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December 20, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

24 December 20, 2016

LORI GLASGOW
EXECUTIVE OFFICER

Dear Supervisors:

**EXEMPTION FROM PROPERTY TAXATION
ALL POSSESSORY INTERESTS
HAVING A VALUE OF \$10,000 OR LESS
(ALL DISTRICTS)
(3 VOTES)**

SUBJECT

Request that the Board adopt a resolution exempting all possessory interest assessments having a base year value, as adjusted by an annual inflation factor, of \$10,000 or less from property taxation.

RECOMMENDATION THAT YOUR BOARD:

Adopt a resolution that all taxable possessory interests having a base year value, as adjusted by an annual inflation factor, of \$10,000 or less be exempt from property taxation.

PURPOSE AND JUSTIFICATION OF RECOMMENDED ACTION

Background

The Assessor directed staff to evaluate the feasibility and cost effectiveness of eliminating possessory interest assessments with aggregate estimated values above the current threshold. The Assessor's analysis of property tax revenue per record and assessment costs per record indicates that support for a new exemption from property tax is appropriate and supportable based upon potential cost savings. This analysis indicates that thresholds should be raised to \$10,000 for all possessory interest assessments, beginning with the January 1, 2017 lien date. The current threshold is \$2,000.

In order to implement this proposal, the Board will need to amend the previous resolutions and adopt an updated resolution. The Revenue & Taxation Code Section 155.20 (a) states: "...a county board of supervisors may exempt from property tax all real property with a base year value... as adjusted by an annual inflation factor... with a full value so low that, if not exempt, the total taxes, special assessments, and applicable subventions on the property would amount to less than the cost of assessing and collecting them."

Recommendation

Adopt the attached resolution, which has been approved as to form by County Counsel, to provide that until canceled or modified by your Board, there shall be an exemption from property taxation of all possessory interest assessments having a base year value, as adjusted by an annual inflation factor, of \$10,000 or less.

Implementation of Strategic Plan Goals

The recommended action supports Goal 1, Operational Effectiveness of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

The analysis of this change to the low value exclusion indicates that assessments of possessory interests under \$10,000 consistently generate less revenue than the costs of assessing and collecting them.

The result of implementing this update of the existing low value resolution is a reduction in the overall assessment roll, and related tax relief. The reduction in roll value, beginning with the 2017 lien date, is anticipated to be approximately \$15,064,000. The overall tax relief for these parcels is anticipated to be approximately \$135,000, affecting a total of over 2,100 taxpayers, an average of \$64.28 per bill. The estimated cost per bill is \$70, indicating that the revenues are not covering costs. The approximate revenue change for the County will be \$34,000 (based on 25% of the 1% general tax rate, at a 90% collection rate.)

FACTS AND PROVISIONS LEGAL REQUIREMENTS

The recommendation that the Board amend the previous resolutions and adopt a new one providing an exemption from property taxation all possessory interests having a base year value, as adjusted by an annual inflation factor, of \$10,000 or less is legally permissible.

Revenue & Taxation Code Section 155.20 provides that *a county board of supervisors may exempt from property tax all real property with a base year value and personal property with a full value of not more than ten thousand dollars (\$10,000), that, if not exempt, the total taxes, special assessments, and applicable subventions on the property would amount to less than the cost of assessing and collecting them.*

A possessory interest is a classification of real property as defined by Revenue and Taxation Code sections 104 and 107.

A previous resolution was adopted on October 10, 1989, resolving that for the fiscal year 1989-1990, and for the fiscal years thereafter until amended or cancelled by the Board, all real property with a base year value and personal property with a full value of \$2,000 or less be exempt from property taxation. The exemption did not apply to those assessees who receive tax bills for more than one real property if the base year value of all the real properties exceeds \$2,000 or to assessees who receive tax bills for more than one personal property if the full value of all personal properties exceeds \$2,000. The exemption also did not apply to new construction of \$2,000 or less, unless the new base year value of the property, including this new construction, is \$2,000 or less; nor did this exemption apply to real and personal property enumerated in Section 52 of the Revenue and Taxation Code.


A subsequent resolution was adopted on July 19, 2016, amending the October 10, 1989, resolution consistent with section 155.20 as it existed at that time, exempting in relevant part personal property with a full value of five thousand dollars (\$5,000) or less.

This new resolution will leave all other provisions of the October 10, 1989 resolution, and the July 19, 2016 resolution, intact.

IMPACT ON CURRENT SERVICES

Approval of this recommendation will provide tax relief to property owners from taxation of low value possessory interests.

Respectfully submitted,


JEFFREY PRANG
Assessor

JP:SMH
Enclosures

C: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF LOS ANGELES**

WHEREAS, Revenue and Taxation Code section 155.20 provides that a county board of supervisors may exempt from property taxes all real property with a base year value, as adjusted by an annual inflation factor pursuant to Revenue and Taxation Code section 110.1, subdivision (f), of \$10,000 or less and personal property having a full value of not more than ten thousand dollars (\$10,000), that if not exempt, the total taxes, special assessments and applicable subventions on that property would amount to less than the cost of assessing and collecting them; and

WHEREAS, a board of supervisors may enact, amend or cancel such an exemption prior to the lien date for any tax year, to be effective for that tax year and for succeeding tax years until further action by such board of supervisors; and

WHEREAS, the Board of Supervisors adopted a resolution on October 10, 1989, consistent with section 155.20 as it existed at that time, exempting in relevant part all real property with a base year value and personal property with a full value of two thousand dollars (\$2,000) or less; and

WHEREAS, the Board of Supervisors adopted a resolution on July 19, 2016, amending the October 10, 1989, resolution consistent with section 155.20 as it existed at that time, exempting in relevant part personal property with a full value of five thousand dollars (\$5,000) or less; and

WHEREAS, Revenue and Taxation Code section 155.20 allows the Board of Supervisors to establish exemptions based on property classification; and

WHEREAS, a possessory interest is a classification of real property as defined by Revenue and Taxation Code sections 104 and 107; and

WHEREAS, the Assessor has advised and recommends, and this Board has thereby determined, that the cost of assessing possessory interests with a base year value, as adjusted by an annual inflation factor pursuant to Revenue and Taxation Code section 110.1, subdivision (f), of ten thousand dollars (\$10,000) or less, and collecting the taxes, special assessments and subventions on such properties would exceed the revenue to be generated:

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles that:

(1) The October 10, 1989, resolution and the July 19, 2016, resolution be amended.

(2) For the fiscal year 2017-18, and for fiscal years thereafter until amended or cancelled by this Board, there is exempted from property taxation all possessory interests with a base year value, as adjusted by an annual inflation factor pursuant to Revenue and Taxation Code section 110.1, subdivision (f), of ten thousand dollars (\$10,000) or less.

BE IT FURTHER RESOLVED that all other provisions of the October 10, 1989, resolution and the July 19, 2016, resolution remain intact.

The foregoing resolution was on the 20th day of December 2016,
adopted by the Board of Supervisors of the County of Los Angeles and ex officio the
governing body of all other special assessment and taxing districts, agencies and
authorities for which said Board so acts.



LORI GLASGOW
Chief Executive Officer
Clerk of the Board of Supervisors

By

Lachelle Smithman
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM
County Counsel

By

Richard Gigalo
Senior Deputy County Counsel