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No. 86/90

December 5, 1986

TO COUNTY ASSESSORS:

AMENDMENT TO SECTION 129 OF THE REVENUE AND TAXATION CODE  
INVOLVING BUSINESS INVENTORIES

Section 6 of Chapter 1420 of the Statutes of 1986 (Assembly Bill 3595) which goes into effect January 1, 1987 was approved by the Governor on September 30, 1986. The section amends Section 129 of the Revenue and Taxation Code.

The amendment to Section 129 is to the second paragraph. The added language reads as follows:

"Business Inventories" shall not include goods intended for sale or lease in the ordinary course of business which cannot be legally sold or leased in this state. If goods which cannot be legally sold or leased are not reported by the taxpayer pursuant to Section 441, it shall be conclusively presumed that the value of the goods when discovered is the value of the goods on the preceding lien date."

The intent of this amendment is to allow the assessors to assess illegal drugs and other goods which cannot be legally sold or leased in California. Such would include, for example, counterfeit brand-name goods. The discovery of such goods is best left in the hands of federal, state and local drug enforcement/law enforcement agencies. They also generally set the value on any such goods that are confiscated.

Law enforcement authorities should be advised to report inventories of illegal drugs and other goods to the assessor for assessment purposes. Marijuana, of course, should not be exempt as a growing crop, and it is not eligible for disaster relief when destroyed by law enforcement authorities.

Please contact David Lucero or Bruce Dear of our Business Technical staff if you have any questions regarding this amendment.

Sincerely,

Verne Walton, Chief  
Assessment Standards Division

VW:wpc  
AL-18H-0042M