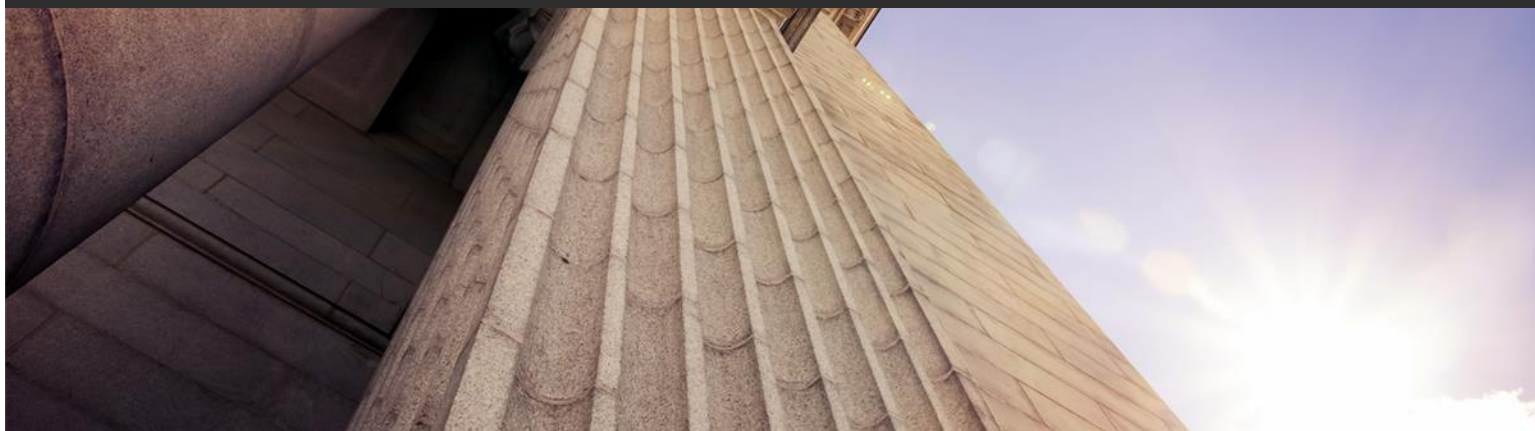


## **Alert | State & Local Tax**



September 2018

### **California Locally Assessed Property Tax: 2018 Appeal Filing Deadline Approaching**

County Assessors across California believe that the property located in their counties is worth substantially more this year than it was last year. Each Assessor is required to prepare an annual assessment roll consisting of all taxable property in their county. In many counties, roll values increased substantially: San Francisco (↑10.80 percent), San Mateo (↑8.03 percent), Santa Clara (↑7.34 percent), San Bernardino (↑7.30 percent), Alameda (↑7.11 percent), Placer (↑7.08 percent), Sacramento (↑6.75 percent), Los Angeles (↑6.62 percent), Contra Costa (↑6.34 percent), Orange (↑6.23%), Riverside (↑6.20 percent), and San Diego (↑6.11 percent). This is in spite of Proposition 13 protections and reflects, in part, a return to base year values after reductions given after the 2008 market collapse.

As such, taxpayers across the state may wish to review both their real and personal property assessments or factored base year value. Under California law, property may not be assessed at a value greater than its fair market value. If property is being over-assessed, taxpayers may be able to protect their rights and file timely appeals with the local assessment appeals board or county board.

#### **Overview: Local Property Tax System**

Unlike some states, California's local real property tax system is not based primarily on a property's annual market value, which may fluctuate from year to year. Rather, under Proposition 13, real property is assessed upon its "base year value." For real property owned since the enactment of Proposition 13 (in 1978), the property's "base year" would be 1975, and the 1975 assessed value would be the "base year value." To determine the maximum taxable value for any year subsequent to 1975, a "factored base year value" is calculated, which is the base year value with annual increases limited to the inflation rate, as

measured by the California Consumer Price Index, or two percent, whichever is less, until the property changes ownership or is subject to new construction.

At the time of a change in ownership or completion of new construction, the base year value of the property is re-determined. For changes in ownership, the property's fair market value on the change in ownership date becomes the new base year value. For new construction, the value of that new construction is added to the existing trended base year value of the other property and is given its own separate new base year value. A new "base year value" is established, which is then factored for each subsequent year, with the same limitation on annual increases as described above.

### **How Is a Base Year Value Determined?**

What makes property taxes unique? Unlike most taxes, which are based upon a taxpayer's declaration of value or income, property taxes are based upon an opinion of value established by the government. The person making this determination is often someone the taxpayer has never met, and who likely has never seen the property. Although the assessor's office typically enrolls the purchase price as the assessed value, it may choose to enroll either a higher or lower amount if it determines that the property should have transferred in the open market for other than the value determined in the sale transaction.

### **Temporary Reductions**

Although many appeals involve determining the proper "base year value" following a change in ownership or new construction, taxpayers often file appeals when the property's value has declined below the assessed value or trended base year value; these are called "Proposition 8" appeals. Under Proposition 8, taxpayers may ask for a temporary revaluation of their property if they believe that its fair market value has decreased below the factored base year value. Although these appeals technically apply only to the year at issue, under applicable case law, the lower value established must remain on the roll for subsequent years until the assessor performs an appraisal and determines that the property's value has increased.

### **Common Reasons for Appealing Assessments**

There are many reasons to file an assessment appeal, but some are more prevalent than others. Some of the most common reasons are: (1) the market value has declined; (2) there was no change in ownership or new construction; (3) the assessor failed to enroll the purchase price or the purchase price exceeded the property's fair market value; (4) contamination was discovered on the property; (5) the property is exempt; or (6) the assessor overestimated the value of new construction that was completed or included exempt property in that assessment. There are, however, many other reasons to appeal an improper assessment.

The deadline for filing a formal protest of the 2018 assessed value varies from county to county, but will be either Sept. 17, 2018, or Nov. 30, 2018. Alameda, Alpine, Inyo, Kings, Placer, San Francisco, San Luis Obispo, Santa Clara, Sierra, and Ventura all have Sept. 15 deadlines this year. If you need assistance analyzing your assessment or filing an assessment appeal, please feel free to contact one of the lawyers listed below.

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