

[Assembly Bill 3373](#) (Revenue & Taxation Committee)
Date: March 16, 2020 (Introduced)
Program: Property Taxes
Sponsor: California Association of County Clerks and Elections
Officials and Los Angeles County
Revenue and Taxation Code Section 1621
Effective: January 1, 2021

Mark Durham (Chief) 916.274.3423
Glenna Schultz (Analyst) 916.274.3362
Ronil Dwarka (Revenue) 916.274.3391
Analysis Date: April 30, 2020

Summary: Authorizes a County Board of Supervisors to create as many assessment appeals boards as is necessary to timely process, hear, and dispose of property tax appeals.

Fiscal Impact Summary: Indeterminable.

Existing Law: For property tax purposes, real property is reassessed from its Proposition 13 protected value (called a "base year value") to its current market value when real property undergoes a change in ownership or new construction is completed.¹ Annual assessed value increases are limited to 2 percent or the inflation rate, whichever is less (called the "adjusted base year value"). When the market value of real property drops below its adjusted base year value, the assessor can temporarily lower the property's assessed value to its current market value. Business property is not subject to the Proposition 13 limits, but is annually assessed at its current market value.

When a property owner disagrees with a property's value, the property owner can appeal that value with the county appeals board.

In each county, the County Board of Supervisors either sits as a local board of equalization or appoints an assessment appeals board to hear property tax appeals. Existing law provides that a county may have no more than five assessment appeals boards.²

If a county assessment appeals board fails to make a final determination on an application for reduction in assessment within two years of the timely filing of the application, the taxpayer's opinion of value as reflected on the application must be enrolled on the assessment roll until a final determination is made.³ The taxpayer and the appeals board may mutually agree to extend this two-year period.

Proposed Law: This bill allows a County Board of Supervisors to create as many assessment appeals boards as it deems necessary to timely process, hear, and dispose of property tax appeals.

In General: Property owners can appeal the value of the property appearing on the regular assessment roll by filing an *Assessment Appeal Application*⁴ for changed assessment during the regular assessment filing period with the Clerk of the County Board of Supervisors. The regular assessment filing

¹ California Constitution, article XIII A, [section 2](#); Revenue and Taxation Code (RTC) section [110.1](#).

² RTC section [1621](#).

³ RTC section [1604](#)(c) and (d).

⁴ [BOE-305-AH](#).

period is July 2 through either September 15 or November 30. The earlier deadline applies in counties where the assessor has provided an assessment notice by August 1 to all taxpayers on the secured roll.⁵

Assessments made outside the regular assessment period (supplemental assessments and escape assessments) may be appealed within 60 days after the date the notice of change in assessment is mailed. An exception exists in Los Angeles County and in any other county where the County Board of Supervisors has adopted an alternative resolution. In these counties, such assessments may be appealed within 60 days of the date of mailing printed on the tax bill or the postmark date, whichever is later. For disaster relief assessment appeals, a claim must be filed within six months of the reassessment notice.

Background: For a 10-year period (July 24, 1995 – January 1, 2005), the law allowed a county a maximum of 10 assessment appeals boards. Effective July 24, 1995, [Assembly Bill 1620](#) (Stats. 1995, ch. 1164) expanded the number of assessment appeals boards from 5 to 10 until January 1, 1999. Effective January 1, 1996, [Senate Bill 657](#) (Stats. 1995, ch. 498) set the maximum number of assessment appeals boards at 10 indefinitely. Effective July 17, 1996, [Senate Bill 713](#) (Stats. 1996, ch. 171) restored the sunset date, but extended the sunset date to January 1, 2005.

The reasoning behind the increase from 1995 to 2005 was that an economic recession resulted in an unprecedented number of assessment appeals throughout the state. In Los Angeles County, the number of assessment appeals grew from 5,791 in 1990-91 to 36,177 in 1993-94. The backlog of appeals grew during that same period from 9,998 to 67,081. The appeals workload exceeded the abilities and resources of both the local assessment appeals boards and County Assessors' offices to timely resolve legitimate taxpayer appeals within the two-year period provided by law.

Commentary:

1. **Number of Assessment Appeals Boards.** According to the BOE's publication *A Report on Budget, Personnel, and Appeals Data for 2017-18*,⁶ which is the most recent data available, four counties (Fresno, Los Angeles, Orange, and Riverside) have the maximum number of appeals boards.
2. **Number of Assessment Appeals Boards Increased 1995-2005.** As noted above, the Legislature previously increased the maximum number of assessment appeals board to 10 from July 24, 1995 to January 1, 2005, because of the economic recession that resulted in an unprecedented number of assessment appeals throughout the state.
3. **Why Limit the Number of Appeals Boards?** Limiting the number of assessment appeals boards does not allow counties with a high volume of appeals the flexibility to address existing backlogs and relieve pressure to meet statutory time limits.
4. **COVID-19.** Many county offices are temporarily closed because of the COVID-19 virus. As a result, assessment appeals boards have postponed and continued appeals that were pending and/or in process when offices closed. These closures have increased the backlog of appeals that will have to be scheduled, heard, and finalized on a timely basis when county buildings reopen. Moreover, because of the Governor's stay-at-home order beginning in March this year, counties are anticipating an increase in assessment appeals filed for the upcoming fiscal year for commercial and industrial properties. These appeals typically take longer to hear than

⁵ A listing of assessment appeal filing deadlines by county is posted on the State Board of Equalization's (BOE) website at www.boe.ca.gov/proptaxes/pdf/filingperiods.pdf.

⁶ <https://www.boe.ca.gov/dataportal/dataset.htm?url=PropTaxAppealsBoardsHearingOfficers>.

residential property appeals. Finally, to date, appeals boards have not been given relief from the requirement to decide appeals within two years, increasing the necessity for more capacity to hear appeals.

5. **Split Roll Initiative.** Typically, the term "split roll" means taxing various property types (for example, residential v. commercial) according to a different tax rate or value standard. A true "split roll" is not possible without a constitutional amendment. Initiative 1851 ([17-0055, Amdt.#1](#)), which is eligible for the November 3, 2020 ballot, proposes to amend the Constitution to require certain commercial and industrial real property to be taxed at fair market value. Initiative 1870 ([19-008A1](#)) also requires certain commercial and industrial real property to be taxed at fair market value; proponents of this initiative have submitted signatures to county election officials for verification. Counties are anticipating that there will be an increase in assessment appeals if a split roll initiative is enacted.⁷
6. **Alternative.** Currently, an assessment appeals board must render a decision within two years of the timely filing of the application or have the taxpayer's opinion of value enrolled. An alternative solution would be to extend the period in which an appeals board must render a decision.

Costs: The BOE would incur absorbable costs to update its website and notify county assessors and assessment appeals boards.

Revenue Impact: This provision does not have a direct revenue impact, but could have an indeterminable effect on property tax revenue to the degree that assessment appeals go unresolved as a result of the limitation on the number of assessment appeals boards counties may operate. There is no measurable standard upon which to base an estimate of the outcome of assessment appeals board decisions. However, the potential loss of tax dollars could have an impact on local government budgets that depend on property tax revenues. A reduction in property tax revenue for schools could have an impact on the state budget, if the state would have to backfill the loss of property tax revenue.

⁷ California Assessors' Association, 19-003 White Paper: Split Roll (www.calassessor.org/index.php/resources/publications).