

PROPERTY TAX PROPOSITIONS **PROPERTY TAX APPEALS**

By

ROBERT S. ABELSON PHD
CA CERTIFIED GENERAL APPRAISER
AQB CERTIFIED USAP INSTRUCTOR
Ph. 310-543-4649, Fax 310-626-9479

babelson@hotmail.com,
www.babelson-appraisal.com

Robert Abelson, PhD,
CA Certified General Appraiser

PROPERTY TAX PROPOSITIONS

- **PROPOSITION 13 (Real Property Assessment)**
- **PROPOSITION 8 (Decline-in-Value Reassessments)**

- PROPOSITION 3 (Eminent Domain)
- PROPOSITION 58 (Parent and Child Exclusions (Excl.))
- PROPOSITION 193 (Grandparent to Grandchildren Excl.)
- PROPOSITIONS 60 & PROPOSITION 90
- (Senior Citizen's Replacement Dwelling Benefit)
- PROPOSITION 110 (Disabled Property Owners)
- See Handouts and go to <http://assessor.lacounty.gov>
- Mills Act (Historic Properties, <http://ohp.parks.ca.gov>)

PROPOSTION 13

- Approved in 1978 (Jarvis-Gann Initiative)
- Maximum Levy Cannot Exceed 1% of the Property's Assessed Value (AV) plus (bonded indebtedness and direct assessment taxes).
- Increases in AV are limited to a maximum of 2% annually
- **Four Events Can Cause a Reassessment**
- A Change in Ownership (See PCOR Form in handouts)
- Completed New Construction
- New Construction Partially Completed before January 1
- A Decline in Value (See Proposition 8)

Assessment Valuation Dates

<u>Event</u>	<u>Valuation Date</u>
Decline In Value Proposition #8	January 1, of the Calendar year of the Application
Change in Ownership Proposition #13	Actual Date of Transfer
New Construction	Date of Completion
Partially Completed New Construction	Lien Date (January 1)

Assessed Value (AV) = Fair Market Value (FMV)

Full Cash Value or Fair Market Value

“The amount of cash or its equivalent that property would bring if put up for sale in the open market under certain conditions”:

Neither buyer nor seller could take advantage of the needs of the other.

Both buyer and seller must have knowledge of all of the uses and purposes to which the property is adapted and for which it can be used.

Both buyer and seller must be aware of any enforceable restrictions on the property’s uses and purposes.

See California Property Tax an Overview

<http://www.boe.ca.gov/proptaxes/pdf/pub29.pdf>

AV, FMV CONSIDERATIONS

Does the purchase/sales price equal FMV?

It depends (usually Yes but **sometimes No**)

No Reasons

Non Arms Length Transactions

Special Financing or Concessions

Foreclosures and Short Sales (**Maybe**).

Buyer purchases Leased Fee Interest where the **lease rents are not at market value rents.**
Hence Assessment is based on Fee Simple Interest.

Valuation Approaches For FMV

- **Comparative Sales Approach to Value**
- Arms length open market transactions,
- Physically similar sales (year built, improvements SF, zoning, lot area , quality condition, amenities. Etc.)
- Sales have occurred **no later than 90 days after the valuation date** of the property that was assessed.

Valuation Approaches For FMV Continued

- **INCOME APPROACH TO VALUE**

- Using the income approach, an appraiser values an income property by computing the present worth of a future income stream. An established income stream can be attributed to a real or hypothetical income stream by comparison with other properties.

- **Cost Approach to Value**

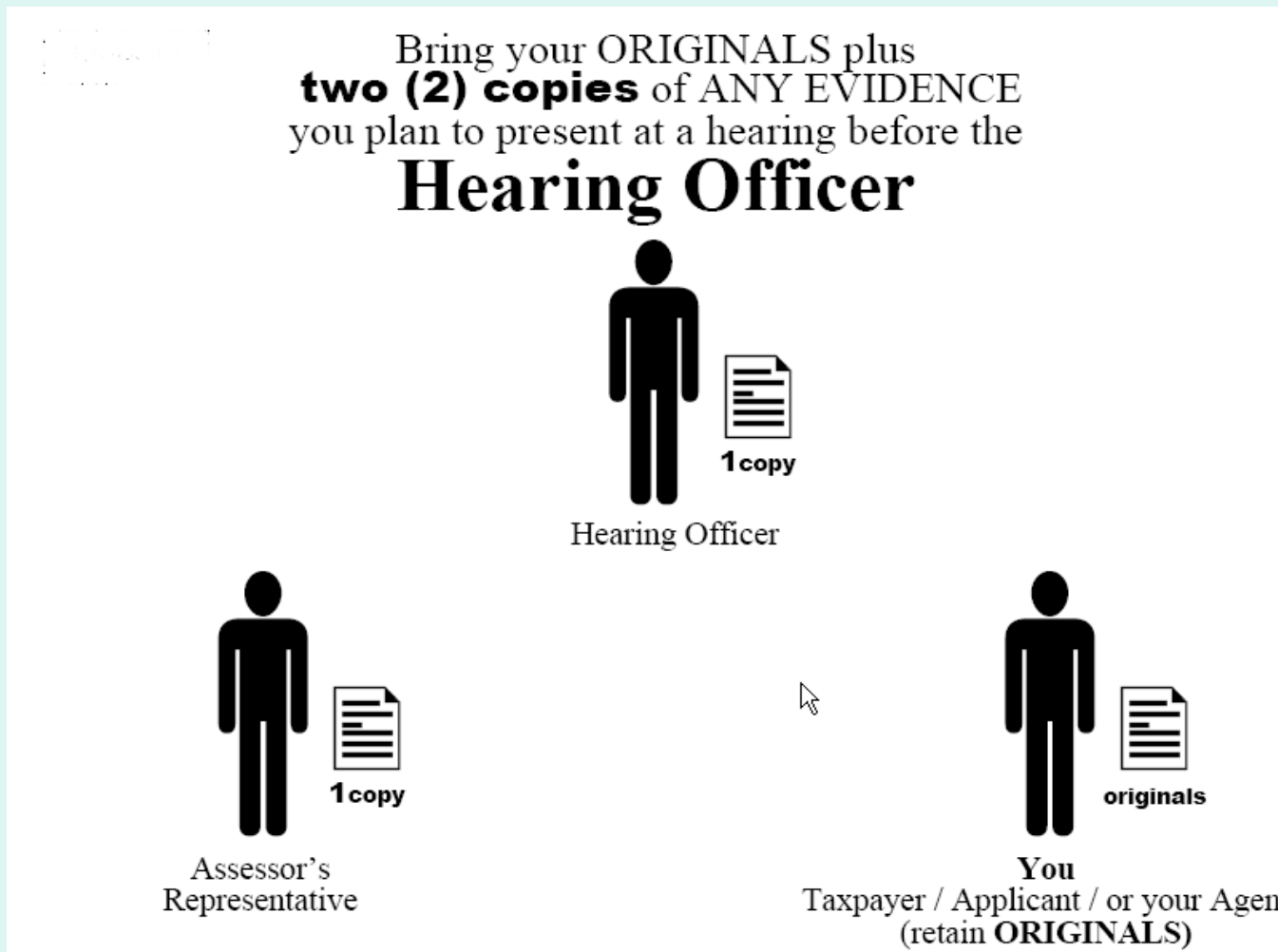
- A value approach using the following procedures to derive a value indicator: (1) estimate the current cost to reproduce or replace an existing structure without untimely delays; (2) deduct for all accrued depreciation; and (3) add the estimated land value and an amount to compensate for entrepreneurial profit (if present).

Property Reassessments and Appeals

What to Do

1. You or your authorized representative (**appraiser, consultant, etc.**) **discuss your assessment with an appraiser who works at the assessors office.**
2. File a tax assessment appeal. One needs to know the filing dates and the 90 Day Rules.
3. **Before going to court a taxpayer must exhaust available administrative remedies.**
 - a) Filing an application for reduction in assessment with the local appeals board
 - b) Filing a claim for refund of excess taxes paid with the local board of supervisors

Tax Appeal With a Hearings Officer Be Careful and Know the Rules in The County



Evidence For Appeals Board

Appeals Board Is Not Part of the Tax Assessor Office

Slide 51

Bring your **ORIGINALS** plus
five (5) copies of ANY EVIDENCE
you plan to present at a hearing before the
Assessment Appeals Board



1 copy

Board member # 1



1 copy

Board member # 2



1 copy

Board member # 3



1 copy

Assessor's
Representative



1 copy

Clerk



originals

You
Taxpayer / Applicant / or your Agent
(retain **ORIGINALS**)

Assessment Appeal Evidence

Admissible	Inadmissible
Records of sales of comparable real properties	Changes in personal income or inability to pay taxes
Appraisal by private licensed appraiser	Records that other property owners in similar residences pay lower amounts of property tax
	Assessed value of other property

Tax Assessment Appeals

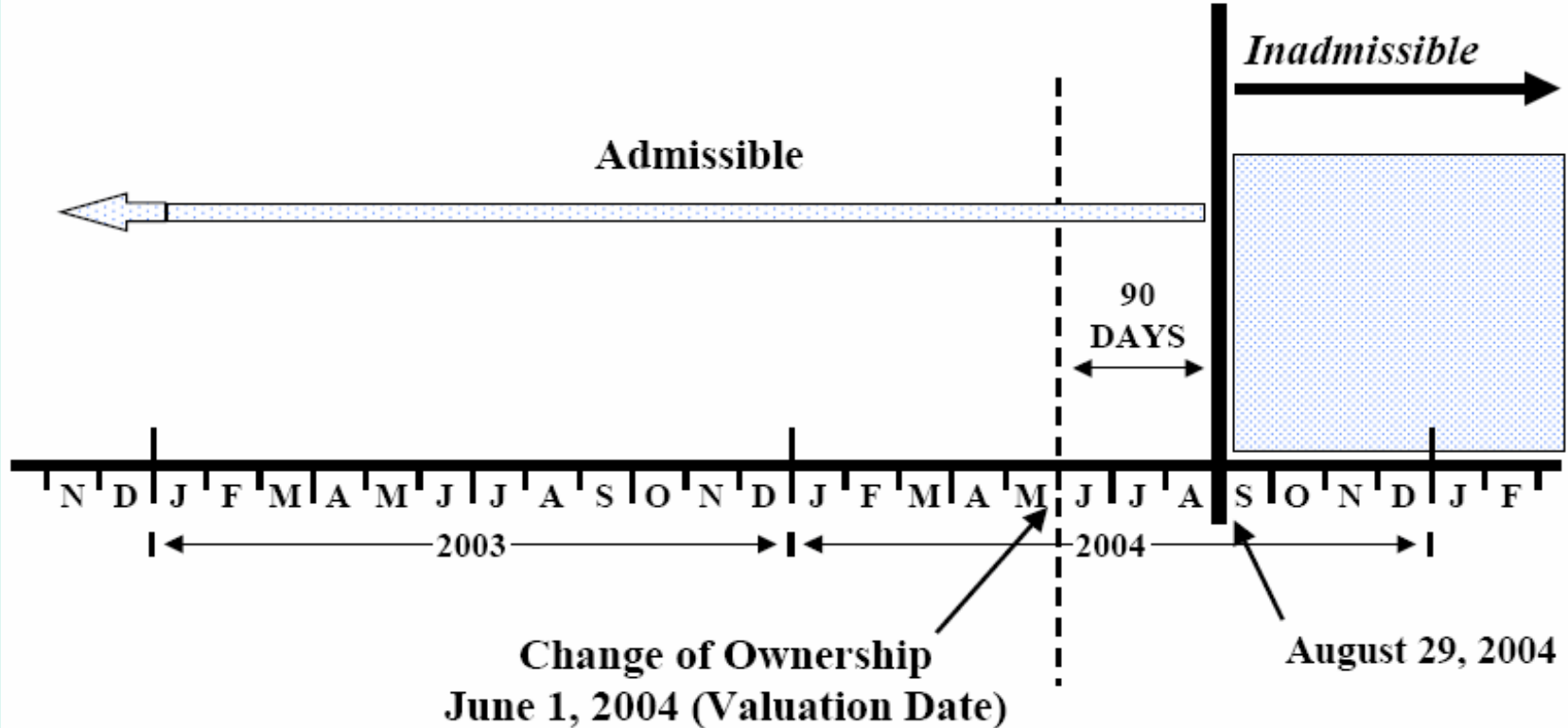
Filing Dates and the 90 Day Rule

- Filing Dates, (see handout Table 3 Application Filing Period)
- Comparable Sale 90 Day Rule
 1. The provisions for exclusion of any sale occurring more than 90 days after the valuation date **do not apply to the sale of the subject property.**
 2. There are no statutes or regulations regarding the timeliness of valuation data other than those relating to **comparable sales data.**
 3. **What is a sale occurring less than 90 days of valuation date?**

Comps Sales 90 Day Rule Prop #13

Change of Ownership Sale dates of comparable properties

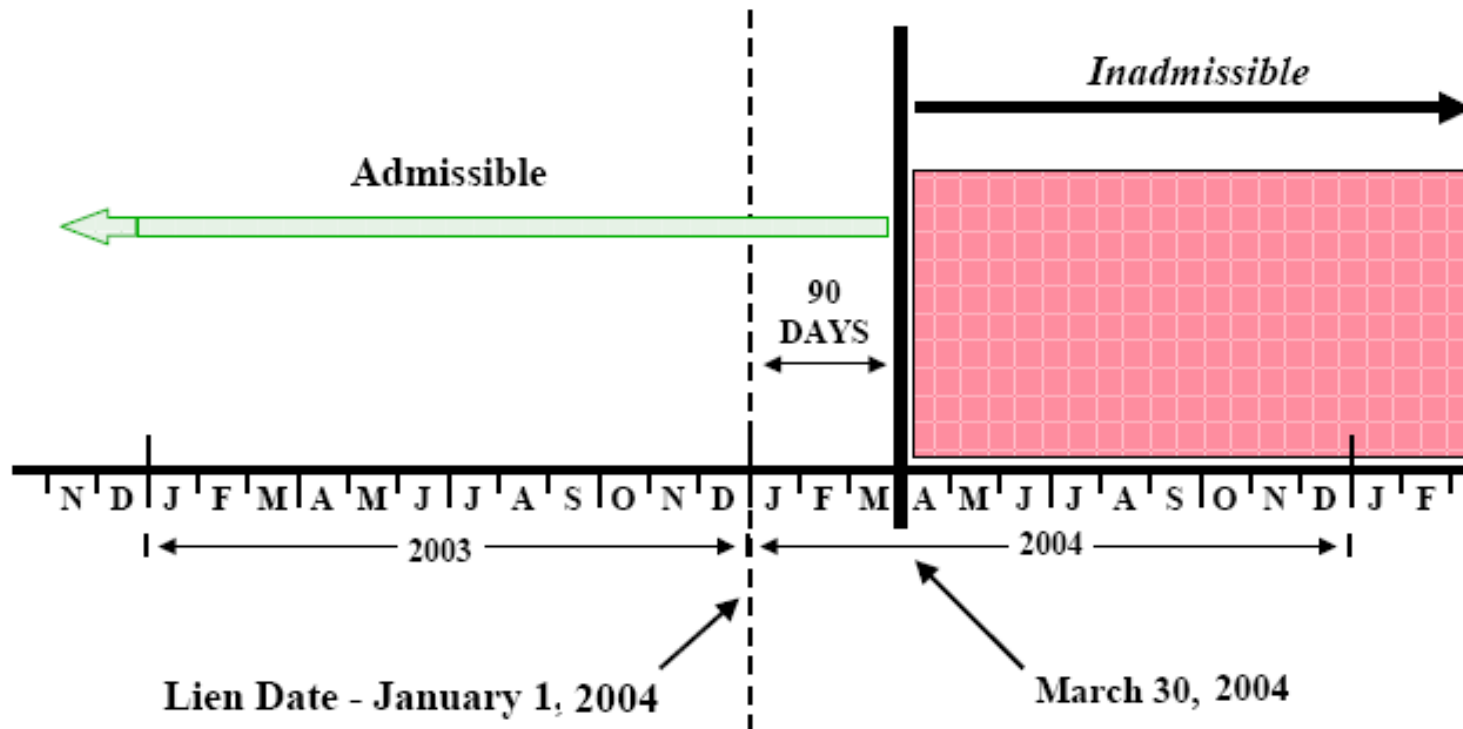
Not more than 90 days after the transfer date (Valuation Date) of your property



Comps Sales 90 Day Rule Prop #8

Proposition 8 - Decline in Value 2004-2005 Sales Date of Comparable Properties

Not more than 90 days after the Lien Date (Valuation Date) of your property



Proposition 8 Decline in Value

Apply with the Assessor Jan.1 to Dec. 31
Apply with Appeals Board July 2 to Nov. 30

Year	Base Year Trend Value	Market Value	Assessed Value
1	\$500,000	\$500,000	\$500,000
2 Appeal	\$510,000	\$450,000	\$450,000
3	\$520,200	\$500,000	\$500,000
4	\$530,604	\$540,000	\$530,604

Property Taxes, Assessment & Appeals Info

- **LA County Board of Supervisors**
- <http://bos.co.la.ca.us/Categories/PropertyTaxAppeals.htm>
- **California Board of Equalization (BOE)**
- <http://www.boe.ca.gov/index.htm>
- **BOE “Assessment Appeals Manual”**
- <http://www.boe.ca.gov/proptaxes/pdf/aamanual.pdf>
- **“California Property Tax an Overview”**
- <http://www.boe.ca.gov/proptaxes/pdf/pub29.pdf>
- **Property Tax Law Guides (TOC & Purchase Form)**
- <http://www.boetaxes.ca.gov/>

Change of Ownership Issues

1. Tax Assessor's Office and ask for an ownership investigator. This costs nothing. Good idea to do this before you transfer or acquire the property.
2. Mike LeBeau, Esquire Presentation
<http://www.mikelebeau.com/downloads/cebppt.pdf>
3. Consult with an attorney who knows the taxation code.