



Sacramento County
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PRESS ARTICLE

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Dear Editor:

As Sacramento County's elected Assessor, I have noticed that many property owners of our County have little knowledge about or understanding of the impact new construction has on property taxes.

Because of a lack of knowledge, some property owners might not make improvements to their property for fear of its affect on their property taxes. However, there are types of new construction that can significantly increase the market value of the property or make it more habitable without increasing the owner's property tax burden. In an effort to better inform property taxpayers about those potential benefits, I offer the enclosed informational article for your review.

It is my hope that you will assist me in my quest to educate our citizenry by publishing the enclosed article in its entirety. I thank you for your cooperation and appreciate your dedication to providing the public with accurate and informative articles.

If you have any questions, please do not hesitate to contact either Michael Kelley or myself at (916) 874-8522.

Sincerely,

KENNETH D. STIEGER

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Enclosure

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New Construction and your Property Taxes

By Kenneth D Stieger

As Sacramento County's elected Assessor, I have noticed that questions often arise when property owners contemplate making improvements to their property. They want to know whether the improvements they make will affect the property's assessed value and thereby increase their property taxes. Here are some guidelines that can help everyone understand the impact an improvement to their property can have on their property's assessed value.

Proposition 13 requires the Assessor to appraise, at market value, any Newly Constructed Property (only the portion that is newly constructed) as of the date it is completed. New construction is defined as any substantial addition to land or improvements, including fixtures.

The value we assign to completed new construction is known as its Proposition 13 base year value. If January 1, the lien date, occurs before completion, the unfinished portion of new construction is then appraised at its market value as of that date and will be reflected on that year's property tax bill. However, unfinished new construction assessments are not base year values, rather, they are temporary assessments until the new construction is completed.

Most repair, replacement and maintenance of your property is not considered to be new construction under the law and is not subject to reassessment. Improvements done over time such as re-roofs, painting, replacing floor coverings, bathroom and kitchen remodels are not usually subject to reassessment. However, any new construction that rehabilitates a structure (or a portion of the structure) to the substantial equivalent of a new structure is subject to assessment for tax purposes, even if much of the construction includes repair and replacement. Additionally, new construction that changes the manner in which a property is used is also subject to reassessment (for example: a residence converted to a multi-unit apartment or commercial building).

The Assessor's Office discovers most new construction through building permits that are issued by the County and its cities. The Assessor's Office then independently determines the value of the new construction and adds it to the existing assessed value of the property.

There are some types of new construction that are excluded from reassessment. The remainder of this article discusses those exclusions.

1. The addition of an active solar energy system to an existing structure is excluded from tax assessment. Such systems may be used for any of the following: domestic, recreational, therapeutic, or service water heating; space conditioning; production of electricity; or process heat.

Specifically not included in this benefit are solar swimming pool heaters or hot tub heaters. Additionally, pipes, ducts, tanks, and others auxiliary equipment used in a solar energy system that also carry or use energy from other sources other than solar energy is assessable at 75% of their market value.

Active Solar Energy Systems are not excluded from reassessment when property changes hands. This program will end January 1, 2006.

2. The addition of Fire Sprinkler, Fire Extinguishing, Fire Detection, and/or Fire related Egress improvements to an existing structure are excluded from property tax assessment. These items are not excluded from assessment upon change in ownership or when built into a newly constructed building.
3. Modifications made in order to make an existing residence more accessible to a severely and permanently disabled person or persons are excluded from reassessment if the following conditions are met: The residence must be eligible for a Homeowner's Exemption, and the applicant must file a physician's certificate of disability with his or her application.

Modifications made to an existing structure or commercial property to make the building more accessible to disabled persons are also excluded from reassessment if the following conditions are met: An owner must notify the Assessor prior to or within 30 days of the completion of any project for making improvements of this nature and state that they intend to claim this exclusion.

Any previously installed disabled access accommodations are not excluded from reassessment when the property changes ownership.

Both of the above disabled access modification exclusions require an application to be filed with the Assessor's office.

4. Specified seismic retrofitting and earthquake hazard mitigation features that are added to existing buildings may be excluded from reassessment. An owner must notify the assessor prior to or within 30 days of the completion of the construction project that they intend to claim this exclusion. The applicant must certify (or have certified) to the Assessor in writing those portions of any new construction project that are specifically attributable to seismic retrofit or earthquake mitigation technologies. An application for this exclusion must be filed with the Assessor.
5. Another exclusion that is available for new construction is the Builders Inventory Exclusion. This program excludes from supplemental assessment any newly completed inventory owned by a builder who does not intend to occupy or use the property upon completion.

The owner must build with the intention of selling the property, and must file an application with the Assessor's office no later than 30 days from the start of construction. If the property qualifies, the new construction will not be appraised until the lien date following its completion, unless sold or rented, or occupied before then. The owner must notify the Assessor within 45 days of leasing, or renting the property, or using the property themselves.

For questions and application forms on these programs, please call the Assessor at (916) 874-5231 or fax (916) 874-8947. Or visit the Assessor's website at **www@saccounty.net/assessor**.