

Laws, Regulations & Annotations

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PROPERTY TAXES LAW GUIDE –
REVISION 2017

REVENUE AND TAXATION CODE

Property Taxation

PART 0.5. IMPLEMENTATION OF ARTICLE XIII A OF THE CALIFORNIA CONSTITUTION

CHAPTER 3.5. CHANGE IN OWNERSHIP AND NEW CONSTRUCTION AFTER THE LIEN DATE

ARTICLE 2. ASSESSMENTS ON THE SUPPLEMENTAL ROLL

SECTION 75.10

75.10. **New base year value.** (a) Commencing with the 1983–84 assessment year and each assessment year thereafter, whenever a change in ownership occurs or new construction resulting from actual physical new construction on the site is completed, the assessor shall appraise the property changing ownership or the new construction at its full cash value (except as provided in Section 68 and subdivision (b) of this section) on the date the change in ownership occurs or the new construction is completed. The value so determined shall be the new base year value of the property or the new construction.

(b) For purposes of this chapter, "actual physical new construction" includes the removal of a structure from land. The new base year value of the remaining property (after the removal of the structure) shall be determined in the same manner as provided in subdivision (b) of Section 51.

(c) For purposes of this section, "actual physical new construction" includes the discovery of previously unknown reserves of oil or gas.

History.—Stats. 1984, Ch. 946, in effect September 10, 1984, added "(a)" before "commencing", and added "resulting from actual physical new construction on the site" after construction in the first sentence thereof, and added subdivision (b). Stats. 1985, Ch. 441, effective July 31, 1985, added "(except as provided in Section 68 and subdivision (b) of this section)" after "value" in the first sentence of subdivision (a), added subdivision (b), and relettered former subdivision (b) as (c). Stats. 1997, Ch. 940 (SB 542), in effect January 1, 1998, substituted "subdivision (b)" for "subdivision (c)" after "provided in" in the second sentence of subdivision (b).

Note.—See note following Section 75.

Construction.—The supplemental assessment provisions of this section do no more than affect the time at which existing real property taxes are calculated and imposed, implementing Article XIII A of the Constitution, and neither impose new ad valorem taxes in violation of Article XIII A, Sections 3 or 4, nor tax property which has not been taxed in the past. *Shafer v. State Board of Equalization*, 174 Cal.App.3d 423.

Supplemental Assessment— Change of Ownership or New Construction.—An assessor is required to appraise property changing ownership or new construction at its full cash value on the date the change in ownership occurs or the new construction is completed. The value so determined shall be the new base year value of the property or the new construction. A supplemental assessment is then placed on the supplemental roll representing the difference between the new base year value and the taxable value on the current roll (Revenue and Taxation Code sections 75.10, 75.11, subdivisions (a), (b)). *Chevron USA, Inc., et al. v. County of Kern* (2014) 230 Cal.App.4th 1315.

Supplemental Assessment—Value of New Construction—Oil and Gas Property.—The base year value of nonpetroleum interests may be increased no more than two percent per year, but is adjusted when there is a change of ownership or new construction, while the base year value of the mineral reserves is adjusted annually by deducting depletions and adding new reserves (Property Tax Rule 468, subdivision (c)). Value declines for the entire property are recognized when the market value of the appraisal unit is less than the current taxable value of that unit (Rule 468, subdivision (c)(6)). A supplemental assessment of new construction results in additional value that becomes the base year value of the new construction. This is fully consistent with Rule 468, which states that the base year value of nonpetroleum interests is equal to its market value on the date of new construction. If the market value of nonpetroleum interests is determined using the cost approach, then using the cost approach to determine the value of new construction that is added to that is consistent with Rule 468. *Chevron USA, Inc., et al. v. County of Kern* (2014) 230 Cal.App.4th 1315.