

**BOARD OF EQUALIZATION****PROPERTY TAX COMMITTEE MEETING MINUTES**

HONORABLE KATHLEEN CONNELL, COMMITTEE CHAIR

450 N STREET, SACRAMENTO

APRIL 21, 1999

ACTION ITEMS**Agenda Item 1: Discussion of Biopharmaceutical Information****Issue**

Should the Board adopt interim valuation factors and guidelines in valuing laboratory, manufacturing, and specialized fixture property of the biopharmaceutical industry?

Committee Discussion

Board staff, representatives of industry, representatives of the California Assessors' Association (CAA), and the Ventura County Assessor presented their views to the committee on the interim valuation factors and guidelines for the biopharmaceutical industry.

Staff expressed reservations about industry's valuation factors because they could not verify the quality and quantity of the data used by industry to develop these valuation factors. The Ventura County Assessor urged the Board to make its decision based upon systematic and comprehensive analysis, and stated that Ventura County is working with Amgen to develop a detailed study to address this valuation issue. CAA asked the Board not to adopt the interim valuation factors developed by industry because of problems with the methods and data used in the industry study. Representatives for the CAA also stated that the results from the industry study would not be indicative of fair market value. Industry representatives contended that interim valuation factors should be adopted because it is unfair to continue paying property taxes based on inappropriate valuation factors without any assurance as to when a long-term solution will be put in place. Committee members discussed the need to move forward and to resolve this issue.

Committee Action/Recommendation

The Committee directs that:

- Industry provide its proposal and all supporting materials to staff within 30 days.
- Staff analyze the information from industry, work with the CAA, the Ventura County Assessor, and Industry; and bring back to the Committee its recommendation in the June meeting.

In addition, the Committee encourages the assessors and industry to cooperate with staff to develop solutions to this matter.

Agenda Item 2: Timber Harvest Value Schedules

Issue

Should the old growth and young growth categories used to classify, value, and report timber for yield tax purposes be replaced by average log-size categories?

Committee Discussion

Staff restated its proposal to eliminate the outdated and subjective categories of old growth and young growth, and recommended that old growth and young growth categories be replaced by average log-size categories.

Staff, representatives from the Timber Advisory Committee (Siskiyou County Assessor and industry representatives), CAA, and a representative from the Forestry Monitoring Project presented their views on the proposed changes in reporting categories of the timber harvest value schedules.

Staff reported that the Sierra Club and the Environmental Protection Information Center (EPIC) were satisfied that there would be no tax breaks resulting from the change, and withdrew their opposition to the change after their meeting with the staff. Representatives of the Timber Advisory Committee indicated their support for the staff recommendation due to the benefits resulting from the change (cost effectiveness, ease of administration, neutral revenue impact, etc.) The representative from the Forestry Monitoring Project voiced his concerns regarding possible loss in tax revenues due to the elimination of old growth and young growth categories. However, the assessors of the timber counties assured the Committee that this would not be the case.

Committee Action/Recommendation

The Committee voted unanimously to recommend that the Board adopt the staff proposal to replace the old growth and young growth categories used to classify, value, and report timber for yield tax purposes by average log-size categories.

Agenda Item 3: Board Direction to Staff on Drafting Rule 905, Assessment of Companies Transmitting or Selling Electricity.

Issue

With respect to electric generation facilities, how should the Board define the assessment jurisdiction granted to it by California Constitution Article XIII, section 19 to assess property owned or used by companies transmitting or selling electricity?

Committee Discussion

The Chair asked the Members to state their preference for one of the five alternatives. Three members expressed support for Alternative 1 -- Board to assess only companies operating pursuant to a Certificate of Public Convenience and Necessity (CPCN) issued by the California Public Utilities Commission (CPUC). There were 17 speakers from local governments, CAA, and industry scheduled to make their presentations before the Committee. The Chair polled the speakers, by name, to ask if they wanted to speak, given the Board's preference for Alternative 1. All but one (who was undecided) gave a statement in support of Alternative 1.

Committee Action/Recommendation

The Committee voted (Mr. Chiang's representative not participating) to recommend that the Board adopt Alternative 1, to assess only companies operating pursuant to a CPCN issued by the CPUC with respect to property owned or used by companies transmitting or selling electricity.

Approved: /s/ Marcy Jo Mandel for
Kathleen Connell, Committee Chair

/s/ Richard C. Johnson for
E. L. Sorensen, Jr., Executive Director

BOARD APPROVED

at the 4/22/99 Board Meeting

/s/ Janice Masterton
Janice Masterton, Chief
Board Proceedings Division