



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Auditor-Controller
Department No.: 061
For Agenda Of: August 18, 2020
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Betsy M. Schaffer, CPA, CPFO
Director(s) Auditor-Controller

Contact Info: Trevor C. Lysek, CPA
Division Chief, x 82181

SUBJECT: Approve the operation of Rev. & Tax. Code Section 531.2(c)

County Counsel Concurrence

As to form: Yes

Other Concurrence: N/A

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Adopt a Resolution in the Matter of Approving the Operation of Revenue and Taxation Code Section 531.2(c), authorizing the proration of escape assessment taxes between transferor and transferee; and
- b) Determine that the above action is not the approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(5), finding that the action involves government organizational or administrative activities that will not result in direct or indirect physical changes to the environment.

Summary Text: Adopting the resolution will allow the County to prorate taxes resulting from escape assessments between a transferor and transferee of real property, avoiding the unfair application of tax charges in a manner disproportionate to the time of ownership.

Normally, when a property transfers ownership, the new owner is responsible for property taxes on the property. However, there are cases when a transferred property has been previously underassessed in the current year or in prior years, resulting in an “escape” assessment. In these cases, the County currently

follows Revenue & Taxation (R&T) Code Section 531.2, which provides that if the transfer occurred after July 1 of the year of the escape assessment, the owner as of January 1 is responsible for the full underassessed amount, but if the transfer occurred prior to July 1, then the new owner is responsible for the escape. In the case of the transfer after July 1, there is no proration of the escape assessment for the proportionate duration of ownership during the tax year.

The code section further states that if the real property escaped assessment as a result of an unrecorded change in ownership or change in control for which a change in ownership statement or a preliminary change in ownership report has not been filed, the assessor shall appraise the property as of the date of transfer and enroll the difference in taxable value for each of the subsequent years on the secured roll. Similarly, these escape bills are not prorated for the year of transfer.

To address this inequity, R&T Code Section 531.2, subdivision (c)(1), allows the Board of Supervisors to adopt a resolution authorizing the proration of the escaped assessment between the prior and current owner(s). This board letter and resolution seeks to enact R&T Code Section 531.2(c) to allow for this proration of escaped assessments.

Background

Existing property tax law (R&T Code Section 531.2) states that when "...an escape assessment is made on real property, which has been transferred..., subsequent to July 1 of the year of escape, or subsequent to July 1 of the year in which the property should have been lawfully assessed,... [the escape] shall be entered on the unsecured roll in the name of the person who would have been the assessee [as of January 1st] in the year in which it escaped assessment..." This can create an unfair allocation of tax charges in the year of transfer, such that transferor(s) and transferee(s) are assessed tax charges disproportionate to their respective periods of ownership during a tax year. That is, the transferor bears the entire burden for the tax year regardless of the periods of ownership.

To avoid such results, R&T Code Section 531.2, subdivision (c)(1) states that, if the Board of Supervisors of a county adopts a resolution so providing, taxes resulting from escape assessments shall be prorated between two or more owners of record based on the number of days of ownership by each, pursuant to that subdivision paragraphs (2) through (5), inclusive.

Special Instructions:

Please have the Clerk of the Board provide a certified copy of the Board Resolution to the Auditor-Controller.

Attachments:

Board Resolution

Authored by:

Trevor C. Lysek

cc: