

[Senate Bill 780](#) (Governance and Finance Committee)
Date: August 12, 2019 (Amended)
Program: Property Taxes
Sponsor: California Assessors' Association
Revenue and Taxation Code Section 72
Effective: January 1, 2020

Mark Durham (Chief) 916.319.9220
Glenna Schultz (Analyst) 916.274.3362
Chris Butler (Revenue) 916.323.3800

This bill analysis is limited to property tax-related provisions.

Summary: This bill extends the requirement to transmit to the county assessor copies of building permits and documents that show the date of completion of new construction to any entity that is authorized to issue a building permit.

Summary of Amendments: The August 12, 2019 amendments are not related to property tax assessment and do not change our previous analysis.

Fiscal Impact Summary: This bill does not have any immediate revenue impact. Broadening the reporting requirement likely increases the discovery of assessable new construction to some extent. However, the potential increase is indeterminable.

Existing Law: The California Constitution¹ provides that all property is taxable, unless otherwise provided by law. The Constitution limits the assessed value of property² upon which the property tax is imposed. Generally, the law establishes a property's assessed value at its market value on the date purchased (base year value) and requires additional assessments to reflect certain construction activities that qualify as "new construction."³

When substantial additions or alterations occur, the law requires the county assessor to increase the assessment to reflect the value of "newly constructed" property.⁴ The county assessor assigns the assessable new construction with its own base year value, distinct from the remainder of the property. The remainder of the property's assessment is unaffected and retains its adjusted base year value.

Relevant to this bill, to aid county assessors in the discovery of new construction, existing law⁵ requires any city, city and county, and county to provide the county assessor with copies of the following:

- Building permits issued, and
- Certificates of occupancy or other documents that show the date of completion of new construction.

Proposed Law: This bill is the Local Government Omnibus Act of 2019. One of the proposed changes extends the requirement of any city, city and county, and county to transmit to the county assessor (1) a copy of a building permit as soon as possible after the date of issuance, and (2) a copy of any certificate

¹ California Constitution [article XIII](#), section [1](#).

² California Constitution [article XIII A](#), section [2](#).

³ Revenue and Taxation Code (RTC) section [110.1](#).

⁴ RTC section [70](#).

⁵ RTC section [72](#).

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.

of occupancy or other documents that shows the date of completion of new construction within 30 days after the issuance or finalization, to any entity that is authorized to issue a building permit.

In General: California's Property Tax System. Voters changed California's property tax system through Proposition 13, which replaced a current market value-based system with an acquisition value-based system. Under Proposition 13, real property assessed values were set at 1975 market value levels. Future annual base year value adjustments were limited to the inflation rate, not to exceed 2 percent, for as long as the property's ownership remains unchanged and the property is not substantively improved (i.e., new construction). Proposition 13 also limited the basic property tax rate to 1 percent plus voter-approved bonded indebtedness. The current system provides certainty to property owners regarding future property tax liability. The 2 percent maximum inflation adjustment ensures modest assessed value increases, assuming no ownership changes or substantive property improvements.

New Construction. The California Constitution does not define the terms "new construction" or "newly constructed." RTC section 70 defines these terms to mean:

- Any addition to real property, whether land or improvements (including fixtures), since the last lien date.
- Any alteration of land or any improvements (including fixtures) since the last lien date that constitutes a "major rehabilitation" or that converts the property to a different use.

The BOE Assessors' Handbook Section [410](#), *Assessment of Newly Constructed Property*, provides detailed information.

Discovery of New Construction. Unlike a change in ownership for which transferees are required to file a change in ownership statement with the county assessor, property owners are not required to notify the county assessor of completed new construction. To aid county assessors in the effort to discover new construction, existing law⁶ requires any city, city and county, and county to provide the county assessor with the following copies:

- All building permits issued as soon as possible after the date of issuance, and
- Certificates of occupancy or other documents that shows the date of completion of new construction issued or finalized within 30 days after the date of issuance or finalization.

Additionally, when property owners file their approved building plans, existing law requires they provide the county assessor with a scale copy of floor plans and exterior dimensions for the assessor's use.⁷

Commentary:

1. **Sponsor's Comment.** Revenue and Taxation Code section 72 requires cities and counties to transmit to the county assessor copies of building permits and "other documents" that show the date of completion of new construction issued or finalized by a city or county. The California Assessors' Association notes that cities and counties are not the only agencies who issue building permits in California, and that some challenges can occur in obtaining building permits from other

⁶ RTC section 72(a) and (b).

⁷ RTC section 72(c).

agencies. The proposed amendments require any entity authorized to issue a building permit to the list of entities that are required to provide building permits to the county assessor.

2. **Summary of Amendments:** The **August 12, 2019** amendments are not related to property tax assessment. The **July 1, 2019** amendments are not related to property tax assessment. One of the **April 11, 2019** amendments extends the requirement to transmit to the county assessor copies of building permits and documents that show the date of completion of new construction to any entity that is authorized to issue a building permit.
3. **Building Permits.** Existing law requires any city, city and county, and county to transmit to the county assessor copies of building permits. However, city, city and county, and county entities are not the only government agencies that issue building permits in California.

Costs: The BOE would incur absorbable costs to notify county assessors and update the BOE's website.

Revenue Impact: This bill would not have an immediate revenue impact. Broadening the reporting requirement likely increases the discovery of assessable new construction to some extent. However, the potential increase is indeterminable.