STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

0 N STREET, SACRAMENTO, CALIFORNIA
). BOX 1799, SACRAMENTO, CALIFORNIA 95808)
(916) 445-4982

January 28, 1986

No. 86/12

TO COUNTY ASSESSORS:

POSSESSORY INTERESTS - SUPPLEMENTAL ASSESSMENTS

We have received inquiries regarding the Board's position on handling possessory interests on the supplemental roll when a possessory interest assessment for the same property is already on the regular (Section 601) roll. This situation occurs when the original possessory interest lease is terminated midway through the assessment year and a new lease is promulgated with a new lessee for the same property. When this occurs, the proper supplemental roll assessment would be the full cash value of the new possessory interest as of its date of creation.

The following example will illustrate our suggested application of this procedure:

FACTS

1. A possessory interest assessment of $10,000 has been levied for the fiscal year July 1, 1985, through June 30, 1986, based on the fact that lessee "A" occupied nontaxable publicly owned real property on March 1, 1985.

2. The lessor terminated the possessory interest of "A" effective July 31, 1985.

3. The lessor had possession of the property for the month of August 1985.

4. Lessee "B" occupies the property commencing September 1, 1985. The value of the possessory interest at this time is determined to be $12,000.

Based on the foregoing facts, the following procedures are recommended:

Lessee "A"

Since "A" owned a taxable possessory interest on lien date, "A's" tax liability is based on the lien date taxable value ($10,000) of the possessory interest despite the fact the term of possession ended early in the 1985-86 fiscal year.

LESSEE "B"

"B's" occupancy of the property on September 1, 1985, is the creation of a new taxable possessory interest according to Section 61(b) of the Revenue and Taxation Code. This new interest should be assessed at a value of $12,000. When computing "B's" supplemental assessment for the 1985-86 roll, no allowance should be made for the $10,000 interest assessed to "A." The two interests being assessed--"A's" and "B's"--are separate and distinct from one another.

However, if the facts in our example were slightly modified, so that "A" assigned or subleased the interest to "B" on July 31, 1985, a different answer would result. "B" would then be liable for a supplemental assessment in the amount of the difference between the new base year value of the possessory interest ($12,000) and its taxable value on the current roll ($10,000), or $2,000. This is because the same interest is being taxed, but to a new owner and at its current full cash value.

If you have questions regarding this matter, please contact our Technical Services Section at (916) 445-4982.

Sincerely,

Verne Walton

Verne Walton, Chief
Assessment Standards Division

VW:wpc
AL-04D-2427A

SUPPLEMENTAL ASSESSMENT