



PROPOSITION 8 DECLINE IN VALUE

FREQUENTLY ASKED QUESTIONS

Source: California State Board of Equalization: <http://www.boe.ca.gov/>

1. What is 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.

Real property may decline in market value from one lien date to the next lien date; however, it will not benefit from a lower assessment unless its market value falls below the current factored base year value. For example, if you purchase your property during a time when the real estate market falls dramatically, or if your property is substantially damaged due to a storm or fire that causes a reduction in your property's value, it is likely that your property will benefit from a Proposition 8 reassessment. The decline in value is typically temporary and may be the result of changes in the real estate market, the neighborhood, or the property itself.

When the market value of a property on the January 1 lien date falls below the factored base year value (assessed value), the assessor is obligated to review the property and enroll the lesser of the factored base year value or market value. The factored base year value of real property is the market value as established in 1975 or as established when the property last changed ownership or when the property was newly constructed.

A property that has been reassessed under Proposition 8 is then reviewed annually to determine its lien date value. The assessed value of a property with a Proposition 8 value in place may increase each lien date (January 1) by more than the standard two percent maximum allowed for properties assessed under Proposition 13; however, unless there is a change in ownership or new construction, a property's assessed value can never increase

above its factored Proposition 13 base year value after adjusting for the annual increase.

2. What steps do I take to have my property considered for Proposition 8 assessment?

This review process is performed by the county assessor and is in addition to the formal appeal process with the county assessment appeals board that is available to taxpayers.

Some assessors have indicated on their websites that they are reviewing certain property types purchased between specific time periods (i.e. all single family homes and condominiums purchased during 2004 to 2008). You should first peruse your county assessor's website for their specific procedures and filing requirements for Proposition 8 reviews. Contact information and website links for each county are available via the following link:

<http://www.boe.ca.gov/proptaxes/decline-in-value/>

3. The assessed value of my property increased more than two percent this year. There was no change in ownership or new construction. Doesn't Proposition 13 limit annual increases in value to two percent?

Yes, under Proposition 13, base year values may not be increased more than two percent per year. However, this two percent limitation applies only to increases in the base year value. Under section 51 of the Revenue and Taxation Code, Proposition 8 values are not considered base year values, but are declines in value; thus a property assessed under Proposition 8 is not restricted to the maximum two percent increase. Once the market value increases and is equal to or greater than the factored base year value (adjusted annually for inflation), then the factored base year value is restored and the annual increase will again be limited to two percent.

When real estate values increase due to market conditions, the assessor must assess properties to either their original base year values, adjusted for inflation up to two percent, or to their current market values, whichever is lower. This may result in increases to Proposition 8 values in excess of two percent from one lien date to the next. For example, in a situation where a property's value increased 10 percent since the prior lien date, but the value is still below the Proposition 13 adjusted base year value, the new increased Proposition 8 value will be enrolled.

4. What kind of information do I need to provide on the claim form?

You should provide the assessor with information that supports your opinion that the market value for your property is less than the assessed value. The best supporting documentation is information on sales of comparable properties in your neighborhood. You should select two comparable sales that sold as close to the January 1 lien date as possible, but no later than March 31.

A property sold with features that are similar to your property is a comparable sale. Comparable sales information helps you analyze the value of your home. For example, a property similar in location, zoning, size, number of bedrooms and bathrooms, age, quality and condition to yours that sold in the "open" market is a comparable sale. However, not all of these factors must be the same as your property to be a comparable sale – "similar" does not mean "identical." An "open" market means the transaction must have been offered for sale under typical market conditions; thus, a sale to a relative or a sale under distress may or may not have been sold under open market conditions. If using such sales, further investigation is required to determine if any unusual or favorable conditions were involved.

The assessor's website may offer sales information for properties that have sold within the last two years. The same information is

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available from any assessor district office. Many websites offer sales information free of charge. Additionally, a local real estate agent or title agent can also be a valuable source of information.

5. I think the assessed value of my home has been higher than market value for the past two years. Can I apply for Proposition 8 review for both last year and this year?

No. Only the most recent January 1 assessment may be reviewed. Proposition 8 neither allows for relief pertaining to other dates / prior years nor applies to supplemental assessments. If you are questioning the assessment from a prior year, you must go through the assessment appeals process.

6. If my assessed value is reduced under Proposition 8, how long will it last?

Proposition 8 reassessments last at least one year; the value reductions are not permanent. The assessed value may either decrease or increase depending on the market value of your property on January 1 of each subsequent year. Your assessed value, however, will never result in an increased value that is more than the trended base year value. Once the market value of a Proposition 8 property exceeds its Proposition 13 factored base year value, the Proposition 13 value will be reinstated as the upper limit of assessed valuation.

Please note that your factored base year value continues to increase by an annual inflation factor of no more than two percent each year even during the time your property is assessed under Proposition 8.

7. What can I do if I don't agree with the value the assessor has concluded after having filed my Proposition 8 application?

If you disagree with the county assessor's findings, you may file a formal appeal with the County Assessment Appeals Board or the County Board of Equalization. These Boards are independent bodies established to resolve differences in property value opinions between the county assessor and property owners. You

must file your appeal on an Application for Changed Assessment between July 2 and either September 15 or November 30 of the fiscal year that you are disputing. To determine the filing deadline date for your county, go to:

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

8. Do I file the Proposition 8 application annually?

No. Any properties that have received Proposition 8 reductions in the prior year as a result of the assessor's informal review process or as a result of an assessment appeals board decision is automatically reviewed in the following year to ascertain whether that year's lien date value should be maintained, lowered, or increased. However, keep in mind that you must annually review the assessed value of your property to determine your need to confer again with the assessor or file a formal Application for Changed Assessment.

9. I didn't look at my tax bill until it was due in November, and I paid it, but I'm pretty sure the assessed value is higher than the current market value. Is it too late to do anything about it now?

No. Your assessed value may still be reduced if the assessor agrees with you. In the case where the current market value of the property should have been enrolled rather than the factored base year value, section 4831(b) of the Revenue and Taxation Code allows the assessor to correct the assessment roll within one year after the roll is annually due to the auditor on July 1 for any errors or omission involving the assessor's value judgment in failing to reflect a decline in value.

10. I filed my Proposition 8 application by December 31. When and how will I know if my property's value will be reduced?

Your assessor's office may be backlogged and notifications may be delayed. Some assessors will mail a notice while some will merely send out a corrected tax bill. Please check with your county assessor's office for their procedures at <http://www.boe.ca.gov/proptaxes/countycontacts.htm>

However, if you haven't heard from your assessor by the time your county's formal assessment appeals deadline draws near, you may consider filing an Application for Changed Assessment with your county clerk of the board of supervisors to ensure your property value is reviewed for the year in question.

11. I filed a Proposition 8 application in May to request that the value enrolled on my property as of January 1 be reviewed. Can I postpone paying the first installment of my taxes due in November if the assessor hasn't notified me of any changes to my property value?

No. You must pay your property taxes according to the tax bill you received, or penalties and interest will incur. If a reduction in assessed value is warranted, a notice of correction and a revised tax bill or refund based on the difference in value will be processed by your county assessor.

If you have not been notified of the results of the assessors' review by the time the deadline to file an assessment appeal in your county draws near, you may want to file a formal assessment appeals application to ensure the value of your property is reviewed.

12. I still have questions on Proposition 8. Who can I call?

If you have further questions, you may call the Board's County-Assessed Properties Division at: (916)-274-3350.

