

# **The Property Owner's Guide to Section 51 (Proposition 8) Value Reductions**



**Kings County Assessor's Office**  
January 2010

## **What is Section 51?**

Section 51 refers to the Revenue and Taxation Code section that was added after California voters passed Proposition 8 in 1978. Section 51 allows for a temporary reduction in assessed value when a property suffers a decline in value. A decline in value has occurred when the market value of a property as of the lien date (January 1) is lower than the current factored base year value of the property. The factored base year value of your property is its original base year value plus the annual inflation added under Proposition 13. The factored base year value is also called its Prop 13 value. If you believe that your property has suffered a decline in value, you may request that a Section 51 review be completed for your property.

## **How do I know what my property's Prop 13 value is?**

Each July, the Assessor's Office mails a Notification of Assessment to all property owners in Kings County. This notice shows you the current assessed value of your property as of the current lien date. Unless your property is currently subject to a value reduction under Section 51, the value on this notice is the factored base year value of your property.

## **What should I do if I think my property is assessed too high?**

The Kings County Assessor's Office provides free value reviews for any property owner that requests one. To request a review under Section 51, you must complete either the Residential Property Value Review Questionnaire or the Commercial Property Value Review Questionnaire and return it to our office. This form can be downloaded from our website at [www.countyofkings.com/acr/Assessor/FAQ.html](http://www.countyofkings.com/acr/Assessor/FAQ.html) or requested from our office during regular business hours. If you have any information that can help us in the review of your property, such as a current appraisal or recent sales of similar homes in your neighborhood, you may include them with your application for our appraisers to review.

## **What happens after I request a value review under Section 51?**

When your request is received by our office, one of our appraisers will review the current Prop 13 factored base year value of your property and compare it to the market value of your property on the January 1 lien date. They may contact you for more information if it is needed. After their review is complete, they will determine if a value reduction is warranted based on the values of your property. You will receive a letter in the mail notifying you of the result of your review. Please be patient, as this process may take several months depending on the number of requests submitted to our office.

## **When will I see my lower value?**

When the lower value is reflected on your property will depend on when your request was received and processed. For all requests that are reviewed and processed between January 1 and the close of the upcoming tax roll at the end of June, you will see your reduced value on the Notification of Assessment that is mailed in July. The tax bill that is mailed in October will be based on these values. If your request is received after the close of the roll but before September 15, the Assessor will issue a correction to the current year's tax bill. All requests received after September 15 will not apply to the current tax year but will instead be reviewed for the following year.

## **If my property's value is reduced, do I have to reapply each year?**

Once your property is granted a reduction under Section 51, you do not have to reapply for a reduction. Your property's value will automatically be reviewed for each lien date until the time that the market value of your property becomes higher than your property's factored base year value. Remember, a value reduction granted under Section 51 is a temporary reduction. It does not change the base year value of your property.

# The Section 51 Review Process

## Step 1: Complete the Form

- Complete the Residential or Commercial Property Value Review Questionnaire.
- Provide the Assessor with information that supports your opinion that the market value for your property is less than the assessed value.
- The best supporting documentation is information on sales of comparable properties. Select comparable sales that sold as close to January 1 as possible, but no later than March 31. Any other relevant information, such as a recent appraisal, may also be provided.
- While the submission of comparable sales is helpful in determining the market value of your property, Section 51 requests submitted without comparable sales will be accepted and reviewed.

## **Step 2: Submit the Form**

In order to be reviewed for the current tax roll, you must submit your request prior to September 15. While you may download the form from our website, we can not accept an electronic format. The form must be printed and submitted either in person, by mail, or by fax to the assessor's office. Please note that if you are mailing your form, it must be postmarked by the U.S. Postal service to be considered timely. Forms that are not received timely will be accepted and reviewed in the subsequent year.

## **Step 3: Property Review and Notification**

Once your request is received, you will receive written verification from our office that your property has been set up for a Section 51 review. The request is then forwarded to the appraiser assigned to your area. The appraiser will review your request along with any information that you provided. Other information available to the appraiser may also be considered.

The appraiser will perform a market value analysis of your property as of the lien date (January 1). The market review may include a comparable sales analysis, a cost approach, or an income approach depending on the type of property and the information available. If the appraiser determines that the lien date market value of a property is lower than its current factored base year value, the assessed value of the property will be lowered to the market value.

Section 51 reviews of commercial, industrial, and multi-family properties may take longer, since additional information will be required. This additional information includes, but is not limited to, rent rolls, leases, income and expense statements, and other supporting documentation.

## **Step 4: After the Review**

After the appraiser has completed their review, you will receive written notification of the results of the review. Please be patient, as this process may take several months from start to finish, depending on the number of requests that are received.

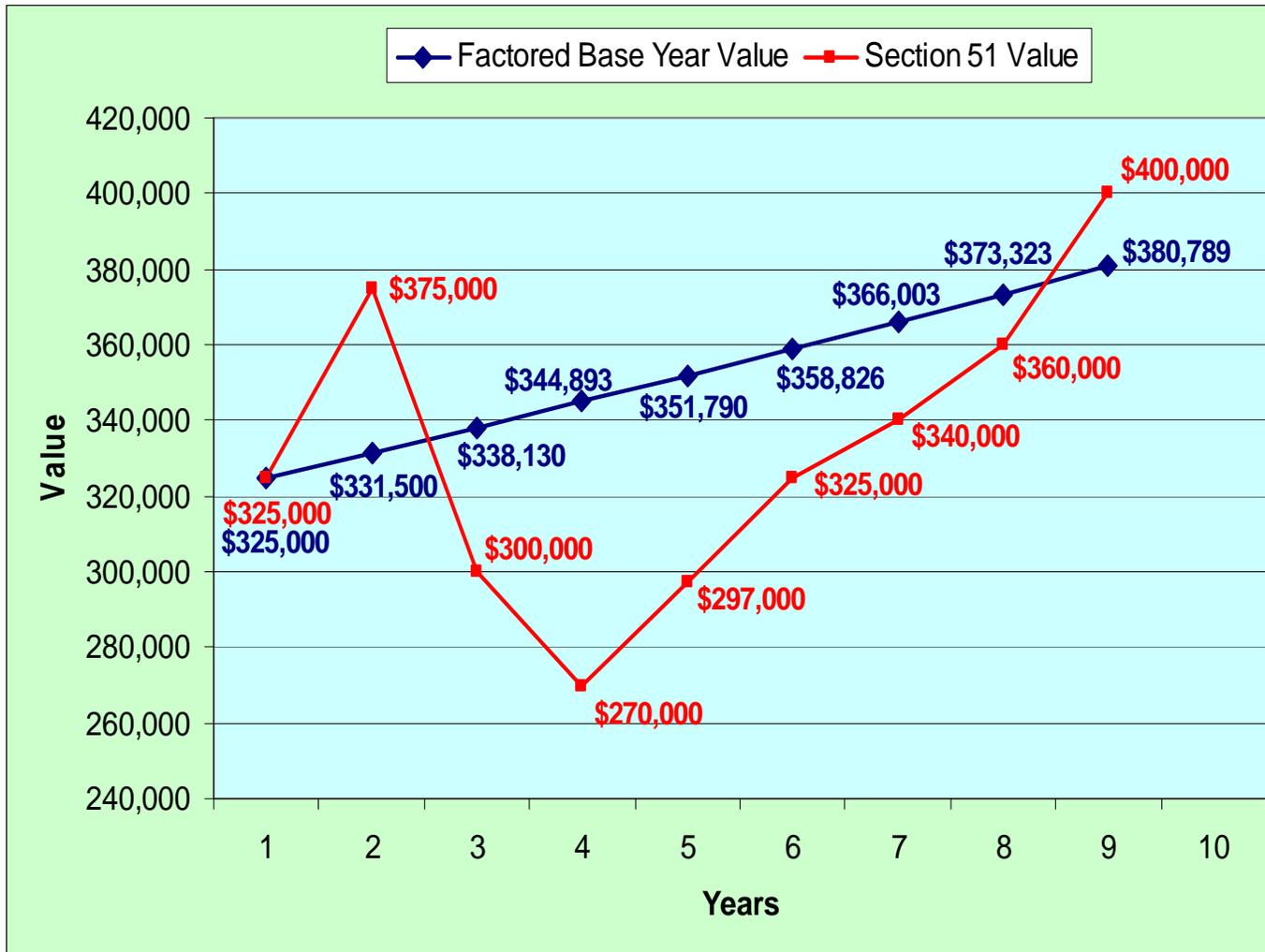
Each year the Assessor's Office staff will complete a review of all properties that are subject to a Section 51 value reduction to determine if the current assessed value under Section 51 is correct. If the annual review shows that a further reduction in value is warranted, the value will be lowered again to its current lien date market value. If the review shows that the market value is

higher than the assessed value under Section 51, the value will be raised to the current market value, not to exceed its current factored base year value.

While your property is subject to a Section 51 reduction, its value may fluctuate each year. This fluctuation is NOT restricted by the Prop 13 maximum increase of 2%. A property's value may decrease by 20% one year only to increase by 10% the next, depending on the market. However, if the market value of a property is higher than its factored base year value under Prop 13, the property's value will only be increased to its current factored base year value.

**Under Prop 13, a property's factored base year value is the upper limit to value. In no instances may a property be assessed higher than its current factored base year value.** If a property is returned to its factored base year value, it is removed from Section 51 status and returned to regular assessment.

## Example: A Valid Claim under Section 51



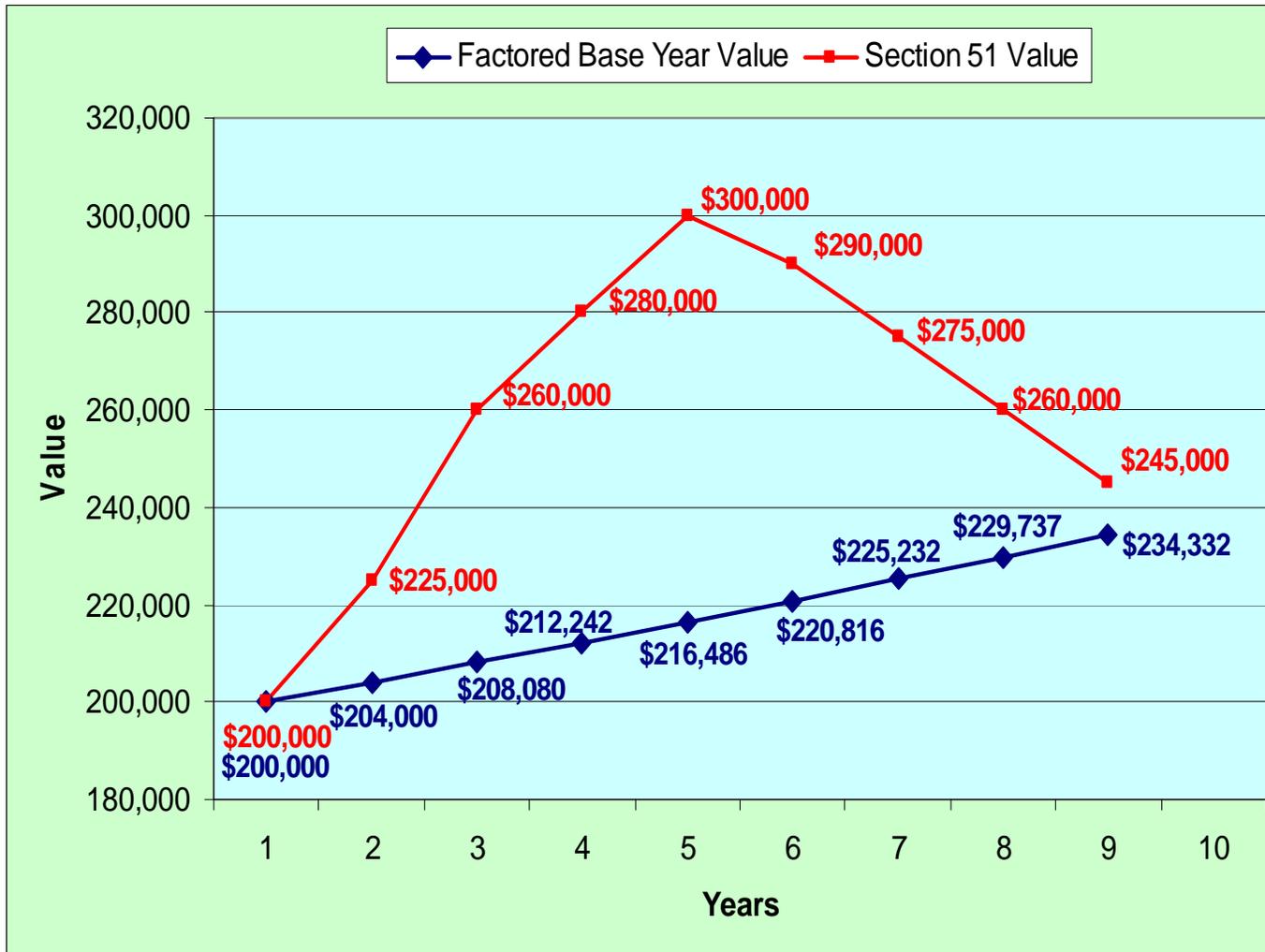
**Year 1:** \$325,000 market value enrolled as the Prop 13 base year value due to a change in ownership.

**Year 2:** The market value of the house increased to \$375,000 but the assessed value is limited to \$331,500 – the assessed value plus the 2% increase allowed under Prop 13

**Years 3 – 8:** The property experiences a decline in value. Section 51 values of \$300,000, \$270,000, \$297,000, \$325,000, \$340,000, and \$360,000 are respectively enrolled.

**Year 9:** The factored base year value of \$380,789 is reinstated as the assessed value. Although the market value is at \$400,000, the Assessor may only enroll the original base value plus 2% for every year after the base year value was established.

## Example: Invalid Claim under Section 51



In this example, the market value of the property does not drop below the Prop 13 value.

Therefore, no adjustment of the assessed value is necessary.

## The Formal Appeal Process

**The informal Section 51 review is separate from the formal appeal process. If you are requesting an informal Section 51 review, please be aware that you may still need to file a formal appeal to protect your administrative rights.**

The Assessor's Office may find that the property does not qualify for a Section 51 reduction, or you may disagree with the Assessor's determination of value. If this is the case, you must file a formal appeal with the Clerk of the Board between July 2 and September 15.

Contact the Clerk of the Board at (559) 582-3211 x 2486 to obtain an *Application for Changed Assessment*.

## Final Thoughts

Prior to filing an appeal, please contact the Assessor's Office. Most valuation issues can be resolved through the Section 51 process.

If you have any questions that have not been answered, please contact us at (559) 582-3211 x 2486. Our friendly staff is available Monday – Friday, 8 am to 5pm, to help you understand the valuation of your property and the Section 51 process.