STATE OF CALIFORNIA

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June 21, 2000

Honorable Raymond Jerland
Assessor, County of Humboldt
825 Fifth Street
Eureka, CA 95501-1153

RE: ***Timberland Production Zone Property – Proper Base Year Value for Purposes of Contract Nonrenewal***

Dear Mr. Jerland:

This is in reply to your faxed letter of June 13, 2000 addressed to Senior Tax Counsel Ken McManigal in which you request our opinion concerning the correct base year value for purposes of calculating an assessed value as prescribed by Revenue and Taxation Code section 426 on parcels rezoned from Timberland Production Zone. The subject properties are three parcels having original base year values of $225 per acre and that were rezoned from timberland production zone in 1995. In 1998 the properties were sold for $2,656.25 per acre. You inquire as to whether the per acre base year value established as a result of the sale in 1998 must be used for calculation of the assessed values for the remaining years of the rezoning period. For the reasons set forth below, the 1998 per acre base year value rather than the original per acre base year value is the correct value to use when calculating the assessed values for the remaining years of the rezoning period.

Law and Analysis

Government Code section 51120 generally provides that for timberland zoned as timberland production, upon timely written notice by the owner and the owner's compliance with specified statutory procedures, the responsible local legislative body may remove the parcel from the timberland production zone. Valuation of rezoned property must be done in accordance with subdivision (d) of that section, which provides in relevant part that "[u]pon rezoning the parcel shall be valued pursuant to Section 426 of the Revenue and Taxation Code, in the same manner as if a restriction were terminated as provided for in Section 51091 or 51245."

The value for property subject to the valuation provisions of section 426 is calculated on a yearly basis according to a prescribed formula using values and factors determined for the individual year of valuation. Subdivision (b) directs the board or assessor to follow prescribed valuation procedures "*in each year* until the termination of the period for which the land is enforceably restricted"(italics added). Among the procedures to be followed in each year, subdivision (b)(1) requires that the value of the land shall be determined pursuant to Section 110.1 of the Revenue and Taxation Code. Section 110.1 provides in relevant part that, for property that is purchased or changes ownership after the 1975 lien date, the full cash value of the property shall be the fair market value as of the date on which the purchase or change in ownership occurs. The value so determined becomes the base year value for the property.

Under the facts presented, the property was sold in 1998, resulting in a change in ownership. In accordance with section 110.1, the property was reappraised at fair market value as of the date of change in ownership and a $2,656.25 per acre base year value was established. Thus, the base year value determined for 1998 pursuant to section 110.1 is the value of land determined as required by subdivision (b)(1) of section 426 for purposes of the calculation of value pursuant to that section.

The views expressed in this letter are only advisory in nature; they represent the analysis of the legal staff of the Board based on present law and the facts set forth herein, and are not binding on any person or public entity.

Very truly yours,

/s/ Louis Ambrose

Louis Ambrose
Tax Counsel

LA:tr
prop/prec/restrict/00/02lou

cc: Mr. Dick Johnson, MIC:63
Mr. David Gau, MIC:64
Mr. Dean Kinnee, MIC:64
Mr. Charles Knudsen, MIC:62
Ms. Jennifer Willis, MIC:70