



STATE OF CALIFORNIA

790-0001

STATE BOARD OF EQUALIZATION

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*Executive Secretary*

October 19, 1983

To County Assessors:

No. 83/111

**ASSEMBLY BILL 399**

Assembly Bill 399, which was clean-up legislation for Senate Bill 813, was signed by the Governor and is Chapter 1102 of the statutes of 1983. This bill, a copy of which is enclosed, repeals, adds, and amends various articles and sections in Chapter 3.5 in Part 0.5 of Division 1 of the California Revenue and Taxation Code. This letter should serve the purpose of pointing out these changes. Also, enclosed is a composit of Senate Bill 813 and Assembly Bill 399.

Article 1. Definitions and General Provisions

Section 75, which is an intent statement, was amended to provide for enrolling decreases in assessed value as well as increases.

Section 75.4 was amended to clarify that the "current tax rate" includes any amount to pay interest and redemption charges on any indebtedness properly approved by the voters. (See also, Article 7, Section 75.70 following.)

Section 75.5 which defines "property" in regard to Chapter 3.5 expands the definition of "fixture" and, in the definition of property, it includes mobile homes subject to tax under Part 13 of the Revenue and Taxation Code. It should be noted, however, that mobile homes being placed on the local property tax roll because of delinquency and/or voluntary changeover without a change in ownership would be enrolled as they were prior to Senate Bill 813. That is to say no supplemental assessment would result because of the change from licensing to local property tax.

Section 75.9 was added. For purpose of Chapter 3.5 "taxable value" is defined as the base-year full value adjusted for any given lien date as required by law or the full cash value for the same date, whichever is less.

Article 2. Assessments on the Supplemental Roll

Section 75.11 was amended to change the June 30 date to May 31. This change makes Section 75.11 correspond to the procedure of proration of taxes as outlined in Section 75.41.

Section 75.12 was amended in Subsection (a) (2). This changed the filing deadline for the builder's exclusion, for property in existence on the effective date of the bill, to within 45 days of July 29, 1983

(i.e., September 12, 1983). Subsection (b) was also amended to require the applicant to notify the assessor within 45 days of (1) an unrecorded change in ownership, or (2) the property being rented or leased, or (3) the property being occupied as other than a model home, or (4) being occupied for any purpose other than that which is incidental to an offer for a change in ownership. Failure to so notify the assessor shall result in a penalty in the amount specified in Section 482. A written request from the assessor is not required. The collection and abatement procedures in Sections 482 and 483 are applicable under this section.

Section 75.14 is a newly added section stating that supplemental assessments shall not be made for any property not subject to Article XIII A assessment procedures. Further, all property subject to Article XIII A assessment procedures shall be subject to supplemental assessments except as provided in Article 2 (e.g., builder's exclusion).

### Article 2.5 Application of Inflation Rate

Article 2.5 is added to Chapter 3.5 by Assembly Bill 399. Article 2.5 has only one section which is Section 75.18. This section provides that, beginning in 1984, if a change in ownership or the completion of new construction occurs between March 1 and June 30, then the new base-year value shall be adjusted on the March 1 following the change in ownership or completion of new construction by the inflation factor as provided in Section 2 (b) of Article XIII A of the California Constitution.

#### EXAMPLE

A property sells March 15, 1984 for a market value of \$110,000 and is placed on the supplemental roll at that value. On March 1, 1985 this property would be enrolled for \$112,200 (assuming an inflation factor of two percent) rather than \$110,000 as would have been the case prior to this amendment.

This change has the effect of changing the way we assign base years. In the future, properties that change ownership or have new construction completed on or before June 30 will be treated for purposes of factoring, as though the change in ownership or completion of new construction had occurred prior to the immediately preceding lien date.

### Article 3. Exemption

Section 75.20 This section provides that a supplemental assessment, will not affect an exemption that has been granted for either the current roll or the roll being prepared.

Section 75.21 has been amended into three subsections. Subsection (a) provides that, generally, a supplemental assessment shall not have any exemption applied against it if the property is

already receiving an exemption. Subsection (b) provides that, if the property is receiving an exemption and the assessee on the supplemental roll is eligible for, and timely claims, a larger exemption, the difference between the two exemptions shall be applied to the supplemental assessment. Subsection (c) provides that the assessee must claim the exemption within 30 days of the date of the notice of supplemental assessment.

Section 75.22 was amended to provide that the assessee has 90 days from the date of the change in ownership or completion of new construction to meet the qualifications established by this part.

#### Article 4. Notice of Assessment

Section 75.30 was amended and now requires the assessor to place a notice for the pending supplemental assessment on the roll being prepared. The assessor shall also notify the auditor who shall place a notation on the current roll or on a separate document accompanying the current roll that a supplemental billing may be forthcoming.

Section 75.31 was amended in Subsection (a) (2) so that the June 30 date is now May 31. (See Section 75.11 above.) Subsection (a) (5) now requires the assessor to notify the assessee of the exempt amount, if any, on the current roll or the roll being prepared. Subsection (a) (6) now requires notification of the date the notice is mailed. Subsection (c) has been amended so that the filing period for appeals is now 60 days rather than 30 days. Subsection (d) has been amended and now refers to the auditor rather than the tax collector.

#### Article 5. Transmittal of Supplement Assessments to the Auditor

Section 75.40 was amended in that the reference to filing an application for appeal has been deleted. Subsection (h) had the word "actual" inserted. Subsection (i), the date change in ownership or completion of new construction, was added.

Section 75.41 was amended in Subsection (a). The second sentence was changed to read as follows: "For property on the secured roll, if the tax bill is delinquent on or before January 1, the taxes due shall be computed in two equal installments." Subsection (c) was amended in that the whole number fractions have been removed leaving only the two place decimal fractions. Subsections (c) (1-5) have been amended so that the month stated in the subsection agrees with the presumption in Subsection (b).

Section 75.42 was amended so that it now refers to an "extension of the negative amount rather than "refund to be paid"

#### Article 6. Collection of Supplemental Taxes and Payment of Refunds

Section 75.54 was amended to provide for a supplemental unsecured roll. Taxes on this roll shall be treated and collected like other taxes on the unsecured roll.

Section 75.55 was amended to require the auditor, rather than the tax collector, to make any applicable refund. It was further amended in that the June 30 date was changed to May 31.

#### Article 6.5. Reimbursement for County Costs

This article was added by Assembly Bill 399. Section 75.60 provides that for the 1983-84 and 1984-1985 fiscal years, the county may, prior to other allocations, allocate 5 percent of the additional revenues to be used solely to offset the administrative cost of this chapter.

Also added was Section 75.65 This section creates a Supplemental Roll Administrative Cost Fund in the amount of \$10,000,000. This fund is to be used to pay administrative costs (for fiscal year 1983-84) that are in excess of the 5 percent allocated by Section 75.60 Claims against the fund must be submitted to the State Board of Equalization by January 15, 1984. The Board is required to review the claims and forward them with recommendation to the Department of Finance by March 1, 1984. Approved claims will be paid from the fund by the Controller by April 15, 1984. Guidelines for the claims shall be developed by the Department of Finance in cooperation with the Board and representatives of county assessors and issued by December 1, 1983. Claims must be certified by the Board and the Department of Finance as predicated on prudent administrative practice and not incorporation expenses not essential to the administration of this chapter.

Section 75.66 also added under this article, states that no further appropriation shall be made other than that by Section 75.65. Further, this section states that, because the county has authority under Section 75.60 to allocate revenue to offset administrative costs, no reimbursement is required by this chapter pursuant, to Section 6 of Article XIII of the California Constitution or Section 2231.

#### Article 7. Disposition of Revenue

Section 75.70 was amended to clarify that the tax rate to be applied to the supplemental roll is the rate including the amount above 1 percent to repay to repay voter-approved bonded indebtedness. However, any revenue generated by any rate levied in excess of the limitation prescribed by Subdivision (a) of Section 1 of Article XIII A of the California Constitution (i.e., anything above the 1 percent) would be allocated to the fund for which the rate was levied. It also provides that allocation shall be made within 10 working days of the close of the preceding accounting period. The remaining amendments in Section 75.70 apply only to school districts.

#### **Article 8 Effective Date**

Section 75.80 was amended by replacing the word "article" with the word "chapter." The effective date is still July 1, 1983.

If you have any questions in regard to this topic, please call Gene Palmer at (916) 445-4982.

Sincerely,

Verne Walton, Chief  
Assessment Standards Division

VW:wpc  
Enclosures  
AL-04B-1814A/W-2



However, if the property changes ownership, is rented or leased, or is otherwise used by the owner or with the owner's consent, then a supplemental assessment shall be made. It should be noted that a use that is incidental to an offer for a change in ownership would not require a supplemental assessment e.g. a model home. The base year value of newly constructed real property affected by this provision (i.e., not being subject to supplemental assessment), as well as the value of construction in progress, would be enrolled on the next succeeding lien date under existing law.

The person requesting application of this section shall notify the assessor of any change, such as rental or other use, or change in ownership at the time of recording, or within 45 days of the date of the change in ownership if there is no recordation.

#### Calculation of Supplemental Assessment

If the completion of construction or the change in ownership occurs on or after March 1, and on or before May 31, there will be two supplemental assessments. Sections 75.11 (a) and 75.31(a)(2) refer to the time period March 1 to June 30th when discussing the necessity of supplemental assessments. The June 30<sup>th</sup> date is erroneous. When computing the proration factor, the date of the event is presumed to be the first of the month following the actual date of the event. Thus, a June transfer has a July 1 effective date. The first supplemental assessment is an amount equal to the difference between the new base year value (established as of the date of completion of the new construction or the date of the change in ownership) and the taxable value on the current roll. The second is an amount equal to the difference between the new base year value and the taxable value to be enrolled on the roll being prepared, e.g. the taxable value from the prior roll factored by the inflationary factor.

For changes in ownership and new construction completed between June 1 and February 28 inclusive, there will be only one supplemental assessment. This assessment shall be an amount equal to the difference between the new base-year value and the taxable value on the current roll. For multiple changes in ownership and/or new construction completions there shall be a net supplemental assessment entered on the supplemental assessment roll for each such action. The net supplemental assessment shall be the most recent new base year value less all previous entries on the supplemental roll and the taxable value corresponding to that entry (i.e. first supplemental assessment and taxable value on the current roll, or, second supplemental assessment and taxable value on the roll being prepared).

#### EXAMPLE 1

A property changes ownership May 27, 1984. The property had a base year of 1975. The base year value was \$34,000. The new base year value is established at \$92,000. Since it transferred between the lien date and the

beginning of the next fiscal year, it will have two supplemental assessments. The first supplemental assessment would be the difference between the new base year value and the taxable value on the current roll, or:

New base year value	\$ 92,000
Taxable value on current (1983-84) roll (\$34,000 X 1.1602)	<u>\$-39,447</u>
First Supplemental Assessment	\$ 52,523

The second supplemental assessment would be the difference between the new base year value and the taxable value to be enrolled on the roll being prepared or:

New base-year value	\$ 92,000
Taxable value for roll being prepared (1984-85) \$39,447 X 1.02)	<u>\$-40,236</u>
Second Supplemental Assessment	\$ 51,764

### EXAMPLE 2

A property changes ownership September 3, 1983. The property has a 1980 base year. Its value in the base year was \$85,000 and the new base year value is established at \$100,000. Since the transfer was after the beginning of the fiscal year, and prior to the next lien date, there will be only one supplemental assessment. This assessment will be an amount equal to the difference between the new base year value and the taxable value on the current (1983-84) roll or:

New base year value	\$100,000
Taxable value on current (1983-84) roll (\$85,000 X 1.0508)	<u>\$-89,318</u>
Supplemental Assessment	\$10,682

### EXAMPLE 3

A parcel of vacant land is purchased in April of 1984 for \$53,000 which is determined to be the new base year value. Prior to this, the land had a 1982 base year value of \$10,000. Construction was started in July and completed October 12, 1984. Since the land was purchased between the lien date and the beginning of the next fiscal year, there will be two supplement assessments. Further, since construction is completed between the start of the fiscal year and the next succeeding lien date, there will be a supplemental assessment for the improvements as well. Upon completion of construction, the improvements' new base year value was determined to be \$97,000. The supplemental assessments would be computed as follows:



## First Supplemental Assessment (Land)

New base year value	\$ 53,000
Taxable value on current (1983-84) roll (\$10,000 X 1.01)	<u>\$-10,100</u>
First Supplemental Assessment	\$ 42,900

## Second Supplemental Assessment (Land)

New base year value	\$ 53,000
Taxable value for roll being prepared (1984-85) -(\$10,100 X 1.02)	<u>\$-10,302</u>
Second Supplemental Assessment	\$ 42,698

## Supplemental Assessment (Improvements)

New base year value	\$ 97,000
Taxable value on current (1983-84) roll	<u>\$- 0</u>
Supplemental Assessment (Improvements)	\$ 97,000

EXAMPLE 4

A property is sold March 2, 1984 for \$150,000. The property was not in good condition and the sale price was felt to be representative of market value. The factored base year value for March of 1983 is \$80,000. The new owner restores the property to good condition by replacing damaged items, painting, refurbishing, landscaping, etc. and then sells the property for \$165,000 in May 1984. Again, the sale price is indicative of market value. This property would be subject to a first supplemental assessment, a second supplemental assessment, and a third supplemental assessment to be computed as follows:

New base year value (March 1984)	\$150,000
Taxable value on current (1983-84) roll	<u>\$-80,000</u>
First Supplemental Assessment	\$ 70,000
Kew base year value (May 1984)	\$165,000
First supplemental assessment	\$-70,000
Taxable value on current (1983-84) roll	<u>\$-80,000</u>
Second Supplemental Assessment	\$15,000
New base year value (May 1984)	\$165,000
Taxable value on roll being prepared (1984-85)	<u>-\$-81, 600</u>
Third Supplemental Assessment	\$ 83,400

EXAMPLE 5

A parcel of land is purchased in June of 1984. The market value is determined to be \$40,000. The taxable value on the current roll is \$24,000. Since the property "Was purchased in June, the date for proration becomes July 1, and only one supplemental assessment is added to the supplemental roll for the land. In January of 1985 construction of a residence is completed and the owner-builder moves in. The market value of the improvements is established at \$150,000. In March of 1985 the property is resold for \$220,000. This property would be treated on the supplemental roll as follows:

New base year value (land)	\$ 40,000
Taxable value on current (1984-85) roll	<u>\$-24,000</u>
First Supplemental Assessment (Land)	\$16,000
New base year value (improvements)	\$150,000
Taxable value on current (1984-85) roll	<u>- 0</u>
First Supplemental Assessment (Improvements)	\$150,000
March 1, 1985 Assessment land	\$ 40,000
Improvements	<u>\$+150,000</u>
Total	\$190,000
New base year value (3-85 transfer)	\$ 220,000
Taxable value current roll (1984-85)	\$- 24,000
Supplement value on supplemental roll (1984-85)	<u>\$-166, 000</u>
Second Supplemental Assessment	\$ 30,000
New base year value	\$ 220,000
Taxable value on roll being prepared (1985-86)	<u>\$-190, 000</u>
Third Supplemental Assessment	\$ 30,000

EXEMPTIONS

Supplemental assessments made under this chapter shall not affect an exemption for which the property or the assessee was otherwise eligible. For example, if a property received the homeowners' exemption, it will continue to receive it. However, if the property did not receive the homeowners' exemption and the new owner will be using the property as his/her principal place of residence within 90 days of purchase, the homeowners' exemption would be allowed against the amount of the supplemental assessment(s). In example number 3 above, the supplemental assessment of \$97,000 would be reduced by \$7,000 for a net supplemental assessment for the improvements of \$90,000. The

supplemental assessments for the land would not be affected. In example number 5 above, the supplemental assessment on the improvements (\$150,000) would be reduced by \$7,000 for the homeowners' exemption. The new supplemental assessment (\$30,000) would not be affected, and the March 1, 1985 assessment would also reflect the homeowners' exemption.

For an exemption to be applied against a supplemental assessment, a valid claim must be filed on or before the 30th day following the date of notice of the supplemental assessment. A property shall be eligible for exemption from the supplemental assessment if the person claiming such exemption meets the qualifications for the exemption established by this part no later than 90 days of the date of the change in ownership or the completion of construction.

#### Notice of Assessment

Upon determining that a change in ownership or completion of new construction has occurred, the assessor shall notify the tax collector, who shall place a notation on the current roll and the roll being prepared that a supplemental billing may be forthcoming.

In addition, upon determining the date and new base year value of the assessable property, the assessor is required to notify the assessee of the following:

- (1) The new base-year value for
  - (a) The change in ownership and/or
  - (b) The completed new construction value which will be added to the taxable value of the remainder of the property.
- (2) The taxable value on the current roll and if required, the roll being prepared.
- (3) The date of change in ownership or completion of new construction.
- (4) The amount of the supplemental assessments.
- (5) The exempt amount, if any.
- (6) The date of the notice.
- (7) A statement that the supplemental assessment was determined in accordance with Article XIII A requiring reappraisal of real property, whenever a change in ownership or new construction occurs.
- (8) The fact that a refund will be made if the supplemental assessment is negative.
- (9) Any other information which the board may prescribe.

In addition to the above, the notice shall inform the assessee of the procedure for exemption filing as well as the procedure for appealing the supplemental assessments.

Transmittal of Supplemental Assessments To Auditor

The duties of the auditor and tax collector under this legislation will be analyzed by the State Controller's office. The following is only a summary of the provisions of this bill that are applicable to the auditor and tax collector. If you have any questions in regard to this subject, they should be directed to the State Controller's office.

After the period for claiming exemption or filing an application for reduction has expired, and the exemptions have been processed, the assessor shall transmit the supplemental assessments to the auditor. The following information shall be included:

- (1) Name and address, if known, of assessee.
- (2) The parcel number or legal description of the property.
- (3) The tax rate area in which the property is located.
- (4) The new base year value of the property, including separate value for land and improvements.
- (5) The value of the property on the current roll, or the roll being prepared, or both.
- (6) The exemption applicable, if any.
- (7) The net assessment after exemption.
- (8) The amount of the supplemental assessment(s).

The auditor shall then compute the amount of taxes that would be due for a full year using the current year's tax rate. If the change in ownership or completion of new construction occurs between March 1 and January 1, the taxes due shall be computed in two installments. Further, the taxes due shall be adjusted by a proration factor to reflect the portion of tax year remaining. This proration shall be based on the date of the change in ownership or completion of new construction.

In example number one above, the property transferred May 27, 1984. The first supplement assessment would be adjusted to the portion of the fiscal year (1983-84) remaining. Since the transfer date is May 27, the date for proration becomes the first day of the next month or June 1. The taxes calculated for the first supplemental assessment of \$52,945 would be multiplied by .08 or 1/12. The taxes on the second supplement assessment are for the entire (12/12) fiscal year (1984-85) and are not prorated.

In example number two above, the property changed ownership September 3, 1983, and there is only one supplemental assessment. The taxes on this assessment would be multiplied by  $.75$  or  $9/12$  to prorate the taxes due for the remaining nine months of the fiscal year.

In example number three the land is purchased in April of 1984. Since it is purchased during fiscal year 1983-84 and after the lien date affecting fiscal year 1984-85, two supplemental assessments are required. The taxes calculated for the first supplemental assessment will be multiplied by  $.17$  or  $2/12$  to reflect the two months (May and June) remaining in the 1983-84 fiscal year. The taxes calculated for the second supplemental assessment are for the entire ( $12/12$ ) fiscal year and need not be prorated. Also in example number three, construction was completed October 12, 1984, necessitating yet another supplemental assessment. The taxes calculated on this assessment would be multiplied by  $.67$  or  $8/12$  to reflect the eight months left in fiscal year 1984-85.

The taxes on the second supplemental assessment in example one, the supplemental assessment in example two, the second supplemental assessment on the land and the supplemental assessment on the improvements in example number three all would be computed by the auditor, in two equal installments. This happens because the change in ownership and completion of new construction occurred prior to January 1.

#### Collection of Supplemental Taxes

After receiving the supplemental assessments from the auditor, the tax collector shall mail supplemental tax bills. These bills shall include:

- (1) The information supplied by the assessor.
- (2) The amount of the supplemental taxes due.
- (3) The date the notice is mailed.
- (4) The date on which the taxes will become delinquent and the penalties for delinquency.
- (5) A statement that the taxes were determined in accordance with Article XIII A.
- (6) The tax rates or the dollar amounts of taxes levied by each revenue district and taxing agency on the property covered by the tax bill.

Supplemental taxes are due on the date mailed and become delinquent on the last day of the month following the month in which the bill is mailed. If the taxes are to be paid in two installments, the first installment shall become delinquent as just described, and the second installment shall become delinquent on the last day of the fourth calendar month following the date the first installment becomes delinquent. If the taxes due are not paid on or before the delinquent date, a penalty of 10 percent shall be attached to them.

Further, if all delinquent amounts are not paid in full by June 30, next following the date of delinquency, the property shall be sold to the state as provided in Section 3436.

Under SB 813, taxes become a lien on the real property on the date of the change in ownership or completion of new construction. Should the property change ownership before the supplemental billing is made, then the supplemental assessment shall be entered on the unsecured roll in the name of the person who would have been the assessee if the additional change(s) in ownership had not occurred. Such assessment shall be treated and collected like other taxes on the unsecured roll.

If the assessee is due a refund, then the tax collector has 90 days from the date of last payment of taxes due on the assessment on the current roll and 90 days from the date of last payment of taxes due on the assessment made on the roll being prepared if the change in ownership occurs or the new construction is completed on or after March 1, but on or before May 31.

#### Disposition of Revenues

For 1983-84 and 1984-85, the revenue generated by this legislation will be assigned to the elementary, high school, and unified school districts within the county. For 1985-86 and thereafter, the revenues will be allocated as prescribed by existing law.

#### Effective Date

This legislation shall apply to any change in ownership and new construction completed on or after July 1, 1983.

If you have any further questions, please contact Gene Palmer at (916) 445-4982.  
Sincerely,

Sincerely,

Verne Walton, Chief  
Assessment Standards Division