



STATE BOARD OF EQUALIZATION

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May 2, 1980

No. 80/76

TO COUNTY ASSESSORS:

PERSONAL EFFECTS AND HOUSEHOLD FURNISHINGS EXEMPTION

We have held that the personal effects and household furnishings exemption of Revenue and Taxation Code Section 224 did not apply to any personal property owned by a homeowners' association, on the basis that the exemption only extended to natural persons. This is to inform you of an appellate court decision that held contrary to our position. The court in Lake Forest Community Association v. County of Orange, (1978) 86 Cal App. 3d 394, determined that a nonprofit corporation formed by owners of a planned residential development qualified as a "householder" and that the personal property owned by the corporation and used in and around the association's clubhouse was exempt under Section 224 of the Revenue and Taxation Code.

The summary of the case is listed here for your information:

"A community association filed an action against a county to recover ad valorem property taxes paid under protest. Plaintiff was an "owners' association" organized as a nonprofit corporation to operate and maintain recreational facilities and common areas for the benefit of its members, consisting exclusively of homeowners within a planned residential development. One of the common-use facilities owned by the association was a clubhouse, and taxes were levied against the association on certain personal property held by it connected with clubhouse use. Plaintiff claimed the property was exempt from taxation under the provisions of either Cal. Const., Art. XIII, Section 3, Subd. (m), or Rev. & Tax. Code, Section 224, or both, which exempted household furnishings from taxation. The trial court denied the refund on the ground the exempt property must be physically part of a household, and that a corporation cannot maintain a household. (Superior Court of Orange County, No. 241639, Kenneth E. Lae, Judge.)

The court of appeal reversed with directions to enter judgment for plaintiff. The court held the property was exempt under Rev. & Tax. Code, Section 224, and that the statutory language "any person" was sufficiently broad to include plaintiff and was not restricted to "householders." The court further held that to

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constitute "household furnishings" it was not necessary that property be physically a part of a "household," at least in the traditional sense of the word, and that while property must be held for household use or purposes to qualify as "household furnishings," plaintiff held the assessed property for household use or purposes as those terms are properly construed. The court did not determine whether the property might also have been exempt under Cal. Const., Art. XIII, Section 3, Subd. (m)."

You may wish to review the planned residential developments in your county and, if they meet the conditions of this case, you should take appropriate steps to exempt the personal property that meets the criteria set forth by the court.

Direct any questions to Bud Florence or Mike Shannon of this division; their telephone number is (916) 445-4982.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:sk