



(916) 445-3076

March 6, 1983

Mr. Daniel L. Bryant
Mono County Assessor
Courthouse
Bridgeport, CA 93517

Attention: Mr. W. Lee McCulloch
Supervising Appraiser

Dear Lee:

You asked our opinion on the change in ownership consequences when an association of Forest Service permittees combine to purchase land and then exchange the newly purchased land for the sites the permittees have been using for years.

I would like to begin my analysis by referring only to the land portion of the sites used by the Forest Service permittees. The transaction, in effect, is that the permittees are purchasing the reversionary interest of the government and become absolute owners of the land. Section 61 (b) of the Revenue and Taxation Code (added by AB 1488) states that possessory interests are to be reappraised whenever there is a creation assignment or renewal without reference to any particular term in the lease contract. The general principle adopted by the legislature was that the transfer of either the reversionary interest or the leasehold interests constituted a change in ownership in the entire property. Putting these concepts together, it is our conclusion that whenever the reversionary interest of a possessory interest is transferred, no matter what the term, there will be a complete revelation of the property that is subject to the possessory interest. The entire homesite should be revalued in the circumstances you describe.

As to the improvement, it is more difficult to tell you exactly what to do. The answer depends upon the nature of the contract than what was the improvement, the government or the tenant. If the tenant has had title to the improvement through the years, there would be a change in ownership for the improvement. If the government has held title to the improvement through the years, then the improvement should be treated like the land and reappraised entirely.

In analyzing the contract on this issue, you should look for the following information.

1. Whether the permittee built the cabin.
2. Whether the contract provides who had title to the improvement.
3. Whether the permittee is able to remove at the end of the term or whether he must leave the cabin.

In the instance where a permittee built the cabin and is required to remove at the end of the term, the title can be said to be held by the permittee. On the other hand, where the contract says title to the improvement vests in the government regardless of who built it or says that he cannot remove at the end of term, the title will be held by the government.

Very truly yours,

Robert D. Milam
Tax Counsel

RDM:fr

bc: Mr. Gordon
Mr. Robert H. Gustafson
Legal Section