



County of El Dorado
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January 25, 2023

Board of Supervisors
330 Fair Lane
Placerville, California 95667

Subject: Resolution to Adopt Revenue and Taxation Code Section 531.2(c) to Allow for Proration of Certain Tax Bills Between Prior/Current Owners

Agenda Date: February 14, 2023

Dear Board Members:

Recommendation

The Auditor-Controller and the Assessor recommend the Board adopt a resolution regarding Revenue and Taxation Code (RTC) Section (§) 531.2(c), authorizing the proration of real property escape assessment taxes between the prior assessee and current owner(s).

Reason for Recommendation

Adopting the resolution will allow the County to prorate taxes resulting from real property escape assessments between prior assessee and new owner(s), avoiding tax liabilities that are disproportionate to the time of ownership while increasing the amount of taxes that remain secured (a win-win scenario).

Normally, when a property changes ownership, the new owner is essentially responsible for property taxes on real property from the date of change of ownership. If real property was underassessed in the current and/or prior tax years, escape assessment taxes occur. In the case of an escape assessment tax liability with a change in ownership within a certain timeframe, the County currently follows RTC §531.2 (the standard methodology) which causes the prior assessee to be liable for the portion of escape assessment taxes attributable to the beneficial use of the property by the new owner(s).

To address this, RTC §531.2(c)(1), as amended, allows the Board of Supervisors to adopt a resolution authorizing the proration of the escape assessment taxes between the prior assessee and current owner(s) based on the number of days of ownership by each. Until 2018, the County's property tax administration system was incapable of managing such a proration. The Assessor and Auditor have recently mapped a process using the Megabyte system to accomplish the proration of escape assessment taxes pursuant to RTC §531.2(c). This board letter and resolution seeks to enact RTC §531.2(c) to allow for this proration of escape assessment taxes.

Fiscal Impact

An increase in staff time is expected for Assessor, Auditor-Controller, and Treasurer- Tax Collector to assess/calculate/bill/collect. Existing resources are expected to accommodate the modestly increased workload.

Based upon discussions with other counties who authorized RTC §531.2(c), a decrease in staff time is expected to be spent explaining to an old owner why they are responsible for the entire tax year of the escape assessment taxes when they only had the property for a few days of that tax year. Additionally, since RTC §531.2(c) is very similar to the treatment for supplemental taxes subject to RTC §75.54(c) (a statutorily required treatment), the explanations will be easier/quicker since many of these taxpayers will be subject to both supplemental taxes and escape assessment taxes.

An increased amount of the tax liability resulting from escape assessment taxes will remain on the secured tax roll. Generally, secured taxes have a higher initial and ultimate collection rate than unsecured taxes.

Action to be Taken Following Approval

Board Clerk to send attested resolution to Assessor and the Auditor-Controller. The Auditor-Controller will forward a copy to the Tax Collector for their information.

Sincerely,



Joe Harn
Auditor-Controller



Jon DeVille
Assessor