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AB-652 Property taxation: base year value: new construction. (2017-2018)

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Date Published: 07/21/2017 09:00 PM

Assembly Bill No. 652

CHAPTER 80

An act to amend Sections 50, 71, and 110.1 of, and to add Section 82 to, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

[Approved by Governor July 21, 2017. Filed with Secretary of State July 21, 2017.]

LEGISLATIVE COUNSEL'S DIGEST

AB 652, Flora. Property taxation: base year value: new construction.

(1) The California Constitution generally limits the maximum amount of any ad valorem tax on real property to 1% of its full cash value and defines "full cash value" for these purposes as the county assessor's valuation of real property as shown on the 1975–76 tax bill under "full cash value" or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. Existing property tax law requires the assessor to determine a new base year value for the portion of any taxable real property which has been newly constructed and that new construction in progress on the lien date be appraised at its full value on that date, and each lien date thereafter, until construction is completed, at which time the entire portion of property which is newly constructed is reappraised at its full value.

This bill would instead prohibit new construction that is in progress from acquiring a new base year value until the date of completion.

(2) Existing property tax law prescribes procedures by which a taxpayer may seek a reduction in assessment from the county board of equalization or assessment appeals board or, in the case of certain publicly owned property, the State Board of Equalization, including deadlines for filing an application. Existing property tax law provides that an application for reduction in the base year value of an assessment on the current local roll may be filed during the regular filing period for that year, as provided and subject to certain limitations, including that the base year value determined in accordance with specified law is conclusively presumed to be the base year value unless the application is filed during the regular equalization period for the year in which the assessment is placed on the assessment roll or in any of the 3 succeeding years.

This bill would authorize an application for reduction in the value of new construction that is in progress on the lien date on the current roll to be filed during the regular filing period for that year, as provided. The bill would authorize an application for reduction in the base year value determined upon completion of new construction to be filed during the regular equalization period for the year in which the assessment is placed on the assessment roll or in any of the 3 succeeding years.

(3) Existing law requires the state to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding those provisions, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

(4) By changing the manner in which assessors determine the base year value for new construction in progress, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

(5) This bill would take effect immediately as a tax levy.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 50 of the Revenue and Taxation Code is amended to read:

50. For purposes of base year values as determined by Section 110.1, values determined for property which is purchased or changes ownership after the 1975 lien date shall be entered on the roll for the lien date next succeeding the date of the purchase or change in ownership. Values determined after the 1975 lien date for property which is newly constructed shall be entered on the roll for the lien date next succeeding the date of completion of the new construction. The value of new construction in progress on the lien date shall be entered on the roll as of the lien date. However, the value of new construction in progress shall not be a base year value until completion of that construction, as described in Section 71.

SEC. 2. Section 71 of the Revenue and Taxation Code is amended to read:

71. The assessor shall determine the new base year value for the portion of any taxable real property which has been newly constructed. The base year value of the remainder of the property assessed, which did not undergo new construction, shall not be changed. New construction in progress on the lien date shall be appraised at its full value on that date and each lien date thereafter until the date of completion, at which time the entire portion of property which is newly constructed shall be reappraised at its full value, and that value shall be the base year value. New construction in progress shall not acquire a base year value on each lien date.

SEC. 3. Section 82 is added to the Revenue and Taxation Code, to read:

82. An application for reduction in the value of new construction that is in progress on the lien date on the current roll may be filed during the regular filing period for that year as set forth in Section 1603 or 1840. An application for reduction in the base year value determined upon completion of new construction may be filed during the regular equalization period for the year in which the assessment is placed on the assessment roll or in any of the three succeeding years, as provided in Section 80.

SEC. 4. Section 110.1 of the Revenue and Taxation Code is amended to read:

110.1. (a) For purposes of subdivision (a) of Section 2 of Article XIII A of the California Constitution, "full cash value" of real property, including possessory interests in real property, means the fair market value as determined pursuant to Section 110 for either of the following:

(1) The 1975 lien date.

(2) For property which is purchased, is newly constructed, or changes ownership after the 1975 lien date, either of the following:

(A) The date on which a purchase or change in ownership occurs.

(B) The date on which new construction is completed, and if uncompleted, on the lien date.

(b) The value determined under subdivision (a) shall be known as the base year value for the property. However, uncompleted new construction shall not acquire a base year value until completed, as described in Section 71.

(c) Notwithstanding Section 405.5, for property which was not purchased or newly constructed or has not changed ownership after the 1975 lien date, if the value as shown on the 1975–76 roll is not its 1975 lien date base year value and if the value of that property had not been determined pursuant to a periodic reappraisal under Section 405.5 for the 1975–76 assessment roll, a new 1975 lien date base year value shall be determined at any time until June 30, 1980, and placed on the roll being prepared for the current year; provided, however, that for any county over four million in population the board of supervisors may adopt a

resolution granting the assessor of that county until June 30, 1981, the authority to determine those values. Regardless of the foregoing restrictions, property that escaped taxation for 1975 and was not merely underassessed for that year, shall be added to the roll in any year in which the escape is discovered at its 1975 base year value indexed to reflect inflation as provided in subdivision(f). In determining the new base year value for that property, the assessor shall use only those factors and indicia of fair market value actually utilized in appraisals made pursuant to Section 405.5 for the 1975 lien date. The new base year values shall be consistent with the values established by reappraisal for the 1975 lien date of comparable properties which were reappraised pursuant to Section 405.5 for the fiscal year. In the event that determination is made, no escape assessment may be levied and the newly determined "full cash value" shall be placed on the roll for the current year only; provided, however, the preceding shall not prohibit a determination which is made prior to June 30 of a fiscal year from being reflected on the assessment roll for the current fiscal year.

(d) If the value of any real property as shown on the 1975–76 roll was determined pursuant to a periodic appraisal under Section 405.5, that value shall be the 1975 lien date base year value of the property.

(e) As used in subdivisions (c) and (d), a parcel of property shall be presumed to have been appraised for the 1975–76 fiscal year if the assessor's determination of the value of the property for the 1975–76 fiscal year differed from the value used for purposes of computing the 1974–75 fiscal year tax liability for the property, but the assessor may rebut that presumption by evidence that, notwithstanding the difference in value, that parcel was not appraised pursuant to Section 405.5 for the 1975–76 fiscal year.

(f) For each lien date after the lien date in which the full cash value is determined pursuant to this section, the full cash value of real property, including possessory interests in real property, shall be adjusted by an inflation factor, which shall be determined as provided in subdivision (a) of Section 51.

SEC. 5. Notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse any local agency for any property tax revenues lost by it pursuant to this act.

SEC. 6. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 7. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.