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December 6, 1983

No. 83/128

TO COUNTY ASSESSORS:

SUPPLEMENTAL ASSESSMENTS

Enclosed, for your use, are answers to some of the frequently asked questions regarding implementation of the supplemental assessment legislation. If the need arises, we will issue continuing letters dealing with such questions.

We invite your comments and additional questions. Please send such questions and comments to the attention of our Technical Services Section.

Sincerely,

Verne Walton, Chief
Assessment Standards Division

VW:wpc
Enclosures
AL-06-1193A

Question 1. What property is subject to supplemental assessment?

Answer 1(a) All real property with the following exclusions:

- A. Fixtures which are normally valued as a separate appraisal unit from a structure.
- B. Property that is enforceably restricted pursuant to Section 8 of Article XIII of the California Constitution such as:
 - 1. Property subject to California Land Conservation Act (Williamson Act). This includes improvements under contract (e.g., trees and vines, etc.)
 - 2. Property subjected to Historical Contract.
- C. Property restricted to timberland use pursuant to subdivision (j) of Section 3 of Article XIII of the California Constitution.
- D. Property subject to valuation as a golf course pursuant to Section 10 of Article XIII of the California Constitution (non-profit golf courses).
- E. Property subject to valuation pursuant to Section 11 of Article XIII of the California Constitution (municipally owned property located outside the boundaries of the municipality).
- F. State assessed property.

1(b) Also subject to supplemental assessment would be any mobilehome subject to taxation under Part 13 of Division 1 of the Revenue and Taxation Code.

Question 2. What triggers a supplemental assessment?

Answer 2. A supplemental assessment is made as a result of a change in ownership or the completion of new construction except as provided in Section 75.12.

Question 3. Would a mobilehome, the license fee on which has been delinquent more than 120 days, be subject to supplemental assessment at the time it is placed on the local property tax roll?

Answer 3. No. There has been no change in ownership. The mobilehome will first appear on the regular roll and its base year value will be established in accordance with subdivision (b) of Section 5802 which states:

"The base year value of a mobilehome for which the license fee is delinquent as defined in paragraph (2) of subdivision (a) of Section 5801 shall be its full cash value on the lien date for the fiscal year in which it is first enrolled."

Question 4. Would there be any supplemental assessment when a mobilehome is voluntarily transferred from the vehicle license fee to the local property tax roll?

Answer 4. No. Again, there has been no change in ownership and the mobilehome would be valued on the ensuing lien date. This is the case even if the mobilehome changes ownership between the date of change over and the lien date. A change in ownership occurring after the enrollment (i.e. July 1) would trigger a supplemental assessment.

Question 5. Would a mobilehome purchased new and installed in a mobilehome park or on private land be subject to supplemental assessment?

Answer 5. Yes. Any mobilehome sold new on or after July 1, 1980 is, by definition, subject to local property tax and valued as of the date of change in ownership. Therefore, any mobilehome sold new on or after July 1, 1983 (the effective date of SB 813) would be valued as of the date of change in ownership and be subject to supplemental assessment as would any resale of the same unit.

Question 6. How would a mobilehome brought into California from out of state be handled for purposes of supplemental assessments?

Answer 6. If the mobilehome was purchased new on or after July 1, 1980, it would be subject to local property tax whenever, after July 1, 1983, it enters the state. It would be valued as of the date of entry. This is similar to new construction in that it is property that is newly subject to property tax. It would also be subject to supplemental assessment with proration based on date of entry into the state. If the mobilehome was purchased new prior to July 1, 1980, it may be licensed in California. Of course, it may be made subject to local property tax at the owners request, but it would not be subject to supplemental assessment.

Question 7. If an improvement is totally removed from the land, would there be a negative supplemental assessment and refund?

Answer 7. The taxable value of the totally removed improvement would be deducted from the total taxable value on the ensuing lien date. There would be no supplemental assessment because there has been no new construction. The total removal of an improvement in itself would not be a physical alteration of the land, and physically removing the entire structure would not change the way the structure is used. Rather it simply eliminates an existing use without replacing it with another use.

Question 8. Could removal lead to a supplemental assessment?

Answer 8. If the removal qualified as new construction, it would result in a supplemental assessment. For example, if a building formerly used as a cannery had all its interior walls removed so that it could be used as a warehouse, this would be a physical alteration leading to a change in use. The value of the new construction could be added resulting in a supplemental assessment. Only the value attributable to the new construction could be added. Any value attributable to the change in use may not be assessed until there is a change in ownership.

Question 9. When trees and vines not subject to a Williamson Act contract become taxable after their exemption has expired, is there any supplemental assessment?

Answer 9. No. There is no change in ownership or new construction. Section 53 in Chapter 1 of Part 0.5 of Division 1 states that the initial base year value for fruit and nut trees and grapevines subject to constitutional exemption shall be the full cash value of such properties as of the lien date of their first taxable year.

Question 10. Would there be a supplemental assessment whenever there is a change in ownership or completion of new construction of property under Williamson Act contract?

Answer 10. Generally, there would be no supplemental assessment. However, there would be a supplemental assessment for any real property not subject to the contract (e.g., owner's residence and home-site, non-living improvement not subject to contract, etc.); and any real property subject to contract would be valued annually pursuant to Section 423 and no supplemental assessment would be made for such property.

Question 11. When property is damaged or destroyed by misfortune or calamity, is there a supplemental assessment when the property is repaired?

Answer 11. No. Subdivision (b) of Section 75.1 states:

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

Further, subdivision (c) of Section 70 states in part:

"... 'newly constructed' and 'new construction' does not mean any timely reconstruction of the real property, or portion thereof, where the property after reconstruction is substantially equivalent to the property prior to damage or destruction."

Since property reconstructed after a disaster is excluded from the definition of new construction by Section 70(c) - assuming the reconstructed property is substantially equivalent to the property prior to damage - there would be no supplemental assessment.

Damage or destruction by misfortune or calamity requires an adjustment to the base year value pursuant to Sections 51(c) and (d). (Section 51(c) also covers voluntary removal of property by the taxpayer.) It does not require that a new base year value be established unless there has been some new construction (e.g., a property with 1,000 square feet is destroyed by fire and the owner rebuilds the property with 1,500 square feet resulting in new construction of 500 square feet).

Further, in counties that do not have a disaster relief ordinance pursuant to Section 170, there is no adjustment to the base year value until the lien date following damage or destruction. That adjustment, if any, remains in force until the following lien date, at which time the factored base year value is enrolled assuming the damage is repaired.

Also, the taxable value of property voluntarily removed by the taxpayer shall be removed from the roll on the lien date following removal in all counties. This is to say that there would be no negative supplemental assessment or refund of taxes.

In counties that have a disaster relief ordinance pursuant to Section 170, there will be no supplemental assessment upon reconstruction except when the property as reconstructed is not substantially equivalent to the property prior to disaster. In this case, only that value which is in excess of substantial equivalence would be enrolled on the supplemental assessment roll.

The factored base year value of the reconstructed property would be enrolled on the lien date next succeeding reconstruction except for property damaged between March 1 and June 30, inclusive. For these properties it should be noted that tax relief involves two fiscal years and is subject to proration in each of those years assuming reconstruction occurs prior to the end of the second fiscal year. That is to say that a property damaged in March of 1984 would receive tax relief for March through June of the fiscal year in which the damage occurred (i.e. 1983-84); and, if reconstruction was completed in June of 1985, the factored base year value would be enrolled in March of 1985 (for the 1985-86 fiscal year) thereby granting tax relief for the entire 1984-85 fiscal year.