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E. L. SORENSEN, JR.
Executive Director

June 21, 1996

Dear Mr.

I am writing in reply to your letter of June 3, 1996, in which you requested an opinion regarding the intent of AB1620, Chapter 164 of Statutes of 1995, which amended section 4831 of the Revenue and Taxation Code. The amendment allows an assessor, for up to one year after making an assessment, to correct "any error or omission involving the exercise of a value judgment that arises solely from a failure to reflect a decline in the taxable value of real property as required by subdivision (b) of Section 51 . . ."

In the letter dated May 23, 1996, by Mr. _____ of the Los Angeles County Assessor's office to Mr. _____ of your office, which you enclosed with your letter, Mr. _____ states that the amendment "provides assessors an additional twelve months to enroll findings on backlogged Prop. 8 inventories" and "does not extend the filing date for Prop. 8 reviews." You dispute the implication of Mr. _____'s interpretation that Proposition 8 reductions in value may only be obtained through the assessment appeals process. You believe that AB 1620 was intended as a tax relief measure and that a taxpayer need not meet application filing deadlines in order to receive a reduction in assessed value.

For the reasons set forth below, we concur with the Los Angeles County Assessor's office's opinion that AB 1620 was intended to relieve the backlog of assessment appeal inventories. However, we also believe that a taxpayer is not required to file an application in order to receive a Proposition 8 reduction in value if an assessor determines that a reduction in value is warranted. In such event, the assessor should enroll the corrected value, and AB 1620 simply extends the period of time in which the assessor may make the roll correction.

Legislative analyses of AB 1620 indicate that the bill was enacted in response to a massive number of assessment appeals resulting from declines in property values due to the economic

recession in California in the early 1990s. The increase in assessment appeals so overwhelmed some county assessment appeals boards that those boards were having difficulty hearing all appeals within the two year time limitation period. Pursuant to section 1604(c), absent a mutually agreed upon extension of time or consolidation with another appeal, if a board fails to make a final determination of value on an application for reduction in assessment then the taxpayer's opinion of value becomes the assessed value for the year covered by the application. Consequently, the large backlog of assessment appeals delayed timely resolution of legitimate appeals and created the possibility of substantial and unwarranted reductions in value.

AB 1620 adopted measures intended to expedite the processing of the increased numbers of appeals by amending three sections of the Revenue and Taxation Code. Section 4831 was amended to give the assessor greater latitude in making roll corrections for reductions in value. Prior to enactment of AB 1620, after the assessor had completed and delivered the roll to the auditor, errors involving the exercise of value judgments could only be corrected if taxpayers filed applications for assessment appeal. In instances where the assessor believed that properties should properly have been assessed at reduced values solely from a failure to reflect declines in taxable values, AB 1620 was intended to allow the assessor to make these roll corrections involving the exercise of value judgments, after the roll had been completed and delivered to the auditor and without requiring an appeal.

Because assessors now have an additional year from the time the roll is completed and delivered to make these corrections involving the exercise of value judgments, section 4831 affords taxpayers more timely reductions in their assessed values by reflecting the reductions on the current year's roll. And the extension of the time for these corrections was expected to result in the filing of fewer assessment appeals, thereby alleviating the caseloads for appeals boards. In conjunction with the two other sections amended by AB 1620, section 4831(b) was also intended to reduce the backlog of pending assessment appeal cases, particularly in Los Angeles County. State Board of Equalization, Legislative Bill Analysis, AB 1620 May 4, 1995; Department of Finance Bill Analysis, AB 1620, May 4, 1995.

In our view, the letter of May 23, 1996 by Mr. _____ of the Los Angeles County Assessor's office, which you enclosed with your letter, correctly states that the amendment to section 4831 allows an assessor an additional year in which to enroll findings on backlogged Proposition 8 inventories and does not extend the filing date for assessment appeals applications. However, as indicated above, we do not agree that a Proposition 8 reduction in value may only be obtained through the assessment appeals process. Section 51 of the Revenue and Taxation Code mandates that the taxable value of real property, for each lien date after the lien date in which the base year value is determined, shall be the lesser of the factored base year value or its full cash value taking into account factors causing a reduction in value. If an assessor determines that the current market value is lower than the factored base year value on the lien date, then the assessor is obligated to enroll the market value without a taxpayer's appeal. This view has been continuously expressed by the Board and staff. See, for example, the March 20, 1992, Letter to Assessors No 92/24, Declines in Value, and the September 25, 1992, Letter to Assessors No. 92/63, Declines in Value, Assessment Uniformity, copies enclosed. This view is also consistent with the Legislative Bill Digest describing the amendment to section 4831, which does not indicate therein an intent to require that a taxpayer take any action to obtain the lower of the two values. The digest states that AB 1620 "gives assessors the authority to reduce assessed

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values via a roll correction within one year after the assessment is completed, in situations where the assessor failed to properly reflect a decline in value pursuant to Proposition 8." Senate Revenue & Taxation Committee, Digest of Hearing, AB 1620, June 21, 1995.

The views expressed in this letter are only advisory in nature. They are not binding on the Los Angeles County Assessor or the assessor of any county. Our intention is to provide courteous, helpful and timely responses to inquiries such as yours. Suggestions that help us to accomplish this objective are appreciated.

Very truly yours,



Louis A. Ambrose
Tax Counsel

LAA:ba
Enclosures

cc: Honorable Kenneth P. Hahn,
Los Angeles County Assessor

~~Mr. James Speed, MIC:63~~
Mr. Richard Johnson, MIC:64
Ms. Jennifer Willis, MIC:70

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