An Introduction to Supplemental Assessments

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A Brief History

In 1978 voters passed ***Proposition XIII*** which:

- Rolled back assessments to 1975 values
- Set the tax rate at 1% of value
- Limited value increases to no more than 2% per year in most circumstances
- Limited reassessments to:
  - New Construction *such as* construction of a new house or building an addition, and
  - Change in Ownership *such as* the purchase or sell of a house, or the transfer of ownership in real property to a different person or entity.

At the time Proposition XIII passed, property was assessed once a year as of the "Lien Date," (at that time the lien date was March 1st of every year, it was changed to January 1st in 1997).

The legislature began to realize that they were not getting the entire revenue benefit from assessable events that occurred prior to the lien date.

> For example: A house sold in April 1980 would not be reassessed until eleven months later on March 1st of 1981--for the assessment year beginning July 1st 1981. The increase in assessment for this April 1980 transfer of ownership would essentially be deferred for 15 months (In this example: from April 1980 to July 1st 1981) and the increase in tax would not be delinquent until December 1981.

In 1982, the legislature passed Senate Bill 813, requiring the Assessor to reappraise property as of the date of change in ownership or completion of a new construction. This Bill went into affect July 1st 1983.

Supplemental Assessment – In General

- The Assessor makes a supplemental assessment reflecting the difference between the prior assessed value and the new assessment.

- This value is prorated based on the number of months remaining in the fiscal year, ending June 30.

- This assessment is in **addition to** the regular tax bill.

Supplemental Assessment – One vs. Two Supplemental Assessments

Depending on the date of change of ownership or completion of new construction, you may receive one or two supplemental bills.

If a change of ownership or completion of new construction event occurs **on or after June 1, but before January 1**, there will be **One (1) Supplemental Assessment** because it only impacts one fiscal year. This is a single supplemental assessment based on the difference between the new base year value (market value) and the assessed value on the current Secured Roll (the previous owner's Prop. 13 value)

Generally, a supplemental assessment is prorated based on the number of months remaining in the fiscal year. For example, a December transfer that increases the assessment value by $500,000 would have a supplemental assessment equating to the $500,000 additional value prorated 50% for six months (January 1 - June 30). The 1% property tax for this prorated bill would be $2,500.

If a change of ownership or completion of new construction occurs between the **lien date (January 1) and May 31**, there are **Two (2) Supplemental Assessments** because it impacts two fiscal years.

- The first supplemental assessment is based on the difference between the new base year value (market value) and the assessed value on the **current Secured Roll** (Prop. 13 value). **This is for the remaining portion of the current fiscal year ending June 30.**

- The second supplemental assessment is based on the difference between the new base year value (market value) and the assessed value to be enrolled on the **Secured Roll being prepared. This will be for the new fiscal year beginning July 1.**

Supplemental Assessment- Effective Date

When calculating supplemental assessments, the effective date is carried over to the first day of the month following the date of the transfer or completion of new construction.

For example, if a deed is recorded or if new construction is completed on May 15th, the date on the supplemental assessment will be June 1. In this case, the property owner would receive two supplemental bills, one for the month of June in the current fiscal year with a proration of 8% and another bill for the upcoming fiscal year beginning July 1st with a full 100% proration.

Proration of Two or More Transfer Events within a Tax Year

If the supplemental bill for a prior assessable event has been mailed before a subsequent transfer occurs, then it is up to the parties of the subsequent event to prorate the prior supplemental bill (usually in escrow).

If the supplemental bill for a prior assessable event has not been mailed before a subsequent transfer occurs, the Tax Collector will prorate the prior supplemental bill between the parties of the subsequent transfer event. This assumes that the Assessor has assigned an assessed value to both events.

If the Assessor has not assessed the prior event then this can potentially complicate the close of escrow for the subsequent event. The Escrow Company will not have an assessment upon which to prorate the taxes between the parties to the subsequent event. In situations like this the parties can agree to handle the proration of the prior supplemental after escrow closes, or they can hold off on closing escrow until the assessments are made.

Proration Factors
Revenue & Taxation Code Section 75.41 (effective January 1, 1997)

The taxes due shall be adjusted by a proration factor to reflect the portion of the tax year remaining as determined by the date on which the change in ownership occurred or the new construction was completed. In computing the portion of the tax year remaining, the change in ownership completion of construction shall be presumed to have occurred on the first day of the month following the date in which the transfer or construction occurred.

Billing Date	Months Remaining	Proration Factor
1-Feb	5	0.42
1-Mar	4	0.33
1-Apr	3	0.25
1-May	2	0.17
1-June	1	0.08
1-Jul	12	1.00
1-Aug	11	0.92
1-Sep	10	0.83
1-Oct	9	0.75
1-Nov	8	0.67
1-Dec	7	0.58
1-Jan	6	0.50

Supplemental Assessment- Notice & Tax Bill Due Dates

The Assessor mails notices of supplemental assessments. These notices are mailed once a week throughout the year as assessment work is completed. The Tax Collector mails tax bills 30 days after the mailing of the supplemental assessment notice.

Supplemental Tax Bills mailed in July through October have installment delinquency dates of December 10 and April 10, concurrent with the regular tax delinquency dates. Supplemental Tax Bills mailed November to June have the 1st installment delinquent the last day of the month following the month in which it was billed. The 2nd installment is delinquent on the last day of the fourth month following the date the first installment is delinquent.

Supplemental Tax Bill-Delinquent Dates
Revenue & Taxation Code Section 75.52

Date Tax Bill Mailed	1st Installment Delinquent	2nd Installment Delinquent
July to October	10-Dec	10-Apr
Nov	31-Dec	30-Apr
Dec	31-Jan	31-May
Jan	28-Feb	30-Jun
Feb	31-Mar	31-Jul
March	30-Apr	31-Aug
April	31-May	30-Sep
May	30-Jun	31-Oct
June	31-Jul	30-Nov

Homeowners' Exemption On A Supplemental Assessment

If the property purchased after lien date (January 1) has a homeowners' exemption, it will remain in effect for the remainder of the upcoming fiscal year. If the property did not have a homeowners' exemption when it was purchased, the homeowner has thirty (30) days from the mailing of the Notice of Supplemental Assessment to file a claim.

Assessment Review & Appeal

Property owners have the right to file an appeal of their assessment. Appeals of supplemental assessment must be filed with the Clerk of the Board within 60 days of the date of mailing of a supplemental notice. A three member Assessment Appeals Board hears appeals cases. The Appeals Board considers all evidence presented by the property owner and the Assessor before making an assessment determination.

If you disagree with the Assessor's value, it is recommended that you first discuss your disagreement with the Assessor's Office. The process of assessing a property is an open process. Property owners are encouraged to participate in the process by providing the Assessor with information relevant to the value of their property. The Assessor is always ready to fully explain how an assessment was determined. In most cases, after having the property assessment explained, the property owner will agree with the assessment determination. In other cases the owner may provide additional information about the property that may lead to a reduction in the assessment.