

**STATE BOARD OF EQUALIZATION**

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No. 96/37

TO COUNTY ASSESSORS:

SECTION 623-SINGLE ASSESSMENT OF LEASED PERSONAL PROPERTY

Section 623 was added to the Revenue and Taxation Code by Chapter 527, Statutes of 1995 (Senate Bill 716). It became effective January 1, 1996 and allows assessors to "place a single assessment on the roll for all leased personal property in the county that is assessed with respect to the same taxpayer."

Background

Section 14 of Article XIII of the California Constitution requires that all property taxed by local government be assessed in the county, city, and district in which it is situated. In addition, section 443 of the Revenue and Taxation Code requires that property statements show the county and the city or revenue district where the property is situated. Both of these requirements refer to one of the essential factors of a valid assessment, the determination of the tax situs of the property.

Sections 405 (a) and (b) of the Revenue and Taxation Code provide the statutory authority for assessing leased personal property to the lessee:

"(a) Annually, the assessor shall assess all the taxable property in his county, except state-assessed property, to the persons owning, claiming, possessing, or controlling it on the lien date."

"(b) The assessor may assess all taxable property in his county on the unsecured roll jointly to both the lessee and lessor of such property."

Property Tax Rule 204 provides that property leased or rented on a short term basis has situs at the place where the lessor normally keeps the property. The situs of property leased or rented for an extended, but unspecified period, or leased for a term of more than six months, shall be determined on the basis of the lessee's use.

The discovery and assessment of leased equipment is a time consuming task for county assessors. At the same time, the popularity of leasing for business purposes is continuing to rise. Leasing

companies often have numerous low value items leased out at various locations throughout a county. Before the passage of Section 623, these individual assessments could only be combined within the same tax-rate area. For many medium to large size counties, leased property may be located in over 100 tax-rate areas within the county, each requiring a separate tax bill.

Section 623

Section 623 was added to provide assessors the option of combining the assessments of equipment out on lease from a single taxpayer within a county, even if the assessments are located in different tax-rate areas. The section does not replace or amend section 14 of Article XIII of the California Constitution; the section simply provides a new definition of situs for property tax purposes.

Section 623 also solves another assessment problem involving lessors leasing equipment at numerous locations throughout a county, but the value of the equipment at each location falls below the threshold of the county's low value ordinance. Prior to the addition of section 623, there was no provision for combining numerous assessments of leased equipment from different tax-rate areas, which individually are below a county's low value ordinance, even when the total combined value is considerably higher. The current maximum allowable threshold for a low value ordinance is \$5,000 (Chapter 497 of Senate Bill 722 raised the low value ordinance limit from \$2,000 to \$5,000). Section 623 allows multiple low value assessments of leased equipment to be combined into one assessment.

Application

When a company having a headquarters, or primary place of conducting business within a county, has equipment out on lease at various locations throughout the county, all of this equipment can be assessed on one bill. The tax-rate area chosen should be the company's primary place of conducting business within the county. If the company has a headquarters, office, or facility within the county, then this is its primary place of conducting business within the county. If the company has more than one office or facility within a county, then the office or facility with the largest equipment value is the situs which should be used for all of the company's leased equipment in that county.

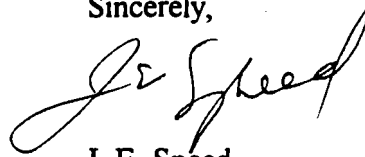
In the absence of a regular place to conduct business within the county, the location having the greatest value of a company's leased equipment should be considered that company's primary place of business within the county. That location should be used as the situs for all of the taxpayer's leased equipment in the county.

If a company has an office, warehouse, or other place of conducting business within the county, but has nearly all of its leased equipment located at a single site in a different tax-rate area, then that situs should be used for all of the company's leased equipment in the county.

Section 623 only applies to leased personal property assessed to the same taxpayer. It does not affect personal property that is not leased, and combining assessments in the manner authorized by section 623 is strictly an option for assessors to use, not a requirement.

If you have any questions regarding this matter, please contact our Technical Services Section at (916) 445-4982.

Sincerely,

A handwritten signature in cursive script that reads "J. E. Speed". The signature is written in black ink and is positioned above the typed name.

J. E. Speed
Acting Deputy Director
Property Taxes Department

JES:waj