



California State
Board *of* Equalization

Navigating Taxes For Tribal Stewardship

Property Taxes

What Tribes Need to Know When Purchasing Fee Land

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Topics

- Reservation taxation
- How property taxes work in CA
- Change in ownership basics
- Supplemental tax bills
- What to expect when buying land
- Key resources



Indian Reorganization Act of 1934 (and other federal case law)

CURRENTLY EXEMPT

- Reservation land.
- Land held in federal trust for a tribe.

These lands are generally immune from property taxation under federal law.

TAXABLE

- Privately owned land, including land owned “fee simple” by a tribe.

“Fee simple” ownership — the right to possess, control, enjoy, and dispose of the land (full ownership)



The Basics of Proposition 13



Base Year Value

The market value of the property at the time of purchase. Often, the purchase price. This amount does not change unless there is a change in ownership or new construction.

2%

Factored Base Year

Limits annual increases to the base year value to no more than 2% per year. This is the maximum value that the property can be assessed at.

\$

Assessed Value

The value the County Assessor places on your property for tax purposes. This is typically the factored base year value. In certain situations, it can be lower.

~1%

Tax Rate

The property tax rate is 1% of assessed value per year. Local bonds and assessments may be added to this rate and vary by location.



The Three County Offices

County Assessor

VALUES the property

- Identifies all taxable property
- Determines assessed value
- Processes and applies legal exemptions
- Enrolls values on the assessment roll

Auditor - Controller

CALCULATES the taxes

- Receives assessed values from the County Assessor
- Applies the local tax rate
- Computes annual and supplemental tax bills
- Allocates revenue to schools, cities, and special districts

Tax Collector

COLLECTS the payments

- Prepares and mails tax bills
- Collects installment payments
- Enforces delinquencies
- Bills due Nov 1 and Feb 1 each year.
- Delinquency dates are December 10 and April 10

The Board of Equalization (BOE) provides statewide oversight of County Assessors and issues guidance on property tax matters.



What is a Change in Ownership?

A change in ownership occurs when a present interest (fee simple) in real property transfers from one party to another, such as a purchase, gift, or inheritance. **Any change in fee simple ownership is a change in ownership for property tax purposes unless an exclusion applies.**

What a Change in Ownership Triggers:

- Establishment of a new base year value- current market value (typically the purchase price)
- Enrollment of an assessed value that takes into consideration any qualified exemptions
- Supplemental Assessments

ACTION REQUIRED

Preliminary Change of Ownership Report (Form BOE-502-A)

Filed by the BUYER at the time of recording the deed with the County Recorder. Notifies the County Assessor of the transfer, price, and terms.

Failure to file: **\$20** additional recording fee

Change of Ownership Statement (Form BOE-502-AH)

Failure to file a *Change in Ownership Statement* within 90 days of a written request from the Assessor: penalties up to **\$20,000**



What is a supplemental assessment?

When a change in ownership occurs, California law requires an immediate reassessment, separate from and in addition to the regular annual tax bill.

Key things to know:

- There will be one or two supplemental tax bills, depending on the date of the change in ownership, that are based on the difference between the old and new assessed values.
- They are prorated and only cover the months remaining in that fiscal year.
- Mailed directly to the property owner



PLAN AHEAD



Supplemental bills can arrive months after closing

The time of year and workload of the County Assessor's office affect the time it takes to issue a supplemental notice and bill.

Budget for these bills from day one.

Expect Them – Even if They Come Late



Fee Land is Taxable Until it's Trust Land

Land owned by tribes is taxable, until it is transferred to a federal trust.

Reservation land	EXEMPT	Federal protection; state tax immunity
Land held in federal trust for a tribe	EXEMPT	Indian Reorganization Act of 1934 25 U.S.C § 5108
Land purchased by a tribe (off-reservation)	TAXABLE	Standard CA property taxes apply Property Tax Annotation 525.0014
Fee land during the fee-to-trust process	TAXABLE	Remains taxable until trust acquisition is complete or qualifies for an exemption

Fee-to-Trust: Tribes can apply to the Bureau of Indian Affairs to have fee land taken into trust, making it exempt from taxation. Plan for this to take time. Property taxes are still owed throughout the process.



Some Land is Assessed Below Market Value. Research Before Buying

When you purchase property, the County Assessor will establish a base year value based on the current market value (usually the purchase price). However, that may not be the assessed value used to calculate your taxes.

Some properties are eligible for reduced assessments. The two most common types:

Timberland Production Zone

Land zoned for timber production is assessed at special low statutory values set by the BOE — NOT at market value.

Standing timber is completely exempt from property tax.

California Land Conservation Act

These properties may be assessed using an income approach based on their agricultural or open-space income, or, in some cases, at a percentage of their factored base year value. County ordinances vary but typically result in lower property taxes.



Two Simple Steps to Estimate Your Future Property Taxes

STEP 1

Call the County Assessor

Ask about the current assessment and exemptions:

- Is it in a Timberland Production Zone?
- Under a California Land Conservation Act or other contract?
- Special use?

The County Assessor can provide the current assessed value and its calculation. Several property tax exemptions are available to reduce a property owner's tax obligation. Ask the County Assessor or check boe.ca.gov for eligibility requirements.

STEP 2

Ask the County Assessor for the Local Tax Rate

The total tax rate varies by location. Local bonds and special assessments may differ from parcel to parcel.

The existing tax bill for the property shows the exact rate area and total rate. This information is also available from the County Assessor or Tax Collector.



Timeline: What to Expect

Prepare for a multi-year process.

1

AT CLOSING

File the *Preliminary Change of Ownership Report* (BOE-502-A) with the County Recorder when the deed is recorded.
The County Assessor is then notified of the change in ownership.

2

SUPPLEMENTAL NOTICES

These notices will tell you the new assessed value of the property and are issued prior to the creation of bills.
If you disagree with the assessed value, you have the right to appeal.

3

SUPPLEMENTAL BILLS

Supplemental bills arrive.
May be one or two bills.
Budget for these.

4

REGULAR BILL

~ OCT or NOV

Annual secured tax bill arrives covering the full fiscal year (July 1- June 30).
Due in two installments.
Must be paid by December 10 and April 10 to avoid penalties and interest.

5

ONGOING

Annual tax bills continue. Value can increase up to 2% per year under Proposition 13. Properties eligible for reduced assessments may see an increase of more than 2%, but it will never exceed the factored base year value.



Your County Assessor and the BOE are your best starting points.

County Assessor's Office

- Is the property eligible for a reduced assessment of any kind?
- Is the use of the property eligible for any exemptions?
- What is the tax rate for this property?
- What is the assessed value of this property?
- Disagreements on the assessed value can be discussed with the County Assessor, which may result in a faster resolution.
- Appeals are handled by the County Clerk of the Board.

Contact information for all County Assessors can be found at
boe.ca.gov/PropTaxes/CountyContacts.htm

Board of Equalization

- Publication 29: CA Property Tax Overview:
boe.ca.gov/proptaxes/PDF/Pub29.pdf
- Property Tax Annotations regarding Indian Lands:
boe.ca.gov/LawGuides/Property/Current/PTLG/Annt/525-0000-all.html
- Supplemental Assessment information:
boe.ca.gov/PropTaxes/Supplemental-Assessment
- Letters to Assessors, on various topics:
boe.ca.gov/PropTaxes/Accumulative-LTA.htm
- Publication 149: Property Tax Welfare Exemption
boe.ca.gov/PropTaxes/PDF/Pub149.pdf
- Assessors Handbook 401: Change in Ownership
boe.ca.gov/PropTaxes/PDF/AH401.pdf



Key Takeaways

- 1** Land purchased or owned by tribes is fully taxable, unless an exclusion applies. Property taxes apply immediately and until land is taken into trust.
- 2** A Change in Ownership may trigger one or two supplemental bills that can arrive months later. Budget for them.
- 3** Some land may have a lower assessed value. Call the County Assessor before purchase to understand how the property is assessed.
- 4** Tax rates vary by location. Ask the County Assessor or check the existing tax bill to know what rate applies to your specific parcel.
- 5** Your property may be eligible for other exemptions. Visit boe.ca.gov or contact the County Assessor for more information.

Questions?