

[Assembly Bill 1718](#) (Committee on Revenue & Taxation)

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Date: Introduced

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Program: Property Taxes

Sponsor: Board of Equalization (BOE)

Revenue and Taxation Code Section 53.5

Effective: January 1, 2018

Summary: Repeals a requirement to consider leach pads, tailings facilities, and settling ponds associated with mining properties as separate appraisal units.

Purpose: To repeal an administratively impractical requirement that is not implemented.

Fiscal Impact Summary: Negligible.

Existing Law: Current law¹ requires the assessor to annually set the taxable value of real property at the lower of its factored base year value or current market value. The law² provides that "real property" is that appraisal unit that persons in the marketplace commonly buy and sell as a unit, or that is normally valued separately. An exception to this general law³ exists for leach pads, tailing facilities, and settling ponds on mining or mineral property. Consequently, the law directs that the assessor carve out these components of the real estate and annually determine which value is lower for these specific items. However, these items are not sold separately nor are they normally valued separately in the marketplace. In practice, this provision in law is not implemented.

Proposed Law: This bill repeals RTC Section 53.5 so that leach pads, settling ponds, and tailing facilities are evaluated for assessment purposes together with the rest of the mining appraisal unit (that which is normally bought and sold in the market place).

Background: Effective January 1, 1999, AB 1246 (Stats. 1998, Ch. 226) added Section 53.5 to the Property Taxes Law. Since then, BOE staff has found in its assessment practice surveys that counties do not comply with this law because it is administratively impracticable. In 2014, in an effort to help assessors find a method to comply with the law, the BOE recommended⁴ that assessors use the cost approach to estimate the value of these items when first put in place and subsequently deplete the value based upon the remaining capacity of the leach pad, settling pond, or tailings dump. However, implementing this recommended approach would divert limited staffing resources. Segregating this portion of the property to measure a possible decline in value on two distinct parts of the appraisal unit consumes limited staffing resources with no indication that it aids in the valuation process. No efficient method exists to value these components separate from the rest of the mining operation since they are too closely integrated into the operation to be treated separately.

Commentary:

1. **Effect of the bill.** Repealing this provision acknowledges that valuing leach pads, tailings facilities, and settling ponds as a separate appraisal unit is administratively impractical and allows the BOE to discontinue addressing noncompliance in county assessment practice surveys.
2. **Administratively impractical requirement.** No stand-alone marketplace exists from which assessors can derive market value for leach pads, settling ponds, or tailings dumps. These facilities are sold along with the rest of the mining property. They have no independent value.

¹ Revenue and Taxation Code [Section 51](#)

² RTC 51(d)

³ [RTC 53](#) added by AB 1246 (Stats. 1998, Ch. 226)

⁴ [LTA 2014/043](#)

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

3. **Consumes limited resources.** The special carve out requirement was added about 20 years ago. The BOE has found that most counties are unable to implement the requirement, as it consumes limited staffing resources with no indication that it aids in the valuation process.
4. **Restores the mining appraisal unit.** Since persons in the marketplace commonly buy and sell this property as a unit, the assessor can evaluate the entire mining property to determine whether its assessment should be reduced based on market conditions.

Costs: The BOE would incur absorbable costs to update publications.

Revenue Impact: The repeal of this provision has an unknown but negligible revenue impact since counties do not implement this section. Any value of leach pads, settling ponds, and tailing facilities will be included in the overall value of value of the mining property.