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STATE OF CALIFORNIA

'TATE BOARD OF EQUALIZATION

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No. 85/75

June 27, 1985

TO COUNTY ASSESSORS:

QUESTIONS AND ANSWERS REGARDING
SUPPLEMENTAL ASSESSMENTS

Here is the fourth letter in our series of questions and answers regarding supplemental assessments.

Sincerely,

Verne Walton

Verne Walton, Chief
Assessment Standards Division

VW:wpc
Enclosure
AL-04D-2427A

QUESTIONS AND ANSWERS REGARDING SUPPLEMENTAL ASSESSMENTS

June 27, 1985

Question 1:

Should property that is eligible for tax relief pursuant to Revenue and Taxation Code Section 68 be subject to supplemental assessment?

Answer 1:

Because of the conflict between Section 68 and the supplemental assessment statutes (i.e., comparable replacement property is excluded from change in ownership and therefore supplemental assessment), we have not been able to satisfactorily resolve this issue. However, a legislative resolution appears near at hand in the form of AB 312 (Klehs). This measure, in the latest form available to us, amends Section 68 and specifies that any change in the adjusted base year value of the replacement property shall be treated as a change in ownership for supplemental assessment purposes. We will, of course, keep you up to date on the progress of this proposed legislation which we first reported in our legislative summary dated March 19, 1985.

Question 2:

If a property subject to a supplemental assessment is damaged by misfortune or calamity, can the owner receive tax relief under Section 170 on both the regular roll and the supplemental roll?

Answer 2:

Yes. Subdivision (b) of Section 75.1 states:

> "The other provisions of this division apply to assessments made pursuant to this chapter."

Further, subdivision (d) of Section 51 requires that property be assessed pursuant to Section 170 if it has been damaged or destroyed by disaster, misfortune, or calamity and the board of supervisors in the county in which the property is located has adopted an ordinance pursuant to Section 170. This, of course, would require two sets of calculations to determine the amount of tax relief--one for the regular roll and one for the supplemental roll.

Question 3:

What assessment procedure should be followed when real property that has been assessed by the Board is sold or otherwise transferred and, as a result, becomes locally assessable?

Answer 3:

Once a new base-year value has been established pursuant to Section 75.10, the taxable value on the current roll or the roll being prepared must be determined. These figures would come from the utility roll that the Board's Valuation Division prepares. Determining these values may require coordination between assessors' office personnel and Valuation Division's staff.

Question 4:

What assessment procedure should be followed when real property that has been locally assessed is transferred to an entity whose property is assessed by the Board's Valuation Division?

Answer 4:

When the property is acquired by a state assessee, it becomes assessable by the state at the time of transfer. However, since the property is no longer subject to Article XIII A, it will be added to the utility roll on the following March 1 lien date at its market value on that date. It would not be subject to any supplemental assessment at the time of change in ownership to the state assessee.

Question 5:

If real property experiences multiple changes in ownership with the final transfer to a governmental entity, what is the proper assessment procedure?

Answer 5:

Pursuant to Section 75.54, the portion of the supplemental assessment attributable to the assessee from the initial change in ownership to the date of the subsequent change in ownership (i.e., transfer to the government) shall be entered on the unsecured roll in the name of the person who would have been the assessee if the additional change in ownership had not occurred.

Our position is that the cancellation statutes apply to taxes on the supplemental roll as well as to taxes on the local roll prepared according to Section 601 of the Revenue and Taxation Code. Therefore, there would be supplemental taxes owing only for the period of private ownership. The tax collector would be required to calculate taxes up to the date of acquisition by the public agency and to collect only that amount. There would be a cancellation of the taxes owing on both the 601 roll and the supplemental roll for the balance of the fiscal year beyond the date of change in ownership to the public agency.

Question 6:

Assembly Bill 2345 amended Section 75.54 to require proration of supplemental taxes when a property changes ownership prior to the mailing of a supplemental tax bill resulting from a previous change in ownership. In such cases, is the latest owner entitled to the full $7,000 homeowners' exemption if his supplemental assessment amount is less than $7,000 (e.g., $5,000)?

Answer 6:

No. The homeowners' exemption can only be allowed to the extent of the supplemental assessment (in this case $5,000) not to exceed $7,000. Subdivision (a) of Section 75.21 states in part:

> "Exemptions shall be applied to the amount of the supplemental assessment, provided...the assessee is eligible for and makes a timely claim for the exemption."

Because of this language, we are of the opinion that each separate owner must qualify the property for exemption. To grant an exemption greater than the amount of the actual supplemental assessment is tantamount to granting an exemption to a property not qualified for the exemption.

Question 7:

A property acquired in May 1983 with a market value of $75,000 has a taxable value of $78,030 on March 1, 1985. A room is added, and construction is completed in April 1985. The full cash value of the addition is $20,000. However, in determining the value of the newly constructed property, you learn that, on March 1, the current market value of the original property (prior to new construction) was $60,000 (i.e., total value = $80,000 or $60,000 + $20,000). How should this be handled?

Answer 7:

Section 75.11(a) requires two supplemental assessments when new construction is completed between March 1 and May 31. In this case, both supplemental assessments would be in the amount of $20,000. However, the 601 roll procedure is a bit tricky in this situation, and care must be taken to enroll the proper value. Section 51 requires enrolling (on the regular roll) the lesser of current market value or factored base-year value. In this case the March 1, 1985 601 roll value should be $60,000 rather than $78,030. For March 1, 1986, factored base-year value would equal $99,991 ($78,030 + $20,000 = $98,030 and $98,030 x 1.02 = $99,991). You would also need to calculate the current market value so you could enroll the appropriate value pursuant to Section 51.