



STATE BOARD OF EQUALIZATION

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TO COUNTY ASSESSORS:

No. 88/20

EFFECT OF CHAPTER 703 (ASSEMBLY BILL 1054) ON PROPERTY
LEASED TO LIBRARIES, MUSEUMS, PUBLIC SCHOOLS, AND COLLEGES

Chapter 703 of the Statutes of 1987 (Assembly Bill 1054) became effective on January 1, 1988. This legislation provides that, under specified circumstances and procedures a party leasing property to certain exempt entities need not annually file an exemption claim on such property nor report such property on a business property statement.

Article XIII, Section 3(d) of the California Constitution and Section 202(a)(2) and (3) of the California Revenue and Taxation Code provide exemption from property taxes for property used for libraries and museums that are free and open to the public and property used exclusively for public schools, community colleges, state colleges, and state universities.

Additionally, Article XIII, Section 3(e) of the Constitution and Section 203 of the Revenue and Taxation Code provide exemption from property taxes for property used exclusively for educational purposes by a nonprofit institution of higher education, i.e., college.

Furthermore, Section 202.2 of the Revenue and Taxation Code provides that any reduction in property taxes on leased property used for such libraries and museums, public schools, colleges and universities shall inure to the benefit of the exempt entity. In Assessors' Letter 79/15 we outlined the procedures to effect such exemptions.

This legislation amends Section 251 of the Revenue and Taxation Code to permit one time filing by a lessor in those instances where the exempt entity has the option at the termination of the lease to acquire the property described in the lease for one dollar (\$1) or any other nominal sum. The lessor need only to file an affidavit with the assessor within 120 days of the commencement date of the lease, or within 120 days of the effective date of this legislation in the case of an existing lease, identifying the subject property and attesting to the purchase option. The new law further provides (via amendment to Section 442 of the Revenue and Taxation Code) that once the above requirements have been complied with the lessor no longer needs to report the property on the business property statement. The assessor should enroll the property as belonging to the exempt entity.

It is important to note the new procedures apply only where leased property is used for libraries and museums that are free and open to the public, public schools, colleges and universities, and only when ownership of the leased property transfers to the exempt entity for one dollar (\$1) or other nominal sum upon termination of the lease. If ownership is retained by the lessor or the property is merely available for purchase by the exempt entity at, say, the current market value, the procedures outlined in Assessors' Letter 79/15 apply. The new legislation does not apply to other exemptions such as the welfare, church, or veterans' exemptions.

We are presently developing the affidavit to be used to permit one time filing under such circumstances and hope to have it distributed in the near future. We suggest you keep track of inquiries on this subject so you can send claimants the affidavit when it is available.

If you have any questions, please contact our Exemption Section at (916) 445-4982.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:wpc
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