because the lease term exceeded 35 years. For change in ownership purposes, the foundation was considered to be the “primary owner” of the property. But the nonprofit foundation cannot receive the welfare exemption on the property, because under those provisions of law, it is not the “owner” of the property. The foundation will acquire “fee” ownership of the property in about 20 years. Once fee ownership is acquired, the property would be eligible for exemption from property taxes under existing law.

4. Generally, property that is leased cannot qualify for the welfare exemption. Section 3 and Section 4 of Article XIII of the California Constitution differ with respect to the ownership requirement for certain property tax exemptions therein provided. Section 3 exempts property used (i.e. ownership is not required) for (1) libraries and museums that are free and open to the public, (2) public schools, colleges, and universities, and (3) religious worship. Section 4 exempts property used exclusively for religious, hospital and charitable purposes and owned or held in trust by nonprofit entities organized and operated for those purposes. The terms “own,” “held in trust,” and “used” are not defined in the constitution. Thus, it could be argued that the Legislature could define “ownership” for the welfare exemption to include this type of long term lease arrangement as has been done for change in ownership purposes.

5. Existing law provides a similar exception for long-term leases of property used for low-income housing. The provisions proposed by this bill are similar to those of Revenue and Taxation Code Section 236, which exempts property used for rental housing for low-income persons which is leased for a term of 35 years or more (or any transfer of such property leased with a remaining term of 35 years or more) when the lessor is not otherwise qualified for the welfare exemption pursuant to Section 214. Section 236 recognizes that the lessor is not qualified for the welfare exemption but has no requirement that the qualifying lessee acquire the fee interest at the end of the lease term.
6. **Most public parks are exempt from property tax because state or local governments own them.** It may become more common for private charitable foundations to operate public parks if government resources cannot fulfill the demand. In the future, where developers are required to set aside open space and public park land as a condition of development approval, local governments may not have the funds needed to maintain them, which could lead to more situations where parks are operated, but not owned, by charitable foundations.

7. **Related Legislation.** This bill is identical to a provision amended into SB 2172 (Chesbro) near the end of the 2000 legislative session. Those amendments were made on August 22 and deleted out of that bill on September 12.
Senate Bill 1181 (Committee on Revenue and Taxation) Chapter 407

Property Tax Omnibus Bill
Board of Equalization Sponsored


BILL SUMMARY

This bill contains various property tax technical and housekeeping provisions to do the following:

- Specify, for property removed from a Timberland Production Zone, the time period to appeal the valuation of the property for purposes of the tax recoupment fee and specify that the fee is due within 60 days of the mailing of the notice. (Government Code §51142)
- Provide additional cleanup related to restoring the statute of limitations on escape assessments and associated supplemental assessments. (§75.11)
- Revise the provisions where a property’s assessed value may be reduced after a disaster to:
  - Permit assessor initiated reductions in assessed value generally if Board of Supervisor approval granted.
  - Give taxpayers more time to file a claim for reassessment, from 60 days to 12 months.
  - Give taxpayers more time to file an appeal on the post-disaster value, from 14 days to 6 months.
  - Increase the amount of damage required for eligibility, from $5,000 to $10,000. (§170)
- Change, for the disabled veterans’ exemption low-income threshold, the period for measuring inflation increases and clarify that increases are to be compounded annually. (§205.5)
- Clarify the application of state assessee penalties. (§§830 and 830.1)
- Clarify that county assessors and auditors must maintain the confidentiality of state assessee information provided by the Board. (§833)
• Provide both parties in an assessment appeal hearing adequate time to review the other’s information in the context of an exchange of information by:
• Requiring an exchange of information to be initiated at least 30 days rather than 20 days before an appeal hearing.
• Requiring the other party to respond at 15 days before the hearing rather than 10 days.
• Specifying that where delivery services are used, the date of postmark will control for purposes of meeting deadlines.
• Stating that parties shall use adequate methods of submission to ensure to the best of their ability that the exchange of information process is completed at least 10 days prior to the hearing. (§1606)
• Clarify that change in ownership provisions apply to manufactured homes. (§5814)
• Eliminate the need to file a declaration of intent to petition for reassessment of private railroad cars. (§§11273, 11338 and 11339)

It also contains a provision sponsored by the California Assessors’ Association to:
• Extend the number of tax years open to supplemental assessment when a penalty for willful concealment of tangible personal property is applied, from six years to eight. (§75.11)

Sponsor: Board of Equalization

Timberland Production Zone - Tax Recoupment Fee

Summary

For property immediately removed from a Timberland Production Zone, with respect to the tax recoupment fee:

Specifies, directly in the Government Code that, the time period to appeal the valuation of the property used to calculate the tax recoupment fee is 60 days after the date of mailing of the notice certifying the new valuation.

Specifies that the fee is due within 60 days of the mailing of the notice.

Law Prior to Amendment

Land in a Timberland Production Zone (TPZ) is subject to a 10-year contractual restriction, which is extended annually, whereby use is restricted to growing and harvesting timber and certain compatible uses approved by the local county board of supervisors. In return, the valuation of timberland in a TPZ for property tax purposes is based on its restricted use. As a result, its assessed value may be
Property owners can request that their property be immediately removed from TPZ zoning. If approved, the Government Code requires that a “tax recoupment fee” be charged. An owner may request, to either the county board of supervisors or the Board of Equalization, as specified, that the fee, in whole or in part, be waived when it is in the public interest to do so.

The tax recoupment fee is based, in part, on the value of the property in its rezoned use. The assessor determines this value and if the taxpayer disagrees with the value they may appeal it in the same manner as a regular assessment appeal.

**AMENDMENT**

This bill specifies the time period for a taxpayer to appeal the value of property that was used as the basis for determining the tax recoupment fee. It also specifies that the tax recoupment fee is due within 60 days of the mailing of the notice of the amount due rather than within 60 days of receipt of the notice.

**COMMENT**

**Purpose.** This bill addresses two issues that counties have encountered in performing their functions related to the tax recoupment fee.

First, a taxpayer may appeal the valuation upon which the tax recoupment fee is based “in the same manner” as an assessment appeal. This language is contained in the Government Code, but without cross reference to the specific time frame to file an appeal. The appeal time frame is generally found in Revenue and Taxation Code Section 1605 with respect to assessments made outside of the regular assessment period. This bill provides directly in the Government Code that the appeal application must be filed no later than 60 days after the date of mailing of notice certifying the new valuation. This parallels the time frame to file appeals for other assessments made outside the regular assessment period, such as supplemental and escape assessments.

Secondly, the law provides that the tax recoupment fee is due within 60 days of “receipt” of the notice. Most other laws provide that payment is due within a specific time frame of the “mailing” of the notice. A situation has occurred in Sierra County whereby a taxpayer has refused to accept mail from the county. Consequently, the county cannot certify that the tax recoupment fee notice was received. Because the statute uses the term “receipt” rather than “mailing,” some county officials believe they have no authority under the present statute to establish a due date for the fee. This bill changes the language to “mailing” in conformance with most other tax laws.
SUMMARY

Extends the number of tax years open to supplemental assessment when a penalty for willful concealment of tangible personal property is applied, from six to eight years.

Provides additional cleanup related to restoring the statute of limitations on escape and supplemental assessments by removing references to change in ownership statements in certain areas.

LAW PRIOR TO AMENDMENT

Last year the Board sponsored legislation (SB 2170, Ch. 647, SR&T) to restore a limitation on the number of escape assessments (and associated supplemental assessments) that may be levied for prior tax years, except in cases of fraud or property owned by a legal entity in which a change in ownership statement was not filed. These amendments were made in response to Ch. 544, (SB 1726, 1995, Kopp), which had modified the former statute of limitations provisions to provide that when a taxpayer does not file a change in ownership statement with the assessor, regardless of the reason or circumstance, taxes will be levied for every tax year that the property was underassessed. Prior to Senate Bill 1726 of 1995, there had been a statutory limit of the last eight tax years.

AMENDMENT

This bill amends Section 75.11 of the Revenue and Taxation Code to provide additional cleanup related to restoring the statute of limitations on escape and supplemental assessments.

Additionally, this bill extends the number of tax years open to supplemental assessment when a penalty for willful concealment of tangible personal property is applied, from six years to eight.

COMMENTS

1. **Purpose.** With respect to supplemental assessments, Senate Bill 2170 amended Section 75.11 by adding paragraph (3) to subdivision (d) to restore the pre-1995 eight year limit on making supplemental assessments in cases where a change in ownership statement is not filed. However, Senate Bill 2170 did not also modify paragraphs (1) and (2) of subdivision (d), relating to situations where a four or six year limit apply, to remove references to change in ownership statements. The references to change in ownership statements in paragraphs (1) and (2) of subdivision (d) had been made by 1995’s Senate Bill 1726. Consequently, the four and six year statutes of limitation in paragraphs (1) and
(2) are also keyed to the filing of change in ownership statements, in conflict with newly added paragraph (3). This amendment corrects this conflict by restoring the language of paragraphs (1) and (2) to its pre-1995 form.

2. Amendments - Eight Year Term. In this legislative year, both this bill and Senate Bill 1184, also authored by the Senate Revenue and Taxation Committee, contained amendments to Section 75.11. To avoid the need for double joining language, the changes to Section 75.11 proposed by Senate Bill 1184 were amended out of that bill and amended into this bill on August 20. This amendment, which is sponsored by the California Assessors’ Association, increases from six years to eight the number of tax years open to supplemental assessment when a 25% penalty for willful concealment of personal property is levied. The California Assessors’ Association proposed this change because they do not believe that the number of escape assessments levied for willful concealment of personal property should be less than that applied when a change in ownership of real property is unrecorded, which most often occurs with interfamily transfers due to a death and often is the result of ignorance rather than a willful act. While supplemental assessments are generally not associated with personal property assessments, the purpose of amending Section 75.11 is to conform to an identical six to eight year change made to the statute of limitations on escape assessments found in Section 532 and which is currently included in Senate Bill 1184. Section 75.11 and Section 532 have historically used the same statute of limitations time frame of 4, 6 or 8 years depending on the situation.

3. Amendments - Escape Assessments. As introduced, this bill also amended Section 532 related to the statute of limitations on escape assessments. These amendments were deleted out of this bill on August 20 and amended into Senate Bill 1184. SB 1184 also amended Section 532 and consolidating the various amendments into one measure eliminated the need for double joining language.

Disaster Relief
Revenue and Taxation Code Section 170

SUMMARY
Revises the provisions where a property’s assessed value may be reduced after a misfortune or calamity.

- Permits assessor initiated reductions generally if Board of Supervisor approval is granted. If granted, assessors could begin the reassessment process on properties which in their judgment qualify without an application from the property owner.

- For non-assessor initiated reassessments, increases from 60 days to 12 months the period for a taxpayer to file a claim for reassessment. (Identical provision sponsored by Assessors’ Association.)
• Increases from 14 days to six months the period for a taxpayer to file an appeal on the post-disaster value determined.
• Increases from $5,000 to $10,000 the amount of damage required for eligibility.

**LAW PRIOR TO AMENDMENT**

Under existing law, property taxes may be reduced following a disaster, misfortune, or calamity in those counties where the board of supervisors has adopted an ordinance authorizing the disaster relief provisions of Section 170 of the Revenue and Taxation Code. Disaster relief is provided by allowing the county assessor, under specified conditions, to reassess the property after the lien date to recognize the loss in a property’s market value. The prior assessed value of the damaged property is reduced in proportion to the loss in market value; the new reduced value is used to calculate a pro-rata reduction in taxes. The affected property retains its lower value, with reduced taxes, until it is restored, repaired, or reconstructed.

To receive the disaster relief, the property owner must file an application with the county assessor within 60 days of the date of the disaster to initiate reassessment. Alternatively, if the owner does not file an application and the assessor determines that within the preceding 6 months the property had suffered damage caused by misfortune or calamity that may qualify the property owner for relief, the assessor may send an application to the property owner which restarts a new filing period. The taxpayer may file within 30 days of the date the application is sent by the assessor (but in no case more than 6 months after the date of the disaster). In some cases the assessor may reassess the damaged property even though the owner did not file an application, but only with the approval of the board of supervisors.

**AMENDMENT**

This bill amends Section 170 of the Revenue and Taxation Code to revise the property tax disaster relief provisions to: 1) permit assessor initiated reductions generally, 2) give taxpayers more time to file a claim for reassessment, 3) give taxpayers more time to file an appeal on the post-disaster value, and 4) increase the eligibility threshold level to require $10,000 of damage.

**COMMENTS**

This bill revises these disaster relief provisions as follows:

**Assessor Initiation.** The disaster relief provisions of Section 170 apply to both disasters affecting many properties, such as an earthquake, and individual properties, such as a home fire. When assessors become aware of property damaged or destroyed, via the media on well-publicized disasters, such as earthquakes, large scale fires, floods, mudslides, or fire reports acquired from fire departments, they do not have the authority to commence reassessment to give property owners tax relief. Instead, they must wait until they receive an application from the affected property owner. Assessors may initiate reassessment pursuant to
subdivision (l) of Section 170. However, this provision has been interpreted to require that assessors seek approval from boards of supervisors on specific properties in question on a case-by-case basis rather than as a grant of general authority in all cases.

Assessors encourage property owners to file an application by sending them an application by mail and extending the period to file an application from the date of this mailing. But, after a disaster, filing for property tax relief may be a low priority for persons affected or, in the worst case, the property owner may have been killed in the misfortune or calamity.

Given the interpretation that the provisions of subdivision (l) are limited, this provision amends subdivision (a) to clearly state that the board of supervisors may grant the assessor general authority to initiate reassessments upon discovery. If granted, assessors could begin the reassessment process on properties which in their judgment qualify without an application from the property owner. However, in those counties where the board of supervisors does not grant the assessor general authority under subdivision (a), the assessor could still seek specific authority from the board of supervisors on individual properties under subdivision (l).

Claim Filing Period. For non-assessor initiated reassessments, this provision extends the time frame for taxpayers to file an application for reassessment from 6 months to 12 months. Additionally, it ensures that taxpayers are provided a minimum of 12 months to file an application in every county. These disaster victims should be afforded a generous period of time to make their claims. After a disaster in which they have lost their possessions, this proposal would grant additional time to those who have less presence of mind, fewer resources, and missing, inadequate or inaccessible documentation than under normal circumstances.

Note. This provision is also sponsored by the California Assessors’ Association. The extension from six months to one year was also included in SB 1184, but amended out on August 20 since identical provisions were included in this bill.

Appeal Filing Period. A taxpayer may disagree with the assessor’s reassessment of property to reflect a decline in value after a misfortune or calamity and wish to file an appeal to challenge the value. Once the assessor mails the taxpayer a notice of reassessment with the new value, the taxpayer has 14 days to file an appeal. However, in most other cases, a taxpayer has 60 days to file an assessment appeal after receiving a notice of reassessment. In disaster situations, a taxpayer should have at least, but preferably more, time to file an appeal. Consequently, it is recommended that the 14 day period be increased to 6 months.
Minimum Damage Requirement. Under existing law, there must be at least $5,000 worth of damage to receive property tax disaster relief. In administering these provisions, assessors are finding that where the amount of damage is small or where the property is quickly repaired, the administrative cost to grant the relief (reappraise the property both before and after the damage, prepare roll corrections to reduce the value, issue tax refunds and then, once repaired, reinstate the value with additional roll corrections and issue new tax bills) has come to exceed the amount of relief actually given. For example, if a property sustained only $5,000 worth of damage and the property is left unrepaired for the full tax year, the property tax relief would be at most $50 (less if the property was repaired within the year). Conversely, the administrative cost to grant the relief will typically exceed $50.

To reduce the number of instances where the cost to grant the relief is greater than the relief itself, this provision increases the threshold level to properties which have incurred at least $10,000 of damage. Since the other provisions of this proposal could result in more instances where relief will be extended to victims, it is recommended that the threshold be increased to address the criticisms that these provisions are not a cost effective means of providing relief to disaster victims. This change is also consistent with previous increases in the minimum threshold level ($500 in 1953; $1,000 in 1968; $5,000 in 1978.)

Disabled Veterans' Exemption – Low Income Inflation Adjustments

For purposes of the income eligibility threshold for the low-income disabled veterans' exemption:
- Changes the period for measuring inflation increases to February to February of the two prior assessment years.
- Clarifies the inflation adjustments are to be compounded annually to ensure that the threshold will increase each year.

LAW PRIOR TO AMENDMENT

Existing law provides a “disabled veterans’ exemption” which applies to the home of a qualified veteran or their surviving unmarried spouse. The basic exemption amount is $100,000 but a higher “low-income” exemption of $150,000 is provided to claimants with a household income below a specified threshold level. The basic exemption is provided on a one-time filing basis, while the low-income exemption requires an annual refiling.

Section 205.5 of the Revenue and Taxation Code was amended by Chapter 1086, Stats. 2000 (SB 1362, Poochigian), to increase the income threshold for the low income exemption to $40,000 for the year 2001 and to provide for an annual adjustment in the income threshold level for 2002 and each year thereafter. The
annual adjustment is based on the annual percentage change in the California Consumer Price Index (CCPI) for all items from October of the prior fiscal year to October of the current fiscal year.

**AMENDMENT**

This bill amends Revenue and Taxation Code Section 205.5 to change, for purposes of the income eligibility threshold, the period for measuring inflation increases and clarify that increases are to be compounded annually.

**COMMENTS**

1. **Purpose.** The following two cleanup provisions have been identified related to the annual adjustment of the income threshold.

2. **Measurement Period.** The income threshold will vary from year to year, and more disabled veterans may be able to qualify for the higher exemption amount of $150,000 which requires annual, rather than one-time, filing. Disabled veterans will need to know the threshold level to determine whether they qualify early enough to submit a timely claim to obtain the $150,000 exemption (rather than $100,000 exemption). In order to timely determine, publicize, and prepare new claim forms with the income threshold for each year, the measurement period requires adjustment. The CCPI measurement period established for use in the disabled veterans’ exemption, October to October, is the same period used for purposes of applying the Proposition 13 inflation factor to property assessed values. While this time period works well for Proposition 13 purposes, it is too late for purposes of the disabled veterans’ exemption. The October figures are released on the first of December, which is six months after the date the Board must revise the claim forms and provide copies to assessors for printing and mailing to taxpayers in preparation for the upcoming tax year. The CCPI figures are released for the months of February, April, June, August, October, and December (each figure is available about four weeks after the end of the month).

   To correct this timing problem, this bill changes the measurement period to February to February of the two prior assessment years. For example, forms prepared in March 2002 for the 2003 lien date would reflect the CCPI change from February 2001 to February 2002.

3. **Compounding Inflation Factor.** As currently drafted, there could be some question as to whether the inflation factor should be compounded annually. Without compounding, the income threshold would fluctuate up and down from year to year with $40,000 as the base figure of comparison for every year. For instance, in one year the income threshold could be $45,000, and the following year the income threshold could drop to $41,000.

   This bill clarifies that the inflation adjustments are to be compounded *annually* to ensure that the income threshold will increase each year.
State Assessee Penalty Calculation
Revenue and Taxation Code Sections 830 and 830.1

SUMMARY
Clarifies the calculation of penalty amounts related to states assessees:

- For failure to provide information necessary to develop the unit value, the penalty is 10% of the entire unit value.
- For failure to provide information necessary to allocate the unit value so determined, the penalty is limited to 10% of the estimated allocated value of the specific property not timely reported.

LAW PRIOR TO AMENDMENT
Under existing law, state assessees must annually provide certain information to the Board of Equalization. Failure to provide this information results in the application of a penalty. The calculation of the penalty varies depending upon the type of information found to be deficient.

- In the case of a state assessee that fails to provide information needed to develop the state assessee’s unit value, the penalty is 10% of the entire unit value (i.e. land, improvements, personal property) which is added to the assessed value adopted by the Board.
- In the case of a state assessee that provides all the data required for purposes of developing the overall unit value, but does not provide sufficient data with respect to listing and describing specific operating property needed to allocate the unit value so determined, the penalty is limited to an additional 10% of the estimated allocated value of the specific property not timely reported (rather than the entire unit value).

Any penalty imposed on a state assessee for failure to provide information is capped at $20,000,000 of assessed value which, at the general 1% tax rate, means a maximum penalty of $200,000.

AMENDMENT
This bill amends Sections 830 and 830.1 to clarify that when a state assessee fails to provide information needed to develop the state assessee’s unit value, the 10% penalty applies to the entire unit value (i.e. land, improvements, personal property) determined by the Board. It also clarifies that when a state assessee provides information needed to develop the overall unit value, but does not provide sufficient detail with respect to listing and describing specific operating property for purposes of allocating the unit value so determined, the 10% penalty is applied only to value of the specific portion of the property (rather than the entire unit) for which information is lacking.
COMMENT

Purpose. The purpose of this bill is to clarify when the 10% penalty is applied to the entire unit value rather than limited to the value of a specific portion of the unit. In 2001, the Board heard a state assessee appeal (Nextel) concerning a petition for reassessment and penalty abatement in which the taxpayer argued that a penalty imposed due to its failure to provide certain information should be applied to a class of its property (land value only) rather than to its entire unit value. The state assessee argued that the information which it failed to provide could be categorized as specific operating property which they did not list or describe. Thus, it argued that the penalty should be calculated only on the assessed value of this property rather than on the entire unit value. However, in this specific instance, the information lacking did not relate solely to detail needed to allocate the value so determined by the Board, which would have allowed the application of this lower penalty. The missing information also related to the ability of the Board to properly develop the unit value of the state assessee in the first instance. Consequently, the Board found in this case that the proper penalty was 10% of the entire unit value subject to the $20,000,000 maximum cap.

County Confidentiality of State Assessee Information

Revenue and Taxation Code Section 833

SUMMARY

Makes an express declaration that an assessor or auditor or any duly authorized deputy or employee of that officer obtaining confidential information, records, and appraisal data from the Board pursuant to Section 833 shall hold that information secret.

LAW PRIOR TO AMENDMENT

The law provides that all information from a state assessee that is required by the Board or furnished in the property statement is confidential. Additionally, other types of information and records in the Board's possession related to state assessees are not a public record and are not open to public inspection, if it is not required to be kept or prepared by the Board.

The law also permits, and in certain instances requires, that otherwise confidential information concerning state assessees be disclosed to specified county officials. Specifically, the Board may voluntarily provide any assessment data in its possession to the assessor of any county. The Board must permit the examination of any and all Board records by the assessor or auditor when a county board of supervisors adopts a resolution requesting that the assessor or auditor or any duly authorized deputy or employee of that officer obtain such access.
AMENDMENT

This bill makes an express declaration that an assessor or auditor or any duly authorized deputy or employee of that officer obtaining confidential information, records, and appraisal data from the Board pursuant to Section 833 shall hold that information secret.

COMMENTS

1. **Purpose.** While existing law expressly states that the Board itself must hold state assessee information secret, it is silent as to whether an assessor or auditor that acquires that same confidential information from the Board must also protect its confidentiality. The Board’s legal staff has opined that county assessors and auditors are bound by the same duty to protect confidential state assessee information as the Board. However, there is no statute or direct case authority which states this explicitly.

2. **Amendments.** The June 29 amendments reflect a redrafting of the original amendments to Section 833 which were included in the bill as introduced but subsequently deleted by April 23 amendments after opposition was expressed by the County Assessors Association. The current amendments reflect substantively similar language that is acceptable to the Association.

### SUMMARY

Makes various changes to ensure that both parties in an equalization or assessment appeal hearing adequate time to review the other’s information in the context of an exchange of information.

### LAW PRIOR TO AMENDMENT

Section 1606 of the Revenue and Taxation Code contains the exchange of information provision, or “discovery” device, in an equalization or assessment appeals hearing. The exchange of information allows the initiating party to ascertain the basis of the other party’s opinion of value. Before obtaining the non-initiating party’s information, the initiating party must submit to the non-initiating party the basis of its opinion of value more than 20 days in advance of the equalization or assessment appeal hearing date. Because Section 1606 is unclear as to how the submission must take place, the Board promulgated Property Tax Rule 305.1, which touches on the issue and reads in part as follows:
305.1. (a) * * * The request may be filed with the clerk at the time an application for hearing is filed or may be submitted to the other party and the clerk at any time prior to twenty days before the commencement of the hearing.

(b) * * * the other party shall submit a response to the initiating party and to the clerk at least 10 days prior to the hearing * * *

There have been disagreements between the parties as to whether the information upon which the initiator intends to rely must be in the physical possession of the non-initiating party more than twenty days in advance of the hearing date, or whether it will suffice to have the initiator put the information in the mail more than twenty days in advance of the hearing date. It is also unclear whether the information upon which the non-initiating party intends to rely must be in the physical possession of the initiator at least ten days in advance of the hearing date, or whether it will suffice to have the non-initiating party put the information in the mail at least ten days in advance of the hearing date.

**AMENDMENT**

This bill amends Revenue and Taxation Code Section 1606 to ensure that both parties in an equalization or assessment appeal hearing will have adequate time to review the other’s information in the context of an exchange of information. Specifically, this bill:

- Requires an exchange of information to be initiated at least 30 days rather than 20 days before an appeal hearing.
- Requires the other party to respond at 15 days before the hearing rather than 10 days.
- Specifies that where delivery services are used, the date of postmark will control for purposes of meeting deadlines.
- States that parties shall use adequate methods of submission to ensure to the best of their ability that the exchange of information process is completed at least 10 days prior to the hearing.

**COMMENT**

**Purpose.** When an exchange in information is initiated, both parties should have sufficient time to adequately review the data submitted and prepare their cases accordingly. To end the disagreements over receipt date vs. mailing date, this bill specifies that, where delivery services are used, the date of postmark will control and extend the time frame (by 10 days for the initiating party to start the process and 5 days for the other party to respond) to account for delivery time. In addition, this bill clearly states that parties are to use adequate methods of submission to ensure to the best of their ability that the exchange of information process is completed at least 10 days prior to the hearing. This is consistent with the original...
intent of this measure and ensures that both parties are adequately prepared to present their cases to the assessment appeals board without costly delays and continuances. These changes are intended to remove some of the potential gamesmanship that can occur in the equalization and assessment appeals hearing process to intentionally delay the receipt of the material by the other party. Additionally, this bill adds uniformity and clarity to the exchange of information process.

### Manufactured Homes – Change In Ownership Provisions

**Revenue and Taxation Code Section 5814**

**SUMMARY**

Clarifies that change in ownership provisions apply to manufactured homes.

**LAW PRIOR TO AMENDMENT**

Proposition 58, which was passed by the voters of California on November 4, 1986, added subdivision (h) to Section 2 of Article XIII A of the California Constitution. Subdivision (h) provides, in part, that the terms "purchased" and "change in ownership" shall not include the purchase or transfer of the principal residence, or the first $1 million of the full cash value of all other real property between parents and their children, as defined by the Legislature. Chapter 48 of the Statutes of 1987 added Section 63.1 to the Revenue and Taxation Code to implement Proposition 58.

Currently, Section 63.1 defines “real property” for purposes of the parent-child exclusion to mean real property “as defined in Section 104.” Section 104 defines “real property” as land; all mines, minerals and quarries in the land; timber; and improvements. “Improvements” is defined in Section 105 as all buildings, structures, fixtures, and fences erected on or affixed to the land and all fruit, nut bearing, or ornamental trees and vines, not of natural growth, and not exempt.

Chapter 796 of the Statutes of 1991 provided that a manufactured home shall not be classified as real property for property taxation purposes that would cause it to be excluded from taxation pursuant to the Manufactured Home Property Tax Law (Part 13, commencing with Section 5800 of the Revenue and Taxation Code).

While other sections of law that allow property tax relief specifically provide for manufactured homes, Section 63.1 does not specifically state that the parent-child exclusion applies to manufactured homes. For example, Section 69.5(c)(2) authorizes manufactured homes transfers of base year value for persons who are at least 55 years old or disabled. Similarly, Sections 172 and 172.1 specifically authorize disaster relief for manufactured homes.
AMENDMENT

This bill adds subdivision (b) to Section 5814 of the Revenue and Taxation Code to specify that as used in Sections 60 to 68, inclusive, the term "real property" includes a manufactured home that is subject to tax under the Manufactured Home Property Tax Law.

COMMENTS

Purpose. It has recently come to the Board staff’s attention that one county (Modoc) had not been allowing the parent-child exclusion on manufactured homes because Section 63.1 does not specifically mention them. Staff subsequently surveyed counties with large numbers of manufactured homes and found that these counties have been granting the exclusion. This measure amends the Manufactured Home Property Tax Law to specifically provide that the change in ownership provisions found in Sections 60 – 68 apply to manufactured homes subject to its provisions.

Private Railroad Car – Appeals
Revenue and Taxation Code Sections 11273, 11338, 11339

SUMMARY

Eliminates the need to file a declaration of intent to petition for reassessment of private railroad cars.

LAW PRIOR TO AMENDMENT

There is a two step process to file an appeal of a private railroad car assessment with the Board of Equalization. The first step is to file a “declaration of intent” to appeal, which is due on or before August 21. The second step is to file the actual appeal, which is due on or before September 20. Similar provisions exist for assessments that are made outside the regular assessment period, except that the “declaration of intent” must be filed within 20 days of receiving the assessment notice and the appeal must be filed within 30 days thereafter.

AMENDMENT

This bill amends Revenue and Taxation Code Sections 11273, 11338 and 11339 to eliminate the filing of a declaration of intent to petition for reassessment of private railroad cars.
COMMENTS

1. **Purpose.** This bill eliminates the unnecessary first step of filing an “intent to appeal” and instead simply require that, with respect to assessments made for the regular assessment period, an appeal be filed by September 20, and with respect to assessments made outside the regular assessment period, an appeal be filed within 50 days of the assessment notice. These changes simplify the appeals process for Private Railroad Car taxpayers as well as conform to similar streamlining measures made last year for state-assesees, which were contained in Senate Bill 2170 (Ch. 647. 2000, SR&T) and sponsored by the Board. Additionally, this bill gives Private Railroad Car taxpayers more time to decide if they want to file an appeal since they need not take action until September 20 to initiate their right to appeal, rather than the earlier date of August 21.

2. **Amendments.** The June 29 version of the bill amends Section 11273 to delete “intent to appeal” language in conformance with the amendments to Sections 11338 and 11339.
Senate Bill 1182 (Committee on Revenue and Taxation) Chapter 744
Property Tax Omnibus Bill
California Association of Clerks and Election Officials Sponsored


BILL SUMMARY

This bill contains Board-sponsored provisions to:

• Correct cross-referencing errors. (Government Code §51296.3)
• Correct a typesetting error. (§749)

It also contains California Association of Clerks and Election Officials sponsored provisions to:

• Clarify which provisions relating to filing an assessment appeal apply to Los Angeles County and modify an incorrect reference to supplemental assessments. (§75.31, 534, 1605)

Sponsor: California Association of Clerks and Election Officials
Board of Equalization

Farmland Security Zones
Government Code Sections 51296.3

SUMMARY

Corrects cross-referencing errors.

LAW PRIOR TO AMENDMENT

Each year, the Senate Local Government Committee authors a bill to correct problems with the statutes that affect counties, cities, special districts, and redevelopment agencies, as well as the laws on land use planning and development. These problems are relatively minor and do not warrant separate (and expensive) bills. Among its provisions, last year’s Local Government Omnibus Act of 2000 (SB 1350, Ch. 506, 2000), in effect January 1, 2001, repealed former Government Code Section 51296, which included subdivisions (a) - (o), and replaced that one section with Government Code Sections 51296 -51297.4
Farmland Security Zone). Before the enactment of SB 1350, the statute consisted of a single section with 15 separate subdivisions. SB 1350 simply redistributed the farmland security zone statute from one section into 15 sections without changing the statute’s substance. Basically, each former subdivision of Section 51296 became a separate Government Code section, such as follows:

<table>
<thead>
<tr>
<th>Former Section</th>
<th>Current Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 51296, subdivision (a)</td>
<td>Section 51296</td>
</tr>
<tr>
<td>Section 51296, subdivision (b)</td>
<td>Section 51296.1</td>
</tr>
<tr>
<td>Section 51296, subdivision (c)</td>
<td>Section 51296.2</td>
</tr>
<tr>
<td>Section 51296, subdivision (d)</td>
<td>Section 51296.3</td>
</tr>
<tr>
<td>Section 51296, subdivision (e)</td>
<td>Section 51296.4</td>
</tr>
<tr>
<td>Section 51296, subdivision (f)</td>
<td>Section 51296.5</td>
</tr>
<tr>
<td>Section 51296, subdivision (g)</td>
<td>Section 51296.6</td>
</tr>
</tbody>
</table>

However, former Government Code Section 51296, subdivision (d)(2) referred to exceptions provided in its subdivision (f) or subdivision (g). When it was repealed and new Section 51296.3 was added, the references to those subdivisions were not changed, so that now there are references to those subdivisions within Section 51296.3 that do not exist. Specifically, former Section 51296 (f) is now Section 51296.5, and former Section 51296 (g) is now Section 51296.6.

**AMENDMENT**

This bill corrects the reference errors contained in Section 51296.3.

---

**State Assessee Appeals**

*Revenue and Taxation Code Sections 749*

**SUMMARY**

Corrects typesetting error.

**LAW PRIOR TO AMENDMENT**

Revenue and Taxation Code Section 749 requires the Board to notify a petitioner by mail of its decision on a petition to correct an allocated assessment. Last year, the Board sponsored legislation amending various sections of code to simplify the petition filing deadlines for appeals of assessments and allocations of state-assessed properties. (SB 2170, Ch. 647, Stats. 2000) One word in the original source documents provided to the Legislature was typeset incorrectly when the amendments were set into formal bill introduction form. Specifically, in Section 749, the word “allocated” was mistakenly typeset as “unallocated.” Presumably the word “an” prior to the word “allocated” was double typeset as both “an” and “un” and the mistake was not discovered until after the bill had been chaptered. The language adopted by the Board and subsequently delivered to the Legislature uses the word
“allocated.” Additionally, since there is no such thing as petitions for “unallocated” assessments, this sentence requires correction.

**AMENDMENT**

This bill corrects this typesetting error.

### Assessment Appeals – Assessments Outside the Regular Period

**Revenue and Taxation Code Sections 75.31 and 534**

**SUMMARY**

Clarifies which provisions relating to filing an assessment appeal apply to Los Angeles County and modifies an incorrect reference to supplemental assessments.

**LAW PRIOR TO AMENDMENT**

When a taxpayer receives a *notice* of changed assessment with respect to an assessment made “outside the regular assessment period” (supplemental assessments, escape assessments, and penal assessments) for which the taxpayer wants to challenge the assessment, he or she must file an appeal application within 60 days of the date of the mailing of the notice. The “date of mailing” is printed on the notice. In Los Angeles County and any county that adopts a special ordinance, taxpayers have a longer period to file an appeal, which is within 60 days of the mailing of the *tax bill* rather than within 60 days of the notice that precedes the tax bill. Under amendments added to Revenue and Taxation Code Section 1605 last year, (SB 2170, Ch. 647, Stats. 2000), in those counties where the taxpayer must file an appeal within 60 days of the notice, the law was amended to give taxpayers more time to file an appeal if they did not receive the notice at least 15 days before the 60 day period expired. Specifically, those taxpayers may then also file within 60 days of the mailing of the tax bill.

**AMENDMENT**

This bill recasts and clarifies the recent amendments. Specifically, this bill amends Sections 75.31 and 534 to clarify which provisions apply to Los Angeles County. It additionally amends Section 534 to delete an incorrect reference to supplemental assessments.

**COMMENT**

**Purpose.** These amendments, which are sponsored by the California Association of Clerks and Election Officials, are intended to provide clarity and certainty for taxpayers and tax practitioners.
Senate Bill 1184 (Committee on Revenue and Taxation) Chapter 613
Property Tax Omnibus Bill
California Assessors’ Association Sponsored


BILL SUMMARY

This bill:

• Eliminates the need for the transferor to sign the parent-child change in ownership exclusion claim form and also require only one transferee to sign the form. (§63.1)

• Allows a taxpayer to qualify for a Proposition 60/90/110 base year value transfer if their home was destroyed in a non-governmental declared disaster. (§69.5)

• Extends the number of tax years subject to escape assessment when a penalty for willful concealment of tangible personal property is applied, from six years to eight. (§532)

• Modifies requirements where contiguous tracts of land under the same ownership need not be separately assessed when they cross tax rate areas. (§606)

Sponsor: California Assessors’ Association

Parent-Child Exclusion – Claim Signatures
Revenue and Taxation Code Section 63.1

SUMMARY

With respect to signatures on the parent-child change in ownership exclusion claim form eliminates the need for the transferor to sign the parent-child change in ownership exclusion claim form and only one of the transferees need sign the claim form.

LAW PRIOR TO AMENDMENT

Section 2, subdivision (h), of Article XIII A of the California Constitution provides that the terms "purchased" and "change in ownership" do not include the purchase or transfer of the principal residence of the transferor in the case of a purchase or transfer between parents and their children (or grandparents and grandchildren), as defined by the Legislature. Those terms also do not include the purchase or
transfer of the first $1,000,000 of the full cash value of all other real property between parents and their children, as defined by the Legislature. The Legislature adopted Revenue and Taxation Code Section 63.1 to prescribe the terms and conditions under which the parent-child change in ownership exclusion may be granted. Relevant to this bill, Section 63.1 precludes the exclusion unless the taxpayer files a claim form with the assessor. Current law requires that all the transferors and all the transferees sign the claim form. In many cases, the transferor is deceased and the executor must instead sign the form. Additionally, all the transferees (most often the children) must sign the form. For instance, if property was transferred from a mother upon her death to her four children, all four children must sign the claim form. If one child did not file the claim form, then 25% of the property would be reappraised to current market value. Additionally, a signature must be sought from a legal representative of the mother or the executor of her estate.

AMENDMENT

This provision eliminates the need for the transferor to sign the claim form. Instead, one of the transferees attests to the parent-child relationship. Additionally, only one of the transferees need sign the claim form.

COMMENT

Purpose. This provision is intended to eliminate delays in processing parent-child change in ownership exclusions due to the signature requirements. It also helps those taxpayers where a signature cannot be easily obtained.

An unintended consequence of eliminating the transferor signature is that a parent with more than one million dollars of property to transfer would lose the ability to direct which property or which child received the property tax benefit.

| Base Year Value Transfer – Original Property Suffers Disaster |
| Revenue and Taxation Code Section 69.5 |

SUMMARY

Allows a taxpayer to qualify for a Proposition 60/90/110 base year value transfer if their home was destroyed in a non-governmental declared disaster.

LAW PRIOR TO AMENDMENT

Revenue and Taxation Code Section 69 provides tax relief to persons who own property substantially damaged or destroyed in a Governor-declared disaster. This relief permits property owners to acquire or construct comparable replacement property within the same county and transfer the base year value from the damaged property to the replacement property. To receive a base year value transfer, the replacement property must be acquired within three years after the disaster. These
provisions are applicable to any kind of property (i.e. residential, commercial, industrial etc.) (Proposition 50, June 1986 – Article XIIIA, Sec. 2(e)(1).

Revenue and Taxation Code Section 69.3 provides similar tax relief. However, it is limited to replacement principal places of residence (i.e. homes) located in a different county. This relief is available only if the county where the replacement residence is located adopts an ordinance accepting such base year value transfers. To date only six counties have adopted such ordinances. To receive a base year value transfer, the replacement residence must be acquired or newly constructed within three years after the disaster. (Proposition 171, November 1993 – Article XIIIA, Sec. 2 (e)(2)

Revenue and Taxation Code Section 69.5 provides that persons over the age of 55 years and disabled persons may transfer, subject to many conditions and limitations, the base year value of their primary residence to a newly acquired replacement residence. Among the limitations on obtaining relief is the requirement that the acquired property be, generally, of equal or lesser value in comparison to the sold property. Proposition 60 (June 1986), Proposition 90 (November 1988), Proposition 110 (June 1990) – Article XIIIA, Sec 2(a).

**AMENDMENT**

This bill amends Revenue and Taxation Code Section 69.5 to allow a base year value transfer to a person who is over the age of 55 years or disabled who would have been eligible for a base year value transfer, except that their principal place of residence was substantially destroyed or damaged by a misfortune or calamity and therefore disqualified because the value of the replacement property is not of “equal or less” value when compared to the value of the original property in its damaged condition.

This bill defines "substantially damaged or destroyed by misfortune or calamity" to mean physical damage amounting to more than 50 percent of its full cash value immediately prior to the misfortune or calamity. Damage would also include “a diminution in the value of property as a result of restricted access to the property where the restricted access was caused by the misfortune or calamity and is permanent in nature.”

These provisions apply to replacement dwellings that are acquired or newly constructed on or after March 24, 1999 commencing with the 1998-99 fiscal year. Thus, they have an retroactive effect in terms of eligibility, but any tax relief commences with the lien date of the assessment year in which the claim is filed (i.e. no refunds or cancellation of taxes prior to the date that the claim is filed).
IN GENERAL

Proposition 50 and Revenue & Taxation Code §69

All Property Types Purchased Within the County. Section 69 provides that persons who own property substantially damaged or destroyed in a Governor-declared disaster may transfer the base year value of that property to a property acquired or constructed as a replacement if it is acquired within three years after the disaster. Base year value transfers are available for all property types; with the limitation that the original property and the replacement property must be of the same property type: residential, commercial, agricultural, or industrial. The replacement property is “comparable” if it is similar in size, utility, and function to the destroyed property, and if the market value of the acquired property does not exceed 120% of the fair market value of the replaced property in its pre-damaged condition. Property owners may, nevertheless, still receive the disaster relief in cases where the value of the replacement property exceeds the 120% limitation. In such cases, the amount over this threshold is assessed at full market value.

Proposition 171 and Revenue & Taxation Code §69.3

Principal Place of Residence Purchased In Another County. The Oakland-Berkeley fire of October 21, 1991, prompted the passage of Proposition 171 which, in turn, authorized the enactment of Section 69.3. The fire’s destruction was so widespread, that not all displaced homeowners were able to find a suitable replacement residence located within their county’s boundaries. Those who purchased a replacement home outside that boundary lost the benefit of maintaining their previous level of property taxation.

To address this situation, voters approved Proposition 171 on November 2, 1993. It amended subdivision (e) of Section 2 of Article XIII A of the California Constitution to authorize the Legislature to provide that the base year value of property substantially damaged or destroyed in a Governor-declared disaster may be transferred to a replacement property located in another county, provided that the replacement property is: 1) located in a county that has an ordinance accepting such base-year value transfers; 2) of equal or lesser value than the original residence; and 3) acquired or newly constructed within three years of the disaster.

To date, six counties extend Section 69.3 property tax disaster relief to displaced homeowners: Contra Costa, Los Angeles, Modoc, San Francisco, Solano, and Sutter.

COMMENTS

1. **Purpose.** The purpose of this measure is to provide the benefits of Proposition 60/90/110 to persons over the age of 55 or disabled persons when they are otherwise ineligible for a base year value transfer under Section 69 or 69.3 because the damage to their property did not occur in a governor declared
disaster (for example, a single house fire or a small mud slide where few properties were affected).

2. **Existing Law - Rebuild then Sell.** Under existing law a person could qualify for a base year value transfer under Proposition 60/90/110, if they first rebuilt their home (receiving a new construction exclusion under Section 70(c)), and then selling that home. This bill allows a person to immediately purchase a home and receive a base year value transfer.

3. **Proposition 60/90/110 – Once in A Lifetime Benefit.** The base year value transfer provision is a constitutionally authorized one-time benefit to any person over the age of 55 or disabled. These amendments preserve this one time right to persons who would have been able to qualify but for the misfortune or calamity. Article XIII A, Section 2(a) provides that the Legislature may establish the appropriate circumstances and definitions for this benefit and this provision merely redefines the value test in this particular instance. It could also be reasoned that there is no constitutional basis for the proposed amendment, as the disaster provisions of Sections 69 and 69.3 were constitutionally provided benefits via Propositions 50 and 171.

4. **Pre-Damage Condition.** This provision redefines the value test in the situation where a property was damaged or destroyed in a misfortune or calamity to provide that the value of the original property will be that in its pre-damaged condition. Of course, valuing these properties would be a more subjective process since it requires that the appraiser estimate various aspects of the property, such as its condition.

5. **Current Tax Relief Provided After a Non-Governor Declared Misfortune or Calamity.** Under existing law, in non-governor declared disaster situations, property tax relief is available where a person rebuilds on the same site. Revenue and Taxation Code Section 70(c) provides that where property has been damaged or destroyed by a misfortune or calamity, the property will retain its previous assessed value after it is reconstructed. (Proposition 8, November 1978)

6. **Inequitable claims in the future.** In the future, it could be expected that similarly situated persons under the age of 55 will state that they are being unfairly treated.
Statute of Limitations – Escape Assessments
Revenue and Taxation Code Section 504

SUMMARY

- Extends the number of tax years subject to escape assessment when a penalty for willful concealment of tangible personal property is applied, from six years to eight.

- Provides additional cleanup related to restoring the statutes of limitation on escape and supplemental assessments by removing references to change in ownership statements in certain areas.

LAW PRIOR TO AMENDMENT

Revenue and Taxation Code Section 504 requires a 25% penalty to be added to escape assessments made under Section 502. This section relates to escape assessments where the person willfully conceals, fails to disclose, removes, transfers or misrepresents tangible personal property to evade taxation. Under current law, the number of prior tax years that taxes will be billed in this instance is generally six, whereas the number of prior tax years that will be billed when a change in ownership of real property is unrecorded is generally eight.

AMENDMENT

This bill increases from six years to eight the number of prior tax years that will be billed when a 25% penalty for willful concealment of personal property is levied.

COMMENTS

1. Purpose. The sponsors do not believe that the number of escape assessments levied for willful concealment of personal property should be less than that applied when a change in ownership of real property is unrecorded, which most often occurs with interfamily transfers due to a death and often is the result of ignorance rather than a willful act.

2. Amendments. In the 2001 legislative year, both this bill and Senate Bill 1181, also authored by the Senate Revenue and Taxation Committee, contained amendments to Section 532. To avoid the need for double joining language, the changes to Section 532 proposed by Senate Bill 1181 were amended out of that bill and amended into this bill on August 20. This amendment which is sponsored by the Board of Equalization adds the phrase “or change in control” after “change in ownership” in paragraph (3) of subdivision (b) of Section 532 for the purpose of technical precision. This language conforms to the phrase used in paragraph (2) of subdivision (b) of that same section.
Contiguous Parcels – Combined Assessment
Revenue and Taxation Code Section 606

SUMMARY
Permits more contiguous tracts of land located in different tax rate areas, but under the same ownership to be combined into a single assessment.

LAW PRIOR TO AMENDMENT
When any tract of land is situated in two or more revenue districts, the part in each district must be separately assessed. However, when the owner of two or more contiguous parcels comprising the land tract is identical, the parcels may be combined into one assessment under two circumstances:

• The full value of any parcel is less than five thousand dollars ($5,000), in which case that parcel may be combined with the contiguous parcel with the greatest assessed valuation.
• The tract of land is being used for a single-family residence and constitutes 15,000 square feet or less, in which case the smallest parcel may be combined with the largest contiguous parcel.

AMENDMENT
This bill amends Revenue and Taxation Code 606 to:

• Increase the maximum value of such parcels that may be combined, from $5,000 to $25,000.
• Increases, for parcels used as a home site, the size of parcel that may be combined, from 15,000 to 45,000 square feet.

COMMENT
Purpose. The purpose of this bill is to reduce the number of assessments for small strips of property that must be established because the land crosses tax rate areas. According to the sponsors, with more special assessments and special taxes levied per parcel, property owners want to combine these contiguous parcels to eliminate these fixed parcel charges.
## TABLE OF SECTIONS AFFECTED

<table>
<thead>
<tr>
<th>SECTIONS</th>
<th>BILL NUMBER</th>
<th>CHAPTER NUMBER</th>
<th>SUBJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>§62.1</td>
<td>Amend AB 1457</td>
<td>Ch. 772</td>
<td>Tenant-Owned Mobilehome Parks</td>
</tr>
<tr>
<td>§63.1</td>
<td>Amend SB 1184</td>
<td>Ch. 613</td>
<td>Parent-Child Exclusion</td>
</tr>
<tr>
<td>§69.5</td>
<td>Amend SB 1184</td>
<td>Ch. 613</td>
<td>Base Year Value Transfer – Post Disaster</td>
</tr>
<tr>
<td>§70</td>
<td>Amend AB 184</td>
<td>Ch. 330</td>
<td>Seismic Safety Improvements</td>
</tr>
<tr>
<td>§74.5</td>
<td>Amend AB 184</td>
<td>Ch. 330</td>
<td>Seismic Safety Improvements</td>
</tr>
<tr>
<td>§75.11</td>
<td>Amend SB 1181</td>
<td>Ch. 407</td>
<td>Supplemental Assessments - Limitations</td>
</tr>
<tr>
<td>§75.31</td>
<td>Amend SB 1182</td>
<td>Ch. 744</td>
<td>Supplemental Assessments</td>
</tr>
<tr>
<td>§170</td>
<td>Amend SB 1181</td>
<td>Ch. 407</td>
<td>Disaster Relief</td>
</tr>
<tr>
<td>§205.5</td>
<td>Amend SB 1181</td>
<td>Ch. 407</td>
<td>Disabled Veterans’ Exemption</td>
</tr>
<tr>
<td>§214.02</td>
<td>Amend SB 198</td>
<td>Ch. 533</td>
<td>Properties in their Natural States</td>
</tr>
<tr>
<td>§236.5</td>
<td>Add SB 882</td>
<td>Ch. 609</td>
<td>Leased Public Parks</td>
</tr>
<tr>
<td>§241</td>
<td>Amend AB 136</td>
<td>Ch. 161</td>
<td>Employee-Owned Hand Held Tools</td>
</tr>
<tr>
<td>§469</td>
<td>Amend AB 645</td>
<td>Ch. 238</td>
<td>Nonmandatory Audits – Appeal Rights</td>
</tr>
<tr>
<td>§532</td>
<td>Amend SB 1184</td>
<td>Ch. 613</td>
<td>Escape Assessments – Limitations</td>
</tr>
<tr>
<td>§534</td>
<td>Amend SB 1182</td>
<td>Ch. 744</td>
<td>Escape Assessments - Notices</td>
</tr>
<tr>
<td>§606</td>
<td>Amend SB 1184</td>
<td>Ch. 613</td>
<td>Contiguous Parcels - Combination</td>
</tr>
<tr>
<td>§749</td>
<td>Amend SB 1182</td>
<td>Ch. 744</td>
<td>State Assessee Appeals</td>
</tr>
<tr>
<td>§830</td>
<td>Amend SB 1181</td>
<td>Ch. 407</td>
<td>State Assessee Penalties</td>
</tr>
<tr>
<td>§830.1</td>
<td>Amend SB 1181</td>
<td>Ch. 407</td>
<td>State Assessee Penalties</td>
</tr>
<tr>
<td>SECTIONS</td>
<td>BILL NUMBER</td>
<td>CHAPTER NUMBER</td>
<td>SUBJECT</td>
</tr>
<tr>
<td>----------</td>
<td>-------------</td>
<td>----------------</td>
<td>---------</td>
</tr>
<tr>
<td>Revenue &amp; Taxation Code</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>§1603  Amend  AB 645  Ch. 238</td>
<td>Appeals Filing Period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>§1605  Amend  SB 1182  Ch. 744</td>
<td>Appeals Filing Period – Mailing of Notices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>§1606  Amend  SB 1181  Ch. 407</td>
<td>Appeals - Exchange of Information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>§5814  Amend  SB 1181  Ch. 407</td>
<td>Manufactured Homes – Change In Ownership Provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>§11273 Amend  SB 1181  Ch. 407</td>
<td>Private Railroad Car Appeals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>§11338 Amend  SB 1181  Ch. 407</td>
<td>Private Railroad Car Appeals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>§11339 Amend  SB 1181  Ch. 407</td>
<td>Private Railroad Car Appeals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>§11409 Amend  AB 1123  Ch. 251</td>
<td>Private Railroad Car - Relief of Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>§38455 Amend  AB 1123  Ch. 251</td>
<td>Timber Yield Tax - Relief of Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Code</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>§51142 Amend  SB 1181  Ch. 407</td>
<td>Timberland Tax Recoupment Fee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>§51296.3 Amend  SB 1182  Ch. 744</td>
<td>Farmland Security Zones</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>