



STATE BOARD OF EQUALIZATION

1020 N STREET, SACRAMENTO, CALIFORNIA
(P.O.BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)

(916) 445-4982

WILLAM M. BENNETT
First District, Kentfield

BRAD SHERMAN
Second District, Los Angeles

ERNEST J. DRONENBURG, JR.
Third District, San Diego

MATTHEW K. FONG
Fourth District, Los Angeles

GRAY DAVIS
Controller, Sacramento

BURTON W. OLIVER
Executive Director

No. 92/27

March 31, 1992

TO COUNTY ASSESSORS:

ASSESSMENT OF SERVICE STATION STRUCTURES AND FIXTURES

In our letter to assessors 88/24, issued March 18, 1988, we discussed the issue of the historical practice of assessing service station improvements as a single unit versus the necessity of segregating fixtures from structures for purposes of Proposition 13 assessments. Our understanding is that most counties have made adjustments, but there are apparently some inconsistencies among the counties regarding classification (fixture or structure), methods of making adjustments to base year values, and notification of the changes to the taxpayers.

Notification

We discussed the notification issue in assessors' letter 88/24. We stated:

"An owner should be notified when an original service station total improvement value is allocated between fixtures and structures as necessitated by later qualifying new construction. Notification is important so that taxpayers will have the necessary information to maintain their parcel records."

We again urge you to provide appropriate details to taxpayers whenever reallocations of fixtures and structures are made. Adequate detail will allow taxpayers to make future reporting in a manner that will simplify your processing of the property statements and minimize errors. If the details of your reclassifications are not transmitted to the taxpayers, there is a good probability that future reportings could lead to double assessments or escapes.

Classification

We discussed classification only briefly in assessors' letter 88/24. Recently, the Western States Petroleum Association Marketing Property Task Force provided us with their recommended classification of service station items. Their recommendations are as follows:

Structures

Buildings
Curbing
Paving
Restrooms
Walls
Fencing
Yard Lighting
Landscaping
Island Canopy

Fixtures

Island Curbing
Signs
Hoist
Compressors
Air & Water Wells
Dispensers/Pumps
Tanks & Related Equipment

It appears to us that the industry-proposed classifications are reasonable. The industry task force made it clear they are more interested in uniformity and consistency than the precise classification of borderline items.

Assessment of Fixtures

Assessors' letter 88/24 did not contain any detail on how to value fixtures when it is necessary to segregate the fixtures from the structures. The letter simply stated: "An appropriate adjustment must be made to the original value to reflect the removal of an old fixture when a replacement fixture is assessed as new construction."

Specific instructions or suggestions on how to make adjustments are not feasible because the assessors' service station records vary considerably as to the detail available. The industry task force recommends the following procedure.

For assessments prior to lien date March 1, 1992, where the assessor has elected to transfer the fixtures from the real property structure record, the valuation shall be the lower of Proposition 13 or Proposition 8. The fixture appraisal shall be based on the assessor's original age and value, as taken from the building record, except where there has been new construction (or replacements) following the assessor's date of transfer. For new construction (or replacement) items following the date of transfer, the taxpayer's properly adjusted historical cost shall be the basis for the appraisal.

For assessments beginning with March 1, 1992, the valuation shall be based on the assessor's original age and value as taken from the building record, except for items that have been replaced after March 1, 1988. For those items, the taxpayer's historical cost shall be the basis for the appraisal.

We intend to discuss the issue with assessors or their subcommittees during the next few months, but it was not feasible to do so in time for the 1992 assessment season. In the meantime, we believe it will be helpful if you consider the industry-proposed procedures and determine whether they can be used for your service station properties.

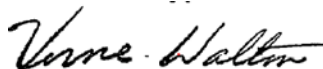
TO COUNTY ASSESSORS

-3-

March 31, 1992

If you have questions or comments regarding this letter, please contact our Business Property Technical Services Section.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:sk