

# CALIFORNIA PROPERTY TAX

PRESENTED BY: BRETT L. PRICE

1/11/2020



uploaded @ TunesToTube.com

# OVERVIEW OF PROPERTY TAXES

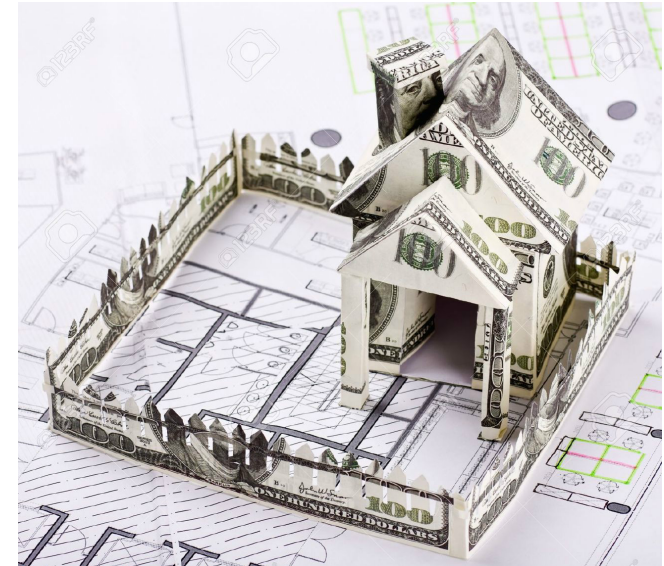
- What is it and to what does it apply?
  - Real Property
    - Land, Improvements, Growing Crops, Minerals, etc.
  - Tangible Personal Property
    - Furniture, Removeable Fixtures, etc.
    - Intangible Property (e.g. Goodwill, IP, Contract Rights, Software, etc.)
  - Exemptions
    - *Federal, State and local government property,*
      - *Except as provided in Section 11*
    - *Household furnishings and personal effects not used for business*
    - *Religious Property - Used exclusively for religious purposes*
    - *Property - Used exclusively for educational purposes*
    - *Growing crops*
    - *Hospitals and*
    - *Business Inventory*
    - *Cemeteries*
    - *Several other types/classifications of property*
      - *California Constitution (“CC”) Article XIII, Section 3*





# BASIC PROPERTY TAX CONCEPTS

- All property taxed at Full Value/Fair Market Value
  - *CC Art. XIII, Sec. 1*
- Proposition 13 limitations (“Prop 13”)
  - *CC Art. XIII A*
  - *Limits taxable value – Acquisition Value*
  - *Annual Adjustments <=2%*
  - *Fair Market Reappraisal Triggers*
    - Change of Ownership
      - Property v Entity
    - New Construction
      - Time of Recognition
    - Change of use
    - Energy Resource and Mining Properties
  - *California Revenue and Taxation Code (“R&T”), Sections 60 et seq and 70 et seq*
  - *18 California Code of Regulations (“CCR”), Sections 460 et seq*
    - *(Also Referred to as Property Tax Rules (“PTR”), Rules 1 et seq)*



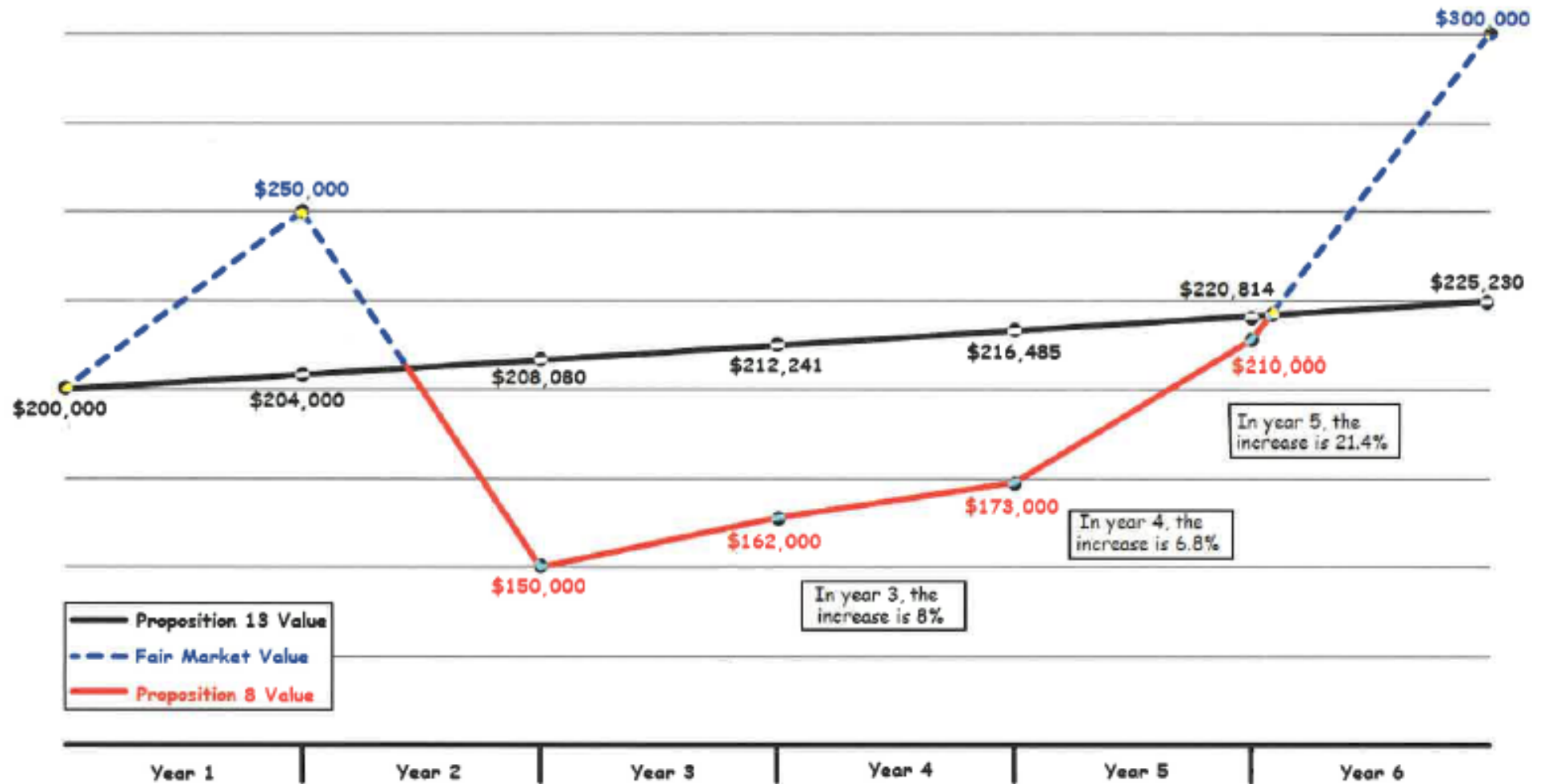
# BASIC PROPERTY TAX CONCEPTS

- **FMV v Base Year Value Review – Graph/Exhibit**
  - **FMV v Adjusted Base Year**
- **Supplemental Assessments – what & when**
  - *R&T §§ 75 et seq*
- **Escape Assessments**
  - *R&T §§ 531 et seq*
- **Penalty Assessments**
  - *Ibid, among others*
- **Crimes**



## How property values are assessed

California's Proposition 13 caps the growth of a property's assessed value at 2% per year unless the fair market value falls lower. When that happens, Proposition 8, which passed in 1978, allows the property to be temporarily reassessed at fair market value. However, as the value of the property rises, the assessed value and resulting property taxes may increase more than 2% per year up to the annually adjusted Proposition 13 cap (factored base year value).



# HOW ARE PROPERTY TAX ASSESSMENTS MADE?

- Property taxed in situ by County Assessor or State
  - *CC Art. XIII, Sec 4*
- Assessors – Determine taxable value on Lien Date or Taxable Event
  - *Revenue & Taxation Code §§ 405*
  - *Obtaining the data to tax*
    - *R&T §§ 408, et seq*
  - *Enforcement as needed*
    - *Ibid*
- Methods of Value/Appraisal
  - *Comparable Sales Approach to Value*
  - *Cost Approach to Value*
  - *Income Approach to Value*
- Tax Collector – Determines and Bills Tax
- Auditor/Controller – Tracks Billing and Payment and allocates taxes as required
- Taxpayers – Pay tax and may protest



## PROPERTY TAX DISPUTES – RELATED PROCEEDINGS & LITIGATION

- **Administrative Resolutions**
  - Communicate with Assessor, Supervisors and/or Staff
  - Share data and records
  - Review factual and legal assessment issues
- **Commence Assessment Appeals or Litigation**
  - Assessment Appeals/Equalization Proceedings for cases involving value issues – before Board of Equalization or Assessment Appeals Board. Must exhaust administrative remedies
  - Court litigation in cases with only legal issues (e.g. exempt property)
- **Discovery**
  - Assessor – Procedures and Law
    - *R&T Code §§ 408 et seq and 1606*
  - Taxpayer - Procedures and Law
    - *Ibid*
- **Timing – 2 Year Limit**



# *PROPERTY TAX DISPUTES – RELATED PROCEEDINGS & LITIGATION*

- **BOE/AAB Hearing & Prehearing Procedures**
  - **Property Tax Rules 300 et seq**
- **Conduct of Hearing - Formality**
- **Board Constituency – Legal Advisor**
- **Burden of Proof**
- **Make a record**
- **Decision & Findings**
- **Appeal**
- **Superior Court – then Appellate Courts**
- **Taxpayers – Suit for Refund**
- **Assessor – Petition for Writ of Mandate**
- **Finality - Remand**





---

# ***MAJOR CURRENT ISSUE – SPLIT ROLL INITIATIVE***

- **What is a Split Roll and how does it impact Property Taxes?**
  - **Division of properties subject to Prop 13 protections – Residential v Business properties**
    - *Residential Properties – no change*
    - *Business Properties – no Prop 13 protections – periodic FMV assessments*
  - **General v Business/Stock interest Splits**
- **Currently set for November 2020 election – General + 3-year periodic assessment review with small business exemption (assets < \$3,000,000)**

# ***ADDITIONAL RESOURCES***

- Letters to Assessors (“LTA’s”)
- State Board of Equalization (“SBE”) Annotations
- SBE Assessor Handbooks
- Treatises
  - Taxing California Property – Erhman & Flavin
  - Witkin – Summary of Law
  - Cal Jur





*QUESTIONS?*