

ASSESSOR / RECORDER

MARC C. TONNESEN
Assessor/Recorder



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Dear Editor:

Chances are you have probably read or heard that home values are on the rise in various Bay Area cities and counties. While other counties have posted mild to moderate gains, Solano County's secured assessed value has decreased by 3 percent over last year, marking the fifth consecutive year of decline. Recent reports by Realtor groups (i.e., the local Board of Realtors) and real estate data-gathering groups (i.e., DataQuick) have suggested that prices may be on the rise in Solano County, which brings me to the reason for this letter. As the elected official charged with assessing Solano County property, I thought it would be a good time to explain what will happen should assessed values rise in the coming years.

Most people in California are familiar with Proposition 13, the ballot initiative passed by the voters in June of 1978 that amended the California Constitution by providing that a base year value is established when real property undergoes a change in ownership or when new construction occurs. It also placed a 1 percent limit on property taxes. Additionally, Proposition 13 limited the inflation or increase of the base year value to no more than 2 percent annually, as measured by the percentage change in the California Consumer Price Index.

What Proposition 13 did not do was allow the assessor to reduce assessed values in years where the values declined. To address that issue the voters passed Proposition 8 in November of 1978, which further amended the Constitution and allowed the assessor to make temporary reductions.

The following is a hypothetical example of how my office applies propositions 13 and 8 when assessing real property. Let us say you purchased a property in 2006 for \$500,000 and my office accepted your purchase price. The \$500,000 becomes your assessed or "base year value" for that year. On the following lien date (January 1 of each year) my office adjusts (or factors) your base year value upward by no more than 2 percent. The result is an adjusted or "factored base year value" of \$510,000 (\$500,000 plus 2 percent). For each succeeding lien date, your factored base year value would be adjusted upward again by no more than 2 percent.

It is now lien date 2012, you have owned your property for six years and its base year value has been factored six times. Your property has had no additions (new construction). Your factored base year value is \$563,081. (Please note that this is a compounded figure and not calculated every year from your original purchase price and/or base year value.) Now, let us assume you and my office agree the fair market value of your property as of lien date 2012 is \$250,000. In that case, my office would place your property on Proposition 8 status, recognizing the decline in value and temporarily lowering your assessed value to \$250,000, which becomes the basis for your property taxes for that year.

The time that questions begin to arise occurs when the real estate market begins to recover and property values begin to increase. Proposition 8 reductions are temporary and are not subject to the 2 percent annual inflation cap as are properties under Proposition 13. Proposition 8 values can vary widely from year to year, as the value is based on the market. Once your property is placed on Proposition 8 status, my office reviews its value annually for changes in fair market value, compares the result to the current factored base year value (Proposition 13) and enrolls the lesser of the two. When the fair market value of your property (as of lien date) equals or exceeds its factored base year value, your property is considered “fully restored.” Once fully restored, your factored base year value again becomes the basis for your property taxes and annual increases are once again limited to 2 percent.

If your property’s assessed value was adjusted due to Proposition 8 or a restoration of the Proposition 13 value has occurred, a notice is available through our online look-up tool. To view and print a copy of your notice please use the following link:
<http://www.solanocounty.com/depts/ar/viewpropertyinfo.asp>

If you have questions or want to request a hardcopy notice please contact us via Fax 707-784-2475, Telephone 707-784-6210 or email your request to assessor@solanocounty.com

Sincerely,

MARC C. TONNESEN
Assessor/Recorder