

Memorandum

To: Honorable Ted Gaines, Chairman
Honorable Sally J. Lieber, Vice Chair
Honorable Antonio Vazquez, Third District
Honorable Mike Schaefer, Fourth District
Honorable Malia M. Cohen, State Controller

Date: December 4, 2025

From: Ted Angelo, Chief
Legislative, Research, and Statistics Division

Subject: **Legislative Proposal for Board Consideration**

Attached for the Board's consideration is a legislative proposal to extend the sunset on the valuation methodology specified in Revenue and Taxation Code section 401.10.

Approved:

/s/ Yvette M. Stowers

Yvette M. Stowers
Executive Director

cc: Mr. Matt Cox, Deputy to Board Member
Mr. Douglas Winslow, Deputy to Board Member
Mr. Juan Flores, Deputy to Board Member
Mr. Cody Petterson, Deputy to Board Member
Mr. Hasib Emran, Deputy Controller
Ms. Yvette M. Stowers, Executive Director
Ms. Lisa M. Renati, Chief Deputy Director
Ms. Catherine Taylor, Chief of Board Proceedings



SOURCE

Board Action

SUMMARY

Existing Law (Revenue and Taxation Code (RTC) 401.10) prescribes a valuation methodology for the local assessment of intercounty pipeline rights-of-way. The methodology, which involves a series of tiered dollars-per-mile schedules based on a property's density classification, applies to assessments made for the 1984-85 through 2025-26 tax years. The law is set to sunset on January 1, 2027.

BOE staff would urge the Legislature to extend the sunset on the valuation methodology specified in section 401.10 until January 1, 2032.

CODE SECTIONS TO AMEND

Amend Revenue and Taxation Code section 401.10.

BACKGROUND/IDENTIFICATION OF PROBLEM

County Assessors value intercounty pipeline rights-of-way according to a codified methodology that reflects an agreement between the Assessors and owners of intercounty pipeline rights-of-way. That agreement followed a 1993 appellate court decision that transferred the duty for assessing those rights-of-way from the BOE to County Assessors.¹ Prior to the court decision, the BOE assessed the rights-of-way along with the physical pipelines and associated operational equipment.

While the 1993 decision disposed of the jurisdictional dispute over the assessment of intercounty pipeline rights-of-way, the court left unresolved differences of opinion about how to value them. As neither the Assessors nor the right-of-way owners wished for protracted and expensive litigation over those differences, in 1996 the parties reached a settlement agreement, codified as Section 401.10, that prescribes the agreed-upon valuation methodology.

The methodology applies a tiered dollars-per-mile schedule that is based on the property's density classification used to establish the 1975-76 base-year value, as follows:

- High Density: \$20,000 per mile
- Transitional Density: \$12,000 per mile
- Low Density: \$9,000 per mile

These amounts are adjusted annually for inflation. Under section 401.10, a taxpayer may not challenge an assessment made using the prescribed methodology. At the same time, if an Assessor does not use the prescribed methodology and the taxpayer then exercises their right to challenge the resulting assessment, that assessment loses the benefit of any presumption of correctness.

¹ *Southern Pacific Pipe Lines, Inc. v. State Board of Equalization* 14 Cal.App.4th 42

HISTORY/PREVIOUS EXTENSIONS

As enacted in 1996, section 401.10 was set to sunset on January 1, 2001. In 2000, the Legislature extended the sunset for 10 years, until January 1, 2011.² In 2010, 2015, and 2021, the Legislature approved five-year extensions such that, currently, section 401.10 is set to sunset on January 1, 2027.³

JUSTIFICATION/PROPOSED SOLUTION/RECOMMENDATION

During the 29 years that section 401.10 has been in effect, County Assessors and taxpayers alike have benefited from fair assessments and a notable absence of valuation disputes involving intercounty pipeline rights-of-way. All interested parties, including BOE staff, have supported the previous extensions of the sunset dates, and staff supports a further extension until January 1, 2032.

FISCAL IMPACT (If known)

No fiscal variation from the existing method for all counties in California.

DRAFT LANGUAGE

Section 401.10 of the Revenue and Taxation Code is amended to read:

(a) Notwithstanding any other law relating to the determination of the values upon which property taxes are based, values for each tax year from the 1984–85 tax year to the ~~2025–26~~ **2030–31** tax year, inclusive, for intercounty pipeline rights-of-way on publicly or privately owned property, including those rights-of-way that are the subject of a change in ownership, new construction, or any other reappraisable event during the period from March 1, 1975, to June 30, ~~2026~~ **2031**, inclusive, shall be rebuttably presumed to be at full cash value for that year, if all of the following conditions are met:

(1) (A) The full cash value is determined to equal a 1975–76 base year value, annually adjusted for inflation in accordance with subdivision (b) of Section 2 of Article XIII A of the California Constitution, and the 1975–76 base year value was determined in accordance with the following schedule:

- (i) Twenty thousand dollars (\$20,000) per mile for a high-density property.
- (ii) Twelve thousand dollars (\$12,000) per mile for a transitional-density property.
- (iii) Nine thousand dollars (\$9,000) per mile for a low-density property.

(B) For purposes of this section, the density classifications described in subparagraph (A) are defined as follows:

- (i) “High density” means Category 1 (densely urban) as established by the State Board of Equalization.
- (ii) “Transitional density” means Category 2 (urban) as established by the State Board of Equalization.
- (iii) “Low density” means Category 3 (valley-agricultural), Category 4 (grazing), and Category 5 (mountain and desert) as established by the State Board of Equalization.

(2) The full cash value is determined utilizing the same property density classifications that were assigned to the property by the State Board of Equalization for the 1984–85 tax year or, if density classifications were not so assigned to the property for the 1984–85 tax year, the density classifications that were first assigned to the property by the board for a subsequent tax year.

(3) (A) If a taxpayer owns multiple pipelines in the same right-of-way, an additional 50 percent of the value attributed to the right-of-way for the presence of the first pipeline, as determined under paragraphs (1) and (2), shall be added for the presence of each additional pipeline up to a maximum of two additional pipelines. For any particular taxpayer, the total valuation for a multiple pipeline right-of-

² AB 2612 (Stats. 2000, Ch. 607).

³ SB 1494 (Stats. 2010, Ch. 654), SB 803 (Stats. 2015, Ch. 454), and SB 825 (Stats.Ch. 433), respectively.

way shall not exceed 200 percent of the value determined for the right-of-way of the first pipeline in the right-of-way in accordance with paragraphs (1) and (2).

(B) If the State Board of Equalization has determined that an intercounty pipeline, located within a multiple pipeline right-of-way previously valued in accordance with subparagraph (A), has been abandoned as a result of physical removal or blockage, the assessed value of the right-of-way attributable to the last pipeline enrolled in accordance with subparagraph (A) shall be reduced by not less than 75 percent of that increase in assessed value that resulted from the application of subparagraph (A).

(4) If all pipelines of a taxpayer located within the same pipeline right-of-way, previously valued in accordance with this section, are determined by the State Board of Equalization to have been abandoned as the result of physical removal or blockage, the assessed value of that right-of-way to that taxpayer shall be determined to be no more than 25 percent of the assessed value otherwise determined for the right-of-way for a single pipeline of that taxpayer pursuant to paragraphs (1) and (2).

(b) If the assessor assigns values for any tax year from the 1984–85 tax year to the ~~2025–26~~ 2030–31 tax year, inclusive, in accordance with the methodology specified in subdivision (a), the taxpayer's right to assert any challenge to the right to assess that property, whether in an administrative or judicial proceeding, shall be deemed to have been raised and resolved for that tax year and the values determined in accordance with that methodology shall be rebuttably presumed to be correct. If the assessor assigns values for any tax year from the 1984–85 tax year to the ~~2025–26~~ 2030–31 tax year, inclusive, in accordance with the methodology specified in subdivision (a), any pending taxpayer lawsuit that challenges the right to assess the property shall be dismissed by the taxpayer with prejudice as it applies to intercounty pipeline rights-of-way.

(c) Notwithstanding any change in ownership, new construction, or decline in value occurring after March 1, 1975, if the assessor assigns values for rights-of-way for any tax year from the 1984–85 tax year to the ~~2025–26~~ 2030–31 tax year, inclusive, in accordance with the methodology specified in subdivision (a), the taxpayer may not challenge the right to assess that property and the values determined in accordance with that methodology shall be rebuttably presumed to be correct for that property for that tax year.

(d) Notwithstanding any change in ownership, new construction, or decline in value occurring after March 1, 1975, if the assessor does not assign values for rights-of-way for any tax year from the 1984–85 tax year to the 2025–26 tax year, inclusive, at the 1975–76 base year values specified in subdivision (a), any assessed value that is determined on the basis of valuation standards that differ, in whole or in part, from those valuation standards set forth in subdivision (a) shall not benefit from any presumption of correctness, and the taxpayer may challenge the right to assess that property or the values for that property for that tax year. As used herein, a challenge to the right to assess shall include any assessment appeal, claim for refund, or lawsuit asserting any right, remedy, or cause of action relating to or arising from, but not limited to, the following or similar contentions:

(1) That the value of the right-of-way is included in the value of the underlying fee or railroad right-of-way.

(2) That assessment of the value of the right-of-way to the owner of the pipeline would result in double assessment.

(3) That the value of the right-of-way may not be assessed to the owner of the pipeline separately from the assessment of the value of the underlying fee.

(e) Notwithstanding any other provision of law, during a four-year period commencing on January 1, 1996, the assessor may issue an escape assessment in accordance with the specific valuation standards set forth in subdivision (a) for the following taxpayers and tax years:

(1) Any intercounty pipeline right-of-way taxpayer who was a plaintiff in *Southern Pacific Pipe Lines, Inc. v. State Board of Equalization* (1993) 14 Cal.App.4th 42, for the tax years 1984–85 to 1996–97, inclusive.

(2) Any intercounty pipeline right-of-way taxpayer who was not a plaintiff in *Southern Pacific Pipe Lines, Inc. v. State Board of Equalization* (1993) 14 Cal.App.4th 42, for the tax years 1989–90 to 1996–97, inclusive.

(f) Any escape assessment levied under subdivision (e) shall not be subject to penalties or interest under the provisions of Section 532. If payment of any taxes due under this section is made within 45 days of demand by the tax collector for payment, the county shall not impose any late payment penalty or interest. Taxes not paid within 45 days of demand by the tax collector shall become delinquent at that time. If the tax thereon remains unpaid at the time set for declaration of default for delinquent taxes, the tax together with any penalty and costs as may have accrued thereon while on the secured roll shall be transferred to the unsecured roll.

(g) For purposes of this section, “intercounty pipeline right-of-way” means, except as otherwise provided in this subdivision, any interest in publicly or privately owned real property through which or over which an intercounty pipeline is placed. However, “intercounty pipeline right-of-way” does not include any parcel or facility that the State Board of Equalization originally separately assessed using a valuation method other than the multiplication of pipeline length within a subject property by a unit value determined in accordance with the density category of that subject property.

(h) This section shall remain in effect only until January 1, ~~2027~~ 2032, and, as of that date is repealed.

(Amended by Stats. 2021, Ch. 433, Sec. 5. (SB 825) Effective January 1, 2022. Repealed as of January 1, 2027, by its own provisions.)