Assessed Value Changes

Definitions

- Current Market Value
- Base Year Value
- Inflation Factor
- Factored Base Year Value
- Appraisal Unit

Proposition 13

- 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.

Proposition 8

- In 1978, California voters passed Proposition 8, a constitutional amendment to Article XIII A that allows a temporary reduction in assessed value when real property suffers a decline in value. A decline in value occurs when the current market value of real property is less than the current assessed (taxable) factored base year value as of the lien date, January 1. Proposition 8 is codified by section 51(a)(2) of the Revenue and Taxation Code.

R&T Code Section 51(a)(2)

The Code provides that the taxable value of real property shall be the lesser of:

1) Its base year value, compounded annually since the base year by an inflation factor, i.e., 2% maximum.

2) Its full cash value, as of the lien date, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a decline in value.

Annual Reappraisals

- Nothing in this section shall be construed to require the assessor to make an annual appraisal of all assessable property.
- However, for each lien date after the first lien date for which the taxable value is reduced, the value of the property shall be annually reappraised at its full cash value until that value exceeds the factored base year value of the property.
- In no event shall the assessor condition the implementation of the preceding sentence in any year upon the filing of an assessment appeal.

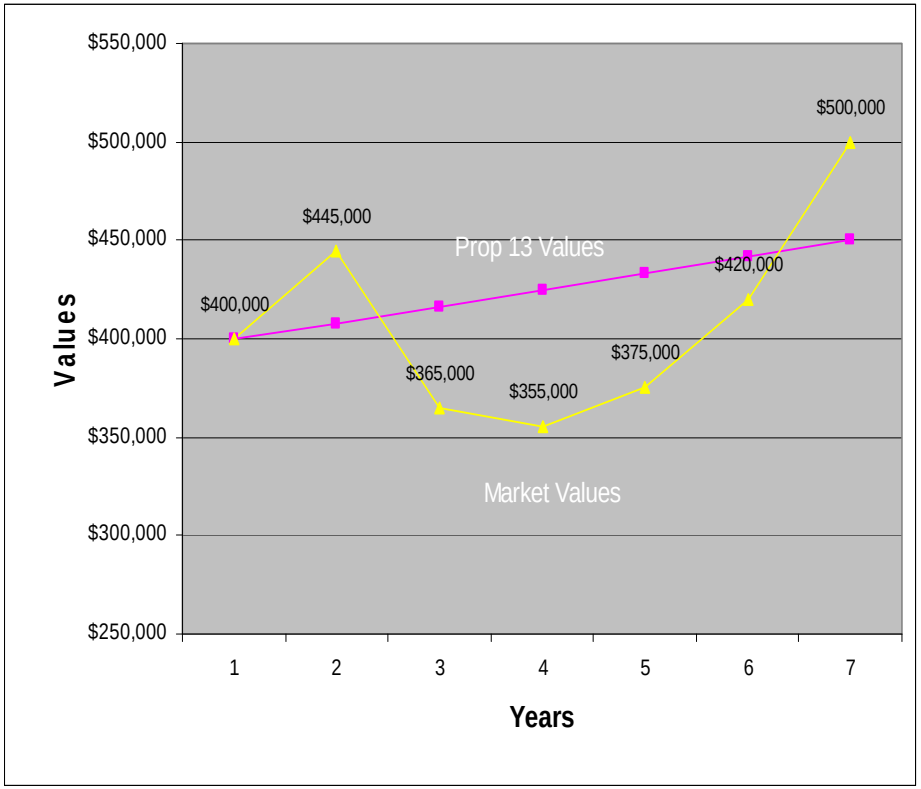
Example

- Property purchased in June 2005 for $500,000.
- Factored base year value as of January 1, 2008 equals $530,600 i.e., base year value times the inflation factor for 3 years ($500,000 x 1.0612).
- Market value as of January 1, 2008 equals $450,000.
- Value to be enrolled is <u>$450,000</u>.

- Factored base year value as of January 1, 2009 equals $541,200 i.e., base year value times the inflation factor for 4 years ($500,000 x 1.0824).
- Market value as of January 1, 2009 equals $472,500.
- Value to be enrolled is <u>$472,500</u>.

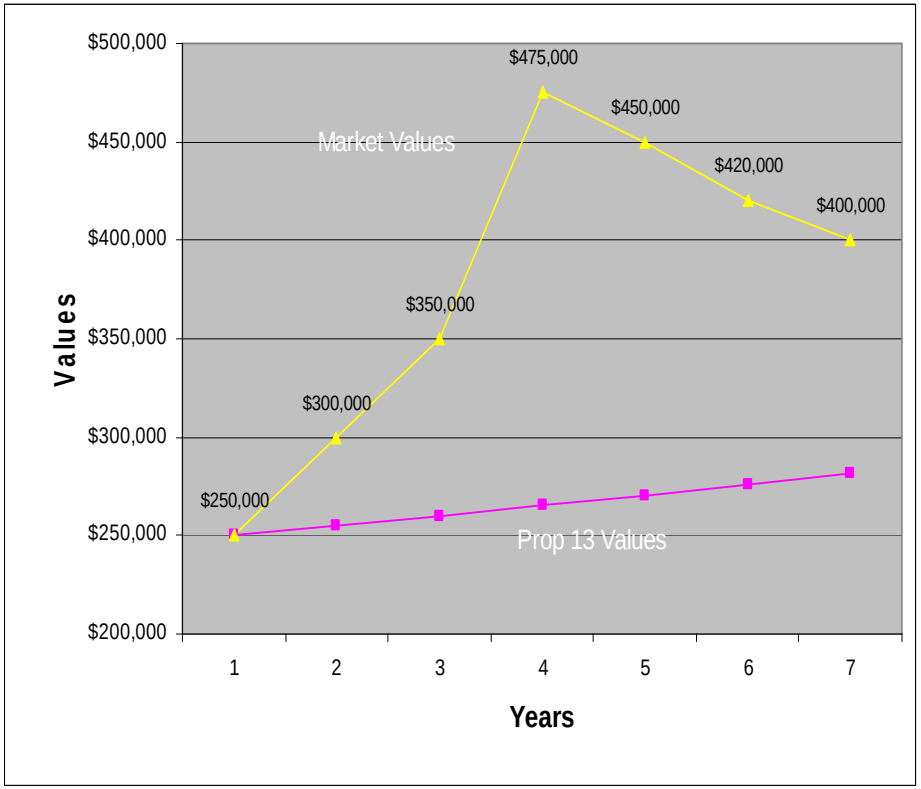
- Factored base year value as of January 1, 2010 equals $552,000 i.e., base year value times the inflation factor for 5 years ($500,000 x 1.1040).
- Market value as of January 1, 2010 equals $575,000.
- Value to be enrolled is <u>$552,000</u>.

Example: Valid Claim Under Prop 8



- Year 1 - $400,000 market value enrolled as assessed value (Prop. 13 Base Year).
- Year 2 – Even though the market value has dramatically increased within the first year, $408,000 assessed value is enrolled under Prop. 13.
- Year 3-6 - $365,000, $355,000, $375,000, and $420,000 are respectively enrolled as the assessed value under Prop 8.
- Year 7 – The factored Prop. 13 value is reinstated as the assessed value. Although the market value is at $500,000, the assessor may only enroll the original value ($400,000) plus 2% for every year after the base year was established (factored base year value); roughly $450,000.

Example: Invalid Claim Under Prop 8



- Since the market value of the property does not fall below the Prop 13 value, no adjustment of the assessed value is necessary under Prop 8 in this example.
- This illustrates how the assessed values of most of the property in Tuolumne County are <u>not</u> subject to reduction under Prop 8.

When to File a Proposition 8 Claim?

- Claims for the 2008 lien date (January 1st) must be filed by June 30, 2009. But remember that the valuation date is 1/1/08 and comparable sales used must have occurred no later than March 31st (within 90 days).
- Only the most recent January 1st assessment may be reviewed. Proposition 8 does not allow for relief for prior years, i.e., not retroactive.

Where to Start

- Tuolumne County requires the filing of a simple “Request for Property Review” form requesting Proposition 8 reassessment.

1. Call the assessor’s office to get the form, (209) 533-5535.
2. Download the form from the “Assessor’s Forms” page on the county website www.tuolumnecounty.ca.gov

How to Complete the Form

- Fill in some basics about the property.
- Owner's opinion of current market value.
- Supporting documentation of value estimate. (appraisals, comparable sales, market analysis, etc.)
- Fill in contact info, then sign and date.
- Mail – 2 S. Green Street, Sonora, CA 95370
- Fax – (209) 533-5674
- E-mail – assessor@tuolumnecounty.ca.gov

What Happens Next?

- Assessor receives the request form.
- Assigned to appraiser for that particular area.
- Appraiser visits property, reviews comparable sales and estimates value as of the lien date (January 1st).
- Notification letter is sent to the property owner.
- If the value on the current assessment roll is reduced, the Tax Collector is notified and the property tax bill is corrected.
- This may result in either a corrected tax bill or a refund if taxes have already been paid.

Summary of Proposition 8 Rules

- To qualify, the current market value of the property must be less than the assessed value as shown on the tax bill.
- The reduction is temporary.
- The property's value will be reviewed annually.
- If the market value exceeds the factored base year value, the factored base year value will be restored.
- The 2% limitation of Proposition 13 does not apply to properties reduced under Proposition 8.