



April 8, 1980

Mr. Duane K. Wells
Mendocino County Assessor
Courthouse, Room 102
Ukiah, CA 95482

Dear Mr. Wells:

You requested an opinion from Glenn Rigby on the relationship between Property Tax Rules 461(d) and 324 (b). Glenn asked that I respond to your question.

In resolving this issue the idea one must keep in mind is the reason for each of the rules mentioned above. Section 461 is attempting to help the assessor determine when value changes can be enrolled under Article XIII A. Section 461 (d) is merely a vehicle for determining when a loss in value may be enrolled, that is, when the market value of the appraisal unit (as a unit) is less on the current lien date factored value. For this purpose, machinery and equipment constitute an appraisal unit by itself and when the market value of the total unit, the current market value may be enrolled. This rule has no relationship to assessment appeals.

Property Tax Rule 324 (b) applies to the assessment appeal process, and it is that rule we look to in determining the valuation procedures for appeals boards. However, some portions of this rule may not be applicable to the Article XIII A setting. For example, when there are different base years for land and improvements, it would not be appropriate to value the total package as Rule 324 (b) suggests. We are in the process of amending this rule to conform to the principles of Article XIII a. However, we do believe that Property Tax Rule 324 (b) controls the problem you raise. Rule 461 (d) does not state, nor was it ever intended, that machinery and equipment were separate appraisal units for all purposes.

In determining the impact of Rule 324 (b) on the machinery and equipment is difficult to determine. If all property, land, buildings, machinery and equipment had the same base year, say 1975, then Rule 324 (b), as written, would be applicable. However, if some of the equipment and different base years than the rest of the property, then only the base year value for that equipment may be the issue. All that this means is that the value of the equipment with the different base year must be found using the usual approaches to value, not that the machinery and equipment constitute a separate appraisal unit.

Very truly yours,

Robert D. Milam
Tax Counsel

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