STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

1020 N STREET, SACRAMENTO, CALIFORNIA
(P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808)

(916) 445-4982

No. 82/25

February 19, 1982

TO COUNTY ASSESSORS:

THE CONSUMER PRICE INDEX AND PROPERTY HAVING STAGNANT OR DECLINING VALUE

We have received several inquiries from assessors concerned with stagnating property values and correct assessment of these properties under Article XIII A. Some confusion may have ensued because of questions answered in letters sent to you in the first few months following passage of the initiative which were later nullified as new laws changed the ground rules. This letter is intended to bring you to a current status.

Article XIII A, Section 2b, contains the language "...not to exceed 2 percent for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction, or may...." This language implies that there is a substitute for the statewide Consumer Price Index (CPI). Sections 51 and 2212 of the Revenue and Taxation Code make it clear that there is no substitute for the statewide CPI.

A property's base year value is its value pursuant to Section 110.1(c) unless it has had a change in ownership or new construction since March 1, 1975. In that event, a new value that is established as of the date of change of ownership or completion of new construction shall be enrolled on the subsequent lien date. Following the year a base year value is first enrolled, the value shall be factored by the statewide CPI up to a maximum of two percentage points each year.

The correct value to be enrolled in any year is the lower of a property's factored base year value or its current market value. If the value of any property or group of properties has declined, leveled off, or has increased at a rate less than two percentage points per year since the base year value was established, current market value would be lower than factored base year value and current market value should be enrolled.

Enrolling a value lower than factored base year value does not establish a new base year value. Base year value is altered only by change in ownership or new construction. Factoring is based on CPI statewide, not localized CPI or any other local or statewide economic factors.

If a property has suffered a decline in value (or stagnated value) but later has an increase in value, the correct value to enroll is the lower of factored base year value or current market value. Factoring of the base year should continue each year regardless of the ups and downs of market value. Market value could be lower than factored base year value one year, higher in another, and again lower in another. Each year the amount to be enrolled remains the lower of the continuously factored base year value or current market value.

If you have any questions regarding this matter, please contact Bill McKay; his telephone number if (916) 445-4982.

Sincerely,

Verne Walton

Verne Walton, Chief
Assessment Standards Division

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