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## **Fairness Is Goal of Major Property Tax Reform Bill**

SACRAMENTO -- Californians will realize greater fairness from the administration of property taxes as a result of a bill sponsored by the California Taxpayers' Association.

Governor Pete Wilson has signed the Property Tax Reform Act of 1995, Cal-Tax's omnibus bill that represents "the most sweeping property tax administration reform in three decades," said Cal-Tax President Larry McCarthy. "The fairness and the certainty this bill provides the business property taxpayer will improve California's business climate. It is an investment in the state's economic future."

The measure, authored by Senator Ken Maddy, R-Fresno, takes effect January 1. The governor, in announcing he signed the bill on October 2, said:

"Over the years, a number of problems have developed in property tax administration that have made the application of property tax law unfair, that have caused instability for local government budgeting, and that could be detrimental to the state's business climate. This bill contains a number of needed reforms to bring fairness, equity and stability to the property tax system."

Senator Maddy, who carried the bill through the Senate on a 26-1 vote and gained 42-33 Assembly approval, said, "This is the most significant property tax bill of the session. It is long overdue reform that establishes and restores property tax principles and procedures to treat taxpayers fairly."

Cal-Tax Vice President Carol Ross Evans said, "It provides guidance for assessors who attempt to treat the property tax, through the assessment of intangible business assets, as an income tax by basing assessments on the success and income of a company. This practice is wrong and ought to be stopped."

Further, Evans said the bill is also designed to prevent possessory interest property taxes based on non-exclusive use of public facilities, such as taxing a shuttle service for its use of a public street around an airport. The bill clarifies that for a taxable possessory interest to exist, the use must be exclusive, durable and independent.

For individual taxpayers, the bill authorizes counties to double the number of appeals boards in an effort to relieve backlogs of taxpayers who challenge assessors' actions.

Overall taxpayer savings as a result of SB 657 are difficult to quantify because the bill does not lower a tax rate nor exclude any tangible property from taxation. However, it does provide a sense that the administration of the property tax will be more uniform, predictable and even-handed, and this adds up to a positive impact on the state's business climate, Evans said.

"The measure will reduce unnecessary litigation, so fewer cases will be taken to congested California courts. Also, local agencies will be less likely to face court orders to refund illegally collected taxes that are already spent," she said.

Evans said, "This bill makes it more difficult for county tax collectors to overshoot their authority in property assessments and requires them to follow appellate court decisions that have been won by taxpayers in recent years.

"The value for taxpayers from this bill is not lower tax rates but a sense of fairness and equity through greater uniformity in the application of the law," she added.

Assemblyman Charles Poochigian, R-Fresno, who carried the bill on the Assembly floor, said, "It clarifies ambiguous and confusing property tax laws and rules. Without this bill, we will continue to have unnecessary lawsuits and legal fees at the expense of taxpayers and counties."

Senate Bill 657 will:

- Provide a fair and rational approach to clarify the proper treatment of intangible business assets, such as a company's reputation, consistent with five recent court decisions.
- Clarify the boundaries of possessory interests by placing a definition of exclusivity, durability and independence in law, consistent with judicial rulings.
- Clarify that when the Legislature changed the interest rate on property tax refunds to the lower county pooled apportioned rate in 1993, this new rate was intended to apply prospectively. Counties are not required to make additional refunds of interest on refunds already paid.
- Require information in each taxpayer's annual property tax bill on the taxpayer's right to an informal assessment review and the taxpayer's right to file and how to file an application for a reduced assessment.

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