200.0310 **Calculation.** If a four-unit residential-income property (owner resided in one unit) with an adjusted base year value of $160,000 is sold to a governmental entity for $200,000 and the seller purchases a replacement dwelling for $195,000, the adjusted base year value of the acquired property would be $40,000 plus the amount by which the full cash value of the acquired property exceeds 120 percent of the full cash value of the property from which the person was displaced, i.e., 120 percent of $50,000 or $60,000. The $135,000 difference between $60,000 and the new dwelling purchase price of $195,000 would be added to the $40,000 to provide a replacement property adjusted base year value of $175,000.

Should the displaced owner purchase an income producing multi-family residential property of at least three units, the same analysis would apply, but three-fourths of the replacement purchase price and three-fourths of the adjusted base year value of the fourplex would be used in the calculation. C 5/3/88.

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
1020 N STREET, SACRAMENTO, CALIFORNIA
(P.O. BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)
(916) 324-6594

May 3, 1988

Dear Mr. :

As requested in our recent telephone conversation, this letter will confirm our opinion regarding the application of Revenue and Taxation Code section 68 and Board Rule 462.5 (copy enclosed) to the following facts.

In September 1987, the city of Alahambra acquired your client's four unit residential income property at a purchase price of $200,000. Prior to the acquisition, your client resided in one of the four units. Your client purchased a replacement residence at a price of $195,000 which we assume was the market value of the property at the time of acquisition. We also assume that one-fourth of the purchase price of the fourplex as well as one-fourth of its adjusted base year value were allocable to the unit in which your client resided.

I advised you that under Rule 462.5(d)(3) the base year value of the replacement property would be the sum of 1) the amount by which the market value of the replacement property exceeded 120 percent of the purchase price of the property taken and 2) the adjusted base year value of the property taken.

Since only the residential portion of the fourplex has been replaced as of now, our analysis must be restricted to that portion of the purchase price and adjusted base year value which is attributable to the unit resided in by your client, i.e., one-fourth. Thus, since the market value of the replacement property exceeded 120 percent of $50,000 by $135,000 ($195,000 minus $60,000), the base year value of the replacement property would be $135,000 plus one-fourth of the adjusted base year value of the fourplex. See Rule 462.5(c)(3) examples.

The same analysis would apply if your client were to buy a replacement property to replace that portion of the fourplex not used as a residence by your client. For purposes of that analysis, three-fourths of the purchase price and adjusted base year value of the fourplex must be considered. Thus, if your client purchases a multi-family residential property of at least three units which had a market value of $180,000 (120 percent x $150,000), the base year value of that replacement property would be three-fourths of the adjusted base year value of the fourplex. Similarly, if the market value of the replacement property is $240,000, the base year value would be $60,000 (240,000 minus $180,000) plus three-fourths of the adjusted base year value of the fourplex. Please be advised that in our opinion the replacement property must be a multi-family residential property of at least three units in order to qualify as comparable under Rule 462.5(c)(2).

The views expressed in this letter are, of course, advisory only and are not binding upon the assessor of any county. You may wish to consult the appropriate assessor in order to confirm that the described property will be assessed in a manner consistent with the conclusion stated above.

If you have any further questions regarding this matter, please let us know.

Very truly yours,

Eric F. Eisenlauer

Eric F. Eisenlauer
Tax Counsel

EFE:cb
1025D

cc: Mr. Gordon P. Adelman
Mr. Robert H. Gustafson
Mr. Verne Walton