

1982

## Taxation. Real Property Valuation. New Construction.

Follow this and additional works at: [http://repository.uchastings.edu/ca\\_ballot\\_props](http://repository.uchastings.edu/ca_ballot_props)

---

### Recommended Citation

Taxation. Real Property Valuation. New Construction. California Proposition 7 (1982).  
[http://repository.uchastings.edu/ca\\_ballot\\_props/902](http://repository.uchastings.edu/ca_ballot_props/902)

This Proposition is brought to you for free and open access by the California Ballot Propositions and Initiatives at UC Hastings Scholarship Repository. It has been accepted for inclusion in Propositions by an authorized administrator of UC Hastings Scholarship Repository. For more information, please contact [marcusc@uchastings.edu](mailto:marcusc@uchastings.edu).

Official Title and Summary Prepared by the Attorney General

**TAXATION. REAL PROPERTY VALUATION. NEW CONSTRUCTION. LEGISLATIVE CONSTITUTIONAL AMENDMENT.** Under existing constitutional provisions, real property is reappraised for ad valorem tax purposes when "newly constructed." This measure adds to existing definitions and allowed exceptions a provision that the Legislature may provide that the term "newly constructed" shall not include the construction or addition of any fire sprinkler system or fire alarm system, as defined by the Legislature, provided that the construction or addition is not required by state law or local ordinance. Summary of Legislative Analyst's estimate of net state and local government fiscal impact: No impact until implemented by legislation. When implemented there would be: Unknown local government loss of property tax revenues and minor to moderate increased appraisal costs. Unknown increased state costs to offset revenue losses of school and community college districts and, possibly, other local governments for property tax revenue loss. Minor increase in state income tax revenues due to lower property tax deductions.

**FINAL VOTE CAST BY THE LEGISLATURE ON ACA 53 (PROPOSITION 7)**

Assembly—Ayes, 67  
Noes, 0

Senate—Ayes, 33  
Noes, 0

**Analysis by the Legislative Analyst**

**Background:**

Article XIII A was added to the California Constitution by Proposition 13 on June 6, 1978. It provides that real property generally shall be reappraised for property tax purposes when purchased, newly constructed or when a change in ownership has occurred. Otherwise, the value of the property may not be increased for property tax purposes by more than 2 percent per year.

Article XIII A specifies that real property shall not be deemed to be "newly constructed" if it has been reconstructed after being damaged by a disaster, as declared by the Governor, provided the fair market value of that property, as reconstructed, is *comparable* to the property's fair market value prior to the disaster. Article XIII A further provides that a "change in ownership" shall be deemed not to have occurred in cases where property is acquired as a replacement for "comparable" property (that is, property which is comparable in terms of size, utility, and function), from which the owner was displaced as a result of certain governmental action (such as condemnation through eminent domain). Article XIII A also authorizes the Legislature to provide that the term "newly constructed" shall not apply to the construction or addition of any active solar energy system. The Legislature in 1980 enacted legislation which implements this latter provision for fiscal years 1981-82 through 1985-86.

Current law requires county assessors to appraise all new construction on the basis of its fair market value at the time construction is completed or, if the construction has not been completed, on the basis of the fair market value of the work which has been completed by March 1 (the lien date). In the case of newly constructed *modifications* or *additions* to existing property, only the portion of the property which has undergone new construction is subject to reappraisal. Under current

law, therefore, the assessed value of a newly constructed building containing a fire sprinkler system or fire alarm system would reflect the value of such a system. When such a system is added to an existing structure, the assessed value of the structure is increased to reflect the value of the system.

**Proposal:**

This measure amends the "new construction" provisions of Article XIII A. Specifically, the measure authorizes the Legislature to provide that the term "newly constructed" shall not apply to the construction or addition of any fire sprinkler system or fire alarm system, as defined by the Legislature, which is not required by state law or local ordinance. The measure therefore authorizes the Legislature to exclude the value of these fire protection systems from any assessment for property tax purposes until such time as a change in the ownership of such property occurs. Upon a change in ownership, however, real property which includes such a fire protection system would be reappraised at its fair market value (including the value of that system), as required by current law.

**Fiscal Effect:**

By itself, this measure has no state or local fiscal impact because it only *authorizes* the Legislature to enact a measure to implement its provisions.

If the Legislature enacts implementing legislation pursuant to the authority granted by this measure, there would be an unknown loss of property tax revenues to *local* governments. The magnitude of the revenue loss would depend, in part, on the definitions of "fire sprinkler system" and "fire alarm system" adopted by the Legislature. In addition, county assessors could experience minor to moderate administrative costs in appraising properties affected by this measure.

This measure also could affect *state* expenditures and revenues in three ways. First, if the Legislature used the authority provided in this measure, the state would automatically incur additional, but unknown, costs for providing aid to local school and community college districts to offset their loss of property tax revenue. Second, the state might incur additional costs as a result of provisions contained in the Revenue and Taxation

Code which require the state to reimburse cities, counties, and special districts for property tax losses resulting from legislative action. Third, state income tax revenues would increase because affected property owners would have lower property tax deductions on their income tax returns. These income tax revenue increases, however, would represent only a small portion of the total reduction in property tax revenues.

---

### Text of Proposed Law

This amendment proposed by Assembly Constitutional Amendment 53 (Statutes of 1982, Resolution Chapter 49) expressly amends the Constitution by adding a subdivision thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

#### PROPOSED AMENDMENT TO ARTICLE XIII A, SECTION 2

*(e) For purposes of subdivision (a), the Legislature may provide that the term "newly constructed" shall not include the construction or addition of any fire sprinkler system or fire alarm system, as defined by the Legislature, provided, that the construction or addition is not required by state law or local ordinance.*

---

**Polls are open from 7 a.m. to 8 p.m.**

## Argument in Favor of Proposition 7

The purpose of this measure is to induce and motivate those who construct or remodel buildings used by the public to install adequate fire sprinklers and alarms.

Currently the addition of such devices triggers the reassessment of the property in question, and at rates substantially higher than when unimproved. Tax liabilities often far surpass any insurance rate decline that may be realized due to the sprinklers.

These situations discourage building owners from installing sprinklers and alarms that could help prevent loss of life and possessions.

Dramatic losses in life during the past five years due to spectacular fires stress the need for this constitutional amendment.

The measure creates constitutional authority for the Legislature to provide that the addition of fire sprinkler or alarm systems, by themselves, will not result in an increase in the assessed value of the property, provided that the construction or addition is not required by state or local ordinance.

We ask your "yes" vote.

**NOLAN FRIZZELLE, O.D.**  
*Member of the Assembly, 73rd District*

**FRANK VICENCIA**  
*Member of the Assembly, 54th District*  
*Chairman, Assembly Governmental Organization*  
*Committee*

## Rebuttal to Argument in Favor of Proposition 7

Proponents of Proposition 7 are attempting to foist it upon voters as a measure that will promote public safety. In fact, it is an unfair and illogical proposal that must be defeated.

Proposition 7 allows the Legislature to provide that the addition of a fire alarm or sprinkler system will not cause real property to be considered "newly constructed," triggering a reassessment and higher taxes, "*provided, that the construction or addition is not required by state law or local ordinance.*" Thus, if a state law or local ordinance is passed requiring a new alarm or sprinkler system, the property will be reassessed and the owner will pay higher taxes, but there will be no reassessment if the new system is not required by the government. The proponents do not explain why this

unfair and illogical distinction is drawn, and it is difficult to understand the claim that Proposition 7 is designed to promote safety.

Proposition 7 is another arbitrary and inequitable distinction growing out of the "newly constructed/change in ownership" clause in the State Constitution that says, in effect, that some property owners pay far higher taxes than others who own property of the same value.

Instead of treating everyone equally, Proposition 7 creates another limited exception that makes no sense. The proponents' argument does not even mention the central issue. **VOTE NO!**

**TIMOTHY D. WEINLAND**  
*Attorney at Law*

**Study the Issues Carefully**

## Argument Against Proposition 7

Proposition 7 is another piecemeal exception to the "newly constructed/change in ownership" clause in Proposition 13. Instead of correcting this blatantly unjust provision, Proposition 7 provides a special exception that favors wealthy individuals and corporations owning commercial property and is specifically designed to benefit one particular industry. As such, Proposition 7 should be rejected by voters, and resoundingly so.

Under Proposition 13, ad valorem taxes on real property are limited to 1 percent of the assessed valuation as shown on the 1975-76 tax bill or the appraised value when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.

Proposition 7 allows the Legislature to exempt from the definition of "newly constructed" the construction of or addition of any fire sprinkler system or fire alarm system. The logic is that the construction or addition of an alarm or sprinkler system should not trigger a reassessment.

Under current provisions of the State Constitution, the assessed valuation of real property (and therefore the taxes on the property) depends upon when the current owner purchased the property. Anyone who owned real property before the 1975 assessment will never face a reassessment of that piece of property. Anyone who purchases property after that date will face a reassessment and pay higher taxes, much higher taxes in most cases. Two home owners can own homes

of identical value next door to each other and one will pay far higher taxes if he purchased his home in 1982 and his neighbor purchased his in 1974. This provision favors the wealthy because affluent land owners and corporations generally own real property for longer periods of time than the average individual, and the more valuable the property, the greater the tax break.

Instead of correcting the unfair and inequitable treatment property owners are currently given, Proposition 7 creates a specific exception for sprinkler systems and fire alarm systems. Most such systems are built on commercial property owned by the rich. Proposition 7 also gives special treatment to the industry that produces sprinkler and alarm systems while ignoring the fact that the "newly constructed/change in ownership" clause has created havoc for the construction industry and the real estate business. We would not have to be concerned with the issues presented by Proposition 7 if all property owners were treated equitably.

Voters should defeat Proposition 7. Instead of rectifying the gross inequities contained in current law, it creates a limited exception for wealthy owners of commercial real estate and gives extra benefits to one industry. Proposition 7 does nothing to correct the injustices done to most home owners and renters.

**VOTE NO ON PROPOSITION 7!**

**TIMOTHY D. WEINLAND**  
*Attorney at Law*

## Rebuttal to Argument Against Proposition 7

The only issue here is the protection of the public from the threat of fire when using commercial buildings.

Fire services cost the public a lot of money. Minimizing the need for extensive firefighting costs and protecting against the potential loss of life in case of fire are extremely important.

Proposition 7 does not raise costs to taxpayers and it does encourage building owners to go to the expense of adding fire alarms and fire sprinkler systems where they do not now exist.

The people who benefit most are those who are threatened from fire that could bring critical losses to them when in commercial buildings that were built a while ago.

The protection offered by this proposition is great and the public cost is zero.

Vote yes on Proposition 7.

**NOLAN FRIZZELLE, O.D.**  
*Member of the Assembly, 73rd District*