
From: Paul Marcos
Sent: Thursday, June 30, 2022 3:44 PM
To: OAL Reference Attorney@OAL; Her, Honey **Cc:** Paul Marcos
Subject: State Board of Equalization – Announcement of Proposed Property Tax Rule 462.540

Hi there,

I had previously submitted written comments about Rule 462.540 expressing concerns around the handling of new construction. In the proposed emergency action I'm VERY happy to see section (f) added to cover the topic of new construction. Thank you very much for arranging this information like this, including the details in (f)(3) and especially Example 12. This is a much, much better solution for the topic of new construction.

I have a couple small followup comments. In this latest proposal, the text of (h) reads:

(gh) MULTIUNIT PROPERTY AND MOBILEHOMES. The property tax relief provided by this section shall be available if the claimant's original primary residence or the replacement primary residence, or both, includes, but is not limited to, **either of the following:**

Where the term "either" seems no longer appropriate because there are now 3 subsections ((h)(3) was added to handle ADUs, which is good to see). Presumably that should now read, "...but is not limited to, **any of the following:**"?

Finally, on the topic of ADU/JADU, I think some additional detail and an example would help. Here's an example of the scenario I might very well be facing, and I'd love to see it clarified:

1. Purchase replacement primary residence (e.g. for \$700,000)
2. Begin new construction of ADU on replacement primary dwelling, in preparation for new construction of primary residence.
3. After ADU is completed, but before primary residence new construction is completed, I would move to the ADU (e.g. ADU value is \$100,000)
4. Sell original primary residence (e.g. original factored base year value is \$300,000) for \$650,000.
5. File base value transfer transfer claim.

Because the replacement primary residence value + ADU value (\$800,000) is greater than the value of the original primary residence (\$650,000), the new base year value of the replacement primary residence would be \$450,000 (\$300,000 + \$150,000). So far, so good, I think. Or would the base value transfer not be allowed at step 5 above? Or would the base value transfer only be allowed after ALL new construction is completed?

If step 5 is allowed, then the confusing part comes in when the new construction on the replacement primary residence is completed. Is the base value reassessed with just the difference in value of the primary residence new construction over the purchase price of the replacement primary residence?

As I typed these details I realized that this scenario does seem complicated and confusing so some clarification might be helpful.

Regardless, thank you for the tireless work to keep honing the details around Prop 19!

Paul