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No. 99/45

TO COUNTY ASSESSORS:

NEW CONSTRUCTION EXCLUSION—FIRE DETECTION SYSTEMS

Chapter 200 of the Statutes of 1999 (Assembly Bill 1694, Assembly Revenue and Taxation Committee) was recently signed by the Governor and became effective on July 28, 1999. This bill clarifies that, for purposes of the new construction exclusion, a fire detection system is not to be classified as personal property.

Section 2(c) of article XIII A of the California Constitution provides that “newly constructed” does not include the construction or installation of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement, as defined by the Legislature, that is constructed or installed on or after November 7, 1984. The Legislature enacted Section 74 of the Revenue and Taxation Code to implement these provisions.

Section 74 is amended to specify that “equipment used to transmit fire alarm activations and related signals to a remote location” is to be included in the definition of a “fire detection system.” In addition, section 74 is amended to specify that (1) no part of a fire detection “system” shall be classified as personal property, and (2) no part of the “system” should be excluded because it is owned or controlled by a person other than the owner of the property upon which the fire detection system was constructed or installed.

Section 2(c) of article XIII A of the California Constitution gives the Legislature the authority to exempt from the definition of new construction “[t]he construction or installation of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire related egress improvement, as defined by the Legislature.” The Legislature enacted Revenue and Taxation Code section 74 to set forth detailed definitions and requirements granting this new construction exclusion for fire-related improvements made to an existing building.

With respect to a fire detection system, section 74 defines it to mean “any system or appliance intended to detect combustion, or the products thereof, and to activate an alarm or signal, whether audio, visual, or other.” Some interpreted this to mean that this exclusion was available only when the owner of the real property also owned the fire detection system. Thus, in some instances, where the alarm company owned the detection system, the new construction exclusion was not granted and

the system was assessed as personal property to the alarm company. AB 1694 was sponsored by the Assembly Revenue and Taxation Committee to ensure that all components of a fire detection system that are installed in a pre-existing structure are eligible for the section 74 exclusion regardless of whether the property owner owns the fire detection system.

A copy of Chapter 200 is enclosed for your information. If you have any questions regarding this legislation, please contact our Real Property Technical Services Unit at (916) 445-4982.

Sincerely,

/s/ Richard C. Johnson

Richard C. Johnson
Deputy Director
Property Taxes Department

RCJ:grs
Enclosure