



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION  
1020 N STREET, SACRAMENTO, CALIFORNIA  
PO BOX 1799, SACRAMENTO, CALIFORNIA 95808  
916-445-4982

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Controller, Sacramento

DOUGLAS D. BELL  
Executive Secretary

May 23, 1986

TO COUNTY ASSESSORS:

DECLINES IN VALUES ON FIRST LIEN DATE  
(PROPOSITION 8)

We have received various inquiries about our recommended procedure for recognizing declines in value that occur subsequent to purchase date but before the first succeeding lien date.

Article XIII A, Section 1(a) of the Constitution says, in part:

" 'Full cash value' means the appraised value of property when purchased...or a change in ownership has occurred."

And Article XIII A, Section 2(b) of the Constitution says, in part:

"...'full cash value base'...may be reduced to reflect...a decline in value."

However, Revenue and Taxation Code Section 50 says, in part:

"...values determined for property which is purchase or changes ownership...shall be entered on the roll for the lien date next succeeding the date of the purchase or change in ownership." (Emphasis added)

The problem is apparent. If the assessor must enter on the roll the value ascribed to the property on its purchase date, then the decline in value that occurred between the purchase date and the lien date will not be recognized. It is the Board's position that a decline in value must be reflected on the first lien date under Section 2(b) of Article XIII A, and that Section 50 should be interpreted as the general rule, applicable only where no declines in value are involved.

In discussing the proper implementation of Section 2(b) of Article XIII A (Proposition 8) the courts have stated:

"A fundamental rule of construction of any legal document is that the main object of the interpretation is to ascertain the intent of the parties who made the instrument and to give that intent the fullest effect possible consistent with the language of the provisions and the related body of law." (State Board of Equalization v. Board of Supervisors, 105 Cal. App. 3d 813.)

Further, the California Supreme Court in interpreting a previous constitutional amendment drew an analogy to interpreting a statute and stated:

"[t]he intent prevails over the letter, and the letter will, if possible, be so read to conform to the spirit of the act." (Bakkenson v. Superior Court (1925) 197 Cal. 504, 511 [241 P. 874].)

Thus, the two constitutional sections previously cited (Article XIII A, 2(a) and 2(b)) clearly intend that a property's base year value is established at the ownership change date and that any subsequent value declines should be recognized. And, the courts have made it clear that the intent of the sections should be given the "fullest effect possible." Therefore, we recommend that assessors recognize value declines that might occur between purchase date and the next lien date by enrolling the lower value on the regular roll as an Article XIII A, Section 2(b) (Proposition 8) assessment.

#### Revenue and Taxation Code Section 75.10

Section 75.10 provides that the full cash value of a property on date of ownership change is the new base year value (commencing with the 1983-84 assessment year). This new base year value is used for both supplemental roll purposes and regular roll purposes. If there is a subsequent value decline, the new base year value remains and values can rise back to that level without the 2 percent per year limitation. Thus, where there is a loss of value before the first lien date, the amount entered on the regular assessment roll for the first time is simply an interim taxable value (Proposition 8) and not the new base year value. The new base year value will, of course, be used on the supplemental roll. And this amount will need to be maintained in the assessors' records for future calculation purposes.

Sincerely,

Verne Walton, Chief  
Assessment Standards Division

VW:wpc  
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