California Real Property Taxes

Important Tax Dates

- *July 1* – Beginning of fiscal year and the Assessor completes the local property tax roll for the next fiscal year (July 1 through June 30).
- *October* – Property tax bills are mailed out.
- *November 1* – First installment of property taxes are due.
- *December 10* – First installment of property taxes are delinquent (a 10% penalty is added as of 5:00 PM).
- *February 1* – Second installment of property taxes are due.
- *April 10* – Second installment of property taxes are delinquent (a 10% penalty is added as of 5:00 PM).
- *June 30* – Ending of the fiscal year.

Basics of Real Property Taxation in California

Prior to the enactment of Proposition 13 on June 6, 1978, property taxes could be assessed on the current fair market value of the property each year. The property tax rate at that time averaged around 3% of the market value. There were no limits on the increases for the tax rate or on the amount that property taxes could increase in any one year. People were seeing reassessments of 50% to 100% in just one year, and their taxes increased based on those new assessments.

On June 6, 1978, almost 2/3rds of the voters in California passed Proposition 13 which reduced property tax collections on real property by about 57%. So the understanding of real property taxation in California starts with Proposition 13.

Proposition 13

- ***1% Rate Cap.*** Proposition 13 capped tax rates at 1% of the full cash value of the property at the time of acquisition. Full cash value is usually the acquisition (purchase) price of a property; however, it can be different from the purchase price if the purchase price was exceptionally low (i.e., the buyer got a great deal). Prior to Proposition 13, local jurisdictions independently established tax rates.
- ***Assessment Rollback.*** Proposition 13 rolled back property values for tax purposes to their 1976 level.
- ***Responsibility for Allocating Property Tax Transferred to the State.*** Proposition 13 gave state lawmakers responsibility for allocating property tax

revenues among local jurisdictions. Prior to Proposition 13, jurisdictions established their tax rates independently and property tax

- ***Reassessment Upon Change of Ownership.*** Proposition 13 provides that a property is assessed for tax purposes only when it changes ownership. As long as the property is not sold, future increases in assessed value are limited to an annual increase of no more than 2% of what the assessed value was in the previous year.
- ***Vote Requirement for State Taxes.*** Proposition 13 requires any measure enacted for the purpose of increasing state revenues to be approved by a 2/3rds vote of each house of the legislature (the State Assembly and the State Senate).
- ***Voter Approval for Local "Special" Taxes.*** Proposition 13 requires taxes raised by local governments for a designated or special purpose to be approved by 2/3rds of the voters.

Proposition 8

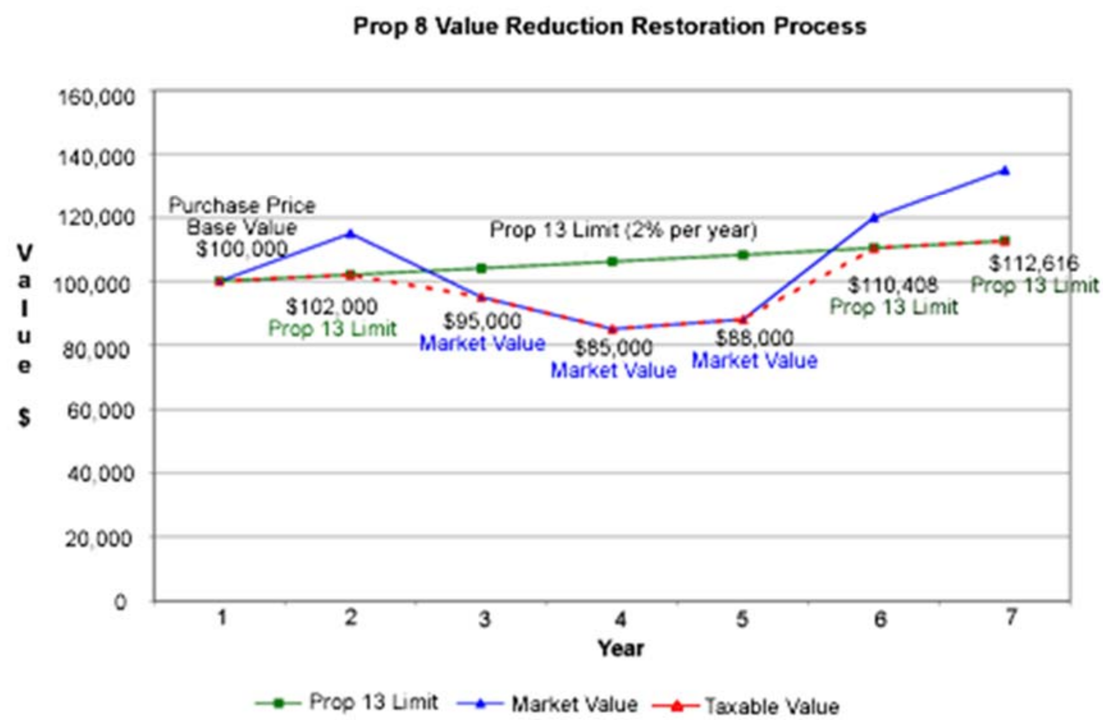
When the voters passed Proposition 13, its purpose was to limit the amount of increases that could be levied against a property. Proposition 13 did not address the instance of a decline in market value of the property. Proposition 8, passed in 1979, allows for a temporary reduction in assessed value when the current market value of a property is less than the current assessed value as of January 1st.

In order to receive a temporary reduction in assessed value, the property owner may apply with the County Assessor in the County in which the property is located. Many Assessors will institute reductions without an application in years where precipitous declines in value occur, such as 2008/2009.

The decrease in assessed value is only temporary. When the County Assessor determines that the value of the property has increased, the Assessor may change the assessed value to the current market value (not to exceed the protected Proposition 13 value).

Example of Assessed Value Changes Under Propositions 13 and 8

- ***Initial base year value:*** In year 1, the subject property was purchased at a cost of $100,000 (which is the fair market value).
- ***Year 2:*** The market value of the property has grown to $115,000. The maximum amount the property could be assessed under Proposition 13 is $102,000 ($100,000 x 102%).



- ***Years 3-5:*** The market value of the property has gone down below the Proposition 13 limit. The assessment, upon request of the property owner, would be reduced to the actual market value. The assessed values would be $95,000 (Year 3), $85,000 (Year 4), and $88,000 (Year 5).
- ***Year 6:*** The market value of the property has risen to $120,000, above the Proposition 13 limit. The assessed value is restored to the Proposition 13 limit of $110,408.
    - Year 1 - $100,000
    - Year 2 - $102,000 ($100,000 x 102%)
    - Year 3 – Limited to $95,000, but would have been $102,000 x 102%, or $104,040
    - Year 4 – Limited to $85,000, but would have been $104,040 x 102%, or $106,120
    - Year 5 – Limited to $88,000, but would have been $106,120 x 102%, or $108,243
    - Year 6 - $110,408 ($108,243 x 102%)

- ***Year 7:*** The market value has continued to rise and the assessed value is restricted to a maximum of 2%, and the assessed value will be $112,616 ($110,408 x 102%).

Instances Where Property Assessed Value Can Increase More Than 2% In One Year

1. New construction (adding a room, building a swimming pool, etc.)
2. Had a temporary reduction due to Proposition 8 and the value has increased above the Proposition 13 assessment.
3. The property has had a qualifying change in ownership.

Change in Ownership That Does Not Trigger A Proposition 13 Change In Assessed Value

1. Transfer solely between a husband and wife (addition of a spouse, death of a spouse, divorce settlement, etc.)
2. Transfer where there was an ownership in Joint Tenancy where one of the Joint Tenants will remain on title.
3. Transfer to a revocable trust that may be revoked by the transferor and is for the benefit of the transferor or the transferor's spouse.
4. Transfer from parents to children of the parent's principal residence.
5. Transfer from grandparents to grandchildren where all of the parents of the grandchildren are deceased.
6. Transfer from a revocable trust to one of the Grantors of the Trust.
7. Transfer solely between domestic partners currently registered with the California Secretary of State.

Supplemental Property Taxes

Once an annual property tax bill is established for a property *it remains on the property for the entire tax year, even though a property's ownership may change* and be subject to a Proposition 13 reassessment during the tax year. Even though this bill remains on the property for the entire year, the property's assessed value is still changed to reflect the Proposition 13 assessed value. This is accomplished through a process known as Supplemental Assessment. Basically, a Supplemental Assessment is a supplement, or addendum, to the property tax bill.

Supplemental tax bill(s) are one-time tax bill(s) which occurs when there is a change of ownership on a property. The amount of the supplemental tax bill(s) is determined by taking the difference between your new assessed property value and the previous assessed property value.

A supplemental tax bill can be either positive or negative. If it is a positive assessment, the owner will owe additional property taxes, if it is negative, the county will owe the new owner money back from the existing tax assessment.

Examples:

Positive Supplemental Assessment *(New owner owes additional property taxes)* *(Purchase price is greater than current Assessed Value)*		
	Assessed Value	Property Taxes (1%)
New owner's purchase price (Proposition 13 assessed value)	$150,000	$1,500
Previous owner's Proposition 13 assessed value	$100,000	$1,000
Difference (Supplemental Assessment)	$ 50,000	$ 500

Negative Supplemental Assessment *(County owes the new owner a refund)* *(Purchase price is less than current Assessed Value)*		
	Assessed Value	Property Taxes (1%)
New owner's purchase price (Proposition 13 assessed value)	$100,000	$1,000
Previous owner's Proposition 13 assessed value	$150,000	$1,500
Difference (Supplemental Assessment)	< $ 50,000 >	< $ 500 >

Mortgage companies do not usually pay the supplemental tax bill(s). They are the responsibility of the new property owner. In the case of a negative Supplemental Assessment, the County will refund the negative Supplemental Assessment to the new owner.

Supplemental tax bill(s) are normally received within 6 to 9 months of purchasing the property.

The supplemental tax bill(s) will be pro-rated from the date of purchase through June 30th of that year.

Depending on when a person purchases a property, and when the property is re-assessed, they may receive 2 supplemental tax bills.

<u>Other Real Property Taxes and Assessments</u>

Proposition 13 and Proposition 8 tax assessments pertain to the General Tax

Levy on a property. There are other types of taxes that may affect a property. The easiest way to find out if a particular property is affected by different types of taxes or assessments, simply obtain a copy of the current property tax bill.

Benefit Assessments

Benefit Assessments are used by local governments to pay the costs of providing fire suppression, flood control and other services to a particular community. These charges are based on the concept of assessing only those properties that directly benefit from the services or improvements financed. Because these charges are based on specific benefit, they are not subject to Proposition 13 limitations.

There are several types of Benefit Assessments that commonly appear on property tax bills. Specific types of Benefit Assessments include:

- Fire suppression assessments
- Flood control assessments
- Storm drain assessments
- Water assessments
- Sewer assessments
- Sanitation assessments

Property owners to be assessed have the opportunity to vote on the creation of the Benefit Assessment based on detailed reports. Once a Benefit Assessment is created it can be repealed or reduced by voter initiative.

By law (Proposition 13), Benefit Assessments cannot be based on property value. Instead of basing the assessment on value, each parcel is charged based on the specific benefit the parcel is to receive from the services contemplated.

Street Lighting District

A Street Lighting District is created by a local government agency to pay the costs associated with lighting on and around public streets, highways, parks and alleys. There are several laws that allow for various types of Street Lighting Districts.

In order to form a Street Lighting District, affected property owners must be notified and a public hearing held. A majority of the affected property owners must approve the formation of the Street Lighting District.

By law (Proposition 13), Street Lighting Districts cannot be based on property value. Instead of basing the assessment on value, each parcel is charged based on the specific benefit the parcel is to receive from the services contemplated.

Geological Hazard Abatement District

A Geologic Hazard Abatement District is created to finance the prevention, mitigation, abatement or control of a geologic hazard. A geologic hazard is defined as an actual or threatened landslide, land subsidence, soil erosion, earthquake, fault movement, or any other natural or unnatural movement of land or earth. A Geologic Hazard Abatement District may also be used to finance the mitigation or abatement of structural hazards that are partly or wholly caused by geologic hazards. A Geologic Hazard Abatement District can acquire property by purchase, lease, gift or eminent domain; construct improvements; and maintain, repair or operate improvements.

A majority of the property owners located within the proposed Geologic Hazard Abatement District must approve of its formation.

The formula for the annual charge of the Geologic Hazard Abatement District is established at its formation. Each parcel's specific benefit, and hence its charge is determined at the establishment of the District.

Abatement Districts

An Abatement District is created to finance the prevention, mitigation, abatement or control of some type of pest, nuisance or hazard. Two common types of Abatement Districts are:

- <u>Mosquito Abatement Districts</u>
  Mosquito Abatement Districts were created in response to the discovery that mosquitoes were carriers of disease in the late 1800's. A county may form a Mosquito Abatement District to control mosquitoes in a specific territory. A district is approved by the county board of supervisors. The cost of the operations of the district is set on an annual basis and billed on the county tax bill.
- <u>Vector Control Districts</u>
  Vectors are animals or insects such as rats, ticks, flies and mosquitoes that can transmit disease to humans. A county may form a Vector Control District to control these pests in a specific territory pursuant to California Health and Safety Codes. A district is approved by the county board of supervisors. The cost of the operations of the district is set on an annual basis and billed on the county tax bill.

An Abatement District can be established for weed and rubbish abatement. If not properly managed, weeds and rubbish can become fire hazards or threats to public safety. Weed and rubbish abatement is normally handled on an individual parcel basis, where the owners are responsible for keeping the area free from hazardous weeds and rubbish. If the county or city determines that a certain parcel, or group of parcels, present a hazard and require attention, a notice will be mailed to the owner or posted on the property. If the owner does not correct the problem, the city or county may clear the area at the owner's expense. A lien is created on the property, and that amount is charged on the next property tax bill.

A city or county may declare by ordinance what it considers a nuisance (an example would be graffiti on private property). The agency, after providing notice to the property owner, may perform the work at the owner's expense. If this occurs, a lien is placed on the property and the amount is included on the next property tax bill.

Business Improvement District

A Business Improvement District (BID) is a revitalization tool for commercial neighborhoods such as shopping malls and regional business districts. BIDs are public/private sector partnerships that perform a variety of services to improve the image of their cities and promote individual business districts. They also carry out economic development services by working to attract, retain and expand businesses.

There are two separate laws that authorize the formation of a BID:

- The Parking and Business Improvement Area Law of 1989
- Property and Business Improvement District Law of 1994

Both laws enable a city, county or joint powers authority (made up of cities and/or counties only) to establish a BID and levy annual assessments on businesses within its boundaries. Improvements which may be financed include parking facilities, parks, fountains, benches, trash receptacles, street lighting, and decorations. Services that may be financed include promotion of public events, furnishing music in public places and promotion of tourism.

The 1994 Act allows financing of streets, rehabilitation or removal of existing structures, and security facilities and equipment. Neither law allows bonds to be issued by the BIDs.

To form a BID, the city or county will propose a new district by adopting a resolution of intention. Types of improvements are specified at the formation. If not protested by a majority of the businesses affected, the BID is established.

The BID assesses properties according to zones of benefit. Residential properties and land zoned for agricultural use may not be assessed for a BID.

Special Taxes

Special Taxes are allowed under the California Constitution for specific purposes, including a tax assessed which is placed into the general fund. Special Taxes must be approved by a 2/3^{rds} majority of the qualified voters in the service area.

Special Taxes can be used to finance various public improvements and services. Special Taxes are commonly used for financing libraries, hospitals, schools and protection services (fire stations/equipment, police stations/equipment).

Mello-Roos Taxes

When Californians enacted Proposition 13, which limited the ability of local public agencies to increase property taxes based on a property's assessed value, the Mello-Roos Community Facilities Act of 1982 was created to provide an alternate method of financing needed improvements and services.

The Act allows any county, city, special district, school district or joint powers authority to establish a Mello-Roos Community Facilities District (CFD) which allows for the public improvements and services. The services and improvements that Mello-Roos CFDs can finance include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums and other cultural facilities.

A CFD is created to finance public improvements and services when no other source of money is available. CFDs are normally formed in undeveloped areas and are used to build roads and install water and sewer systems so that new homes or commercial space can be built. This usually occurs when developers do not provide the funds to build the services that support their developments. CFDs are also used in older areas to finance new schools or other additions to the community.

A CFD is created by a sponsoring local government agency. A CFD cannot be formed without a 2/3rds majority vote of residents living within the proposed boundaries. The common instance is that a developer who owns all of the lots in a particular area will vote to tax itself and then pass that on to the purchasers of the homes they build.

CFD charges cannot be based on the value of the property; so instead, CFDs are normally based on things such as use of the property, square footage of the structure, or lot size.

Community Rehabilitation District

Many California public works such as roads, bridges and water systems have been undermaintained or are simply old enough to require rehabilitation or replacement. Due to budget constraints, many governments do not have the means to finance these projects.

A Community Rehabilitation District must be approved by the majority of the property owners. The annual charge is based on the benefit received by each property.

County Service Area

In unincorporated areas, basic services like water, sewer, police and fire protection are provided by the county. Because counties often consist of large and diverse geographical areas, providing a consistent and adequate service level across all areas can be difficult. Residents of urban communities may want more services than those residing in rural areas. The County Service Area assessment allows the county a means of providing expanded service levels in areas where residents are willing to pay for the extra service.

The county supervisors initiate the formation of a County Service Area (CSA). The CSA can issue long-term debt or bonds; however the issuance of such debt requires the approval of voters living in the CSA.

To form a CSA, 50% of the registered voters and landowners must approve in an election.

Assessment District

An Assessment District is created to finance improvements when no other source of money is available. Assessment Districts are often formed in undeveloped areas and are used to build roads and install water and sewer systems so that new homes or commercial space can be built.

An Assessment District is created by a sponsoring local government agency, such as a city or county. A majority of the property owners who are in the Assessment District must approve of its formation. The Assessment District issues bonds which are then repaid by those included in the Assessment District.

By law (Proposition 13), Assessment District charges cannot be based on property value. Instead of basing the assessment on value, each parcel is charged based on the specific benefit the parcel is to receive from the services contemplated.

General Obligation Bonds

In 1986, California voters approved Proposition 46, which restored the authority to issue General Obligation (GO) bonds by counties, cities and school districts. These taxes require voter approval. In fact, all GO bonds must be approved by a 2/3^{rds} majority vote. Payment for the GO bonds will appear on the taxpayers' property tax bill.

Maintenance Districts

There are several types of maintenance districts that can be used by local government to finance the costs of maintaining open spaces, parks, playgrounds, and other public areas. The most common Maintenance Districts are:

- Open Space Maintenance Districts: used to acquire open space land for preservation purposes.
- Park and Playground Districts
- Tree Planting

<u>Homeowner's Exemption</u>

Property that is owned and occupied as a principal place of residence as of the lien date (January 1st) may qualify for an exemption of $7,000 of assessed value. The Assessor will send a Homeowner Exemption form in 2 to 3 months from the purchase date. In essence, the Homeowner's Exemption saves a homeowner $70 in property taxes per year.

<u>Veterans Exemption</u>

Qualifying Veterans of the armed forces of the United States will qualify for an additional $4,000 exemption on the assessed value of a primary residence. This will save $40 per year in property taxes.

The Property Tax Bill

Although each county's property tax bills may look different, they all have the following in common:

1. Parcel ID number
2. Two payment coupons
3. Installment amounts
4. Bill number
5. Owner's name(s), but not the property address
6. Assessed value and any Exemptions the owner may be entitled to

SECURED PROPERTY TAX BILL FOR
ALL PUBLIC AGENCIES OF
SAN BERNARDINO COUNTY

DICK LARSEN

TREASURER - TAX COLLECTOR

172 WEST THIRD STREET * SAN BERNARDINO, CA 92415 * TELEPHONE (909) 387-8308

2008

ANNUAL

FIRST INSTALLMENT DUE		SECOND INSTALLMENT DUE	
11-01-2008	3,706.70	02-01-2009	3,706.68
TOTAL TAXES DUE >			7,413.38

AMOUNT DUE AFTER	DELINQUENT FIRST INSTALLMENT
12-10-2008	4,077.38

AMOUNT DUE AFTER	DELINQUENT SECOND INSTALLMENT
04-10-2009	4,087.36

REFER TO PARCEL NUMBER ON ALL CORRESPONDENCE. VERIFY THIS TO BE YOUR PROPERTY BEFORE REMITTING PAYMENT. NOT RESPONSIBLE IF PAYMENT IS MADE ON WRONG PARCEL. WHEN PAYING IN PERSON, BRING ENTIRE BILL. IF PROPERTY HAS BEEN SOLD, PLEASE NOTE 'SOLD' ON BILL AND RETURN IT TO THIS OFFICE.

MAKE CHECKS PAYABLE TO: **DICK LARSEN**
TREASURER - TAX COLLECTOR
http://www.mytaxcollector.com

PARTIAL PAYMENTS WILL BE RETURNED

RETURN STUBS ONLY. INCLUDE YOUR PARCEL NUMBER ON ALL CHECKS. YOUR CANCELLED CHECK IS YOUR BEST RECEIPT.

PROPERTY ADDRESS:
Protected per CA Govt. Code Sect. 6254.21

OWNER(S) OF RECORD:
[redacted] JEFFREY K
JENNIFER L

PARCEL NUMBER	TAX RATE AREA	BILL NUMBER	TOTAL TAX RATE
[redacted]1240000	000010041	200801[redacted]744	0.011323

DESCRIPTION	Assessed
LAND	175,256.00
IMPROVEMENTS / FIXTURES	285,945.00
IMPROVEMENT PENALTY	0.00
PERSONAL PROPERTY	0.00
PERSONAL PROPERTY PENALTY	0.00
HOMEOWNERS EXEMPTION	7,000.00
VETERANS' EXEMPTION	
OTHER EXEMPTIONS	
NET VALUE	454,201.00

SERVICE AGENCY	CONTACT #	AMOUNT
GENERAL TAX LEVY		4,542.01
*CO VECTOR CONTROL	(909) 387 - 4655	5.62
*FONTANA CFD 38M	(800) 676 - 7516	485.30
CHAFFEY COLLEGE BOND	(909) 987 - 1737	94.92
SCHOOL BONDS		0.00
FONTANA UNIFIED BOND	(909) 357 - 5000	486.44
SCHOOL STATE REPAYMENT		0.00
*FONTANA UNIFIED CFD #04-1	(800) 676 - 3680	1,771.98
CHINO BASIN WTR DEBT SERV		0.00
METRO WATER ORIG DEBT SVC	(800) 755 - 6864	19.53
*METRO WATER-WATER STBY	(866) 807 - 6864	7.58

Observations from Tax Bill Example

1. Assessed value of the property is $461,201
2. Property is the primary residence of the owner as there is a Homeowners Exemption
3. The property has the following additional taxes and assessments:

a.	County Vector Control	$ 5.62
b.	Fontana Community Facilities District (CFD)	485.30
c.	Chaffey College Bond	94.92
d.	Fontana Unified Bond	486.44
e.	Fontana Unified Community Facilities District (CFD)	1,771.98
f.	Metropolitan Water Original Debt Service	19.53
g.	Metropolitan Water – Water Standby	7.58
	Total Annual Additional Taxes and Assessments	$2,871.37

Calculating Property Taxes

Utilizing the above tax bill, if we assume the property is sold for $250,000, the new owner's tax bill would be as follows:

1.	General Tax Levy	$2,500.00
2.	County Vector Control	5.62
3.	Fontana Community Facilities District (CFD)	485.30
4.	Chaffey College Bond	94.92
5.	Fontana Unified Bond	486.44
6.	Fontana Unified Community Facilities District (CFD)	1,771.98
7.	Metropolitan Water Original Debt Service	19.53
8.	Metropolitan Water – Water Standby	7.58
	Total Annual Property Tax Bill	$5,371.37
	Tax Rate – based on purchase price ($5,371.37 / $250,000.00)	2.15%

Provided by:

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