

THE PROP 8 (DECLINE IN VALUE REVIEW PROCESS)

The Process is as follows:

1) Property owner provides Assessor with facts they feel justify a reduction in value and requests a review of the property's value (or, the Assessor discovers the problem independently*).	
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2) Appraisal staff reviews market data as of January 1, estimates the property's market value as of that date and then compares this market value to the property's current Prop 13 factored base year value.	
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If current market value is below factored Prop 13 value, then:	If market value is higher than factored Prop 13 value, then:
↓↓	↓↓
Assessed value is lowered to market value for next fiscal year	No change in assessed value is made, and
↓↓	↓↓
Owner is notified of reduced value by July 1	Owner is notified that value will not be reduced (not later than July 1), and
↓↓	↓↓
New tax bill is based on lower value for next fiscal year, and	If owner still feels value should be reduced, then owner may file an appeal with the County Board of Equalization, July 2-Nov 30
↓↓	↓↓
The following January 1, Assessor repeats process and enrolls current market value at that time or Prop 13 factored value, whichever is lower value	County Board of Equalization hears evidence from owner and Assessor, then the Board determines proper assessed value.

***The Assessor may also initiate the Prop 8 process without a request from an owner.** The office constantly monitors market conditions and, when practical, lowers assessed values. Owners are notified and may file an assessment appeal if they feel the value was not lowered sufficiently.

It is important to understand that Prop 8 reductions are not permanent and may decrease or increase more than 2% from year to year. Also, Prop 13 base year values suspended by Prop 8 values continue to increase by an annual inflation factor of no more than 2% per year.

Although the values of many properties may suffer a significant decline during a recession, not all may qualify for a Prop 8 reduction. The current market value must fall below the factored base year value (assessed value), before the Assessor can recognize the decline. For example a property purchased in 1980 for \$25,000 may have risen to a value of \$250,000 by 2000. The fact that by 2003, it has declined in value to \$200,000 will not trigger a Prop 8 reduction because its factored base year value (\$25,000 plus 2% per year inflation) is still far below its current \$200,000 value.

Examples of Assessments Involving Properties Declining in Value:

Example 1

Home purchased January, 1998, for \$120,000 and assessed with \$120,000 base year value.

On **January 1, 1999**, factored base year (assessed) value is \$122,400 ($\$120,000 + 2\%$ inflation) but market value has declined to \$100,000.

Action: Assessor reduces assessed value to \$100,000 for 1999-00 assessment roll.

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On **January 1, 2000**, the home's value continues to decline and is now \$90,000, while its factored base year value has risen to \$124,848 ($\$120,000 + 2\%$ inflation compounded for 2 years).

Action: Assessor reduces assessed value to \$90,000 for 2000-01 assessment roll.

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On **January 1, 2001**, the home's market value increases to \$110,000 while factored base year value rises to \$127,344 ($\$120,000 + 2\%$ inflation compounded for 3 years).

Action: Assessor raises assessed value to \$110,000 for 2001-02 assessment roll.

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On **January 1, 2002**, the home's market value increases to \$150,000 while factored base year value rises to \$129,891 ($\$120,000 + 2\%$ inflation compounded for 4 years).

Action: Assessor reinstates factored base year value of \$129,891 for the 2002-03 assessment roll.

Example 2

Home purchased 1975 for \$30,000. In 2002, the market value of the home had risen to \$200,000 but by January 1, 2003, its value had declined to \$150,000.

Home's 2003-04 factored base year value is \$50,781 ($\$30,000 + 2\%$ inflation compounded 28 yrs)

Action: Assessor enrolls \$50,781 for 2003-04 assessment roll. No Prop 8 reduction granted even though property has lost \$50,000 in value over the last year. Factored base year value is still less than market value.

If you have other questions about the Prop 8 process, you may direct them to the Assessor's Real Property Division at (442) 265-1300, between 8 A.M. and 5 P.M., Monday through Friday. You may also visit the Duty Appraiser in person at the County Administration Building, 940 Main Street, Suite 115, El Centro, CA 92243-2874, between 8 A.M. and 5 P.M.