

Introduced by Senator Anderson

February 16, 2011

An act to amend Section 74 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 464, as introduced, Anderson. Property taxation: new construction exclusion: fire protection devices.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, "full cash value" is defined as the assessor's valuation of real property as shown on the 1975–76 tax bill under "full cash value" or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred. Pursuant to an authorization in the California Constitution, existing law excludes from classification as "newly constructed" the construction or installation of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement that are constructed or installed in an existing building, as specified.

This bill would expand this exclusion to include the construction or installation of any fire sprinkler system, other fire extinguishing system, and fire detection system in a new building, as defined, the construction or installation of which is completed on or after January 1, 2012. This bill would require the county assessor to administer this expansion, as provided, and to reduce the base year value of the new building by the value of the fire sprinkler system, other fire extinguishing system, and fire detection system, as specified.

By imposing new duties on county assessors, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 74 of the Revenue and Taxation Code is
- 2 amended to read:
- 3 74. (a) For purposes of subdivision (a) of Section 2 of Article
- 4 XIII A of the Constitution, “newly constructed” does not include
- 5 the construction or installation of any fire sprinkler system, other
- 6 fire extinguishing system, fire detection system, or fire-related
- 7 egress improvement that is constructed or installed on or after
- 8 November 7, 1984.
- 9 (b) Notwithstanding any other provision of this chapter or
- 10 Chapter 3.5 (commencing with Section 75), neither “newly
- 11 constructed” nor “new construction” includes the construction or
- 12 installation of any fire sprinkler system, other fire extinguishing
- 13 system, fire detection system, or fire-related egress improvement
- 14 that is constructed or installed on or after November 7, 1984.
- 15 (c) For purposes of this section:
- 16 (1) “Fire sprinkler system” means any system intended to
- 17 discharge water for the purpose of suppressing or extinguishing a
- 18 fire, and includes a fire sprinkler system that derives its water from

1 the domestic water supply of the building or structure of which it
2 is a part.

3 (2) “Other fire extinguishing system” means any system intended
4 to suppress or to extinguish a fire other than by discharging water
5 upon the fire. An “other fire extinguishing system” includes, but
6 is not limited to, a component or application that, solely or
7 primarily for the purposes of fire suppression or extinguishment,
8 is made part of the heating, ventilating, or air-conditioning system
9 of a building or structure, a wet chemical system, or a dry chemical
10 system.

11 (3) “Fire detection system” means any system or appliance
12 intended to detect combustion, or the products thereof, and to
13 activate an alarm or signal, whether audio, visual, or otherwise,
14 including all equipment used to transmit fire alarm activations and
15 related signals to a remote location. A fire detection system
16 includes any system that serves additional functions, but this
17 section shall only apply with respect to that portion of a system
18 that is for fire detection purposes. No portion of a fire detection
19 system as described in this paragraph shall be deemed to be
20 personal property, or shall be deemed to be excluded from that
21 fire detection system, by reason of being owned or controlled by
22 a person other than the owner of property upon which the fire
23 detection system was constructed or installed.

24 (4) “Fire-related egress improvement” means any improvement
25 intended to do either of the following:

26 (A) Provide any new, or improve any existing, means of egress
27 for individuals from a structure, or any portion thereof, in which
28 a fire is in progress, as to which there is an imminent threat that a
29 fire may soon be in progress, or as to which individuals therein
30 might be subjected to health hazards or the risk of physical injury
31 due to a fire elsewhere.

32 (B) With respect to individuals who for any reason cannot
33 evacuate a structure in which a fire is in progress, provide a means
34 of safeguarding, or increasing the safety of, those individuals until
35 the time that the rescue of those individuals can be effected.

36 (5) “Existing building” means any building or structure already
37 erected at the time that a fire sprinkler system, other fire
38 extinguishing system, fire detection system, or fire-related egress
39 improvement is constructed or installed in that building or structure.

(d) Any system or improvement referred to in this section shall be deemed to have been constructed or installed on or after November 7, 1984, if the actual construction or installation thereof is completed on or after November 7, 1984, regardless of when the actual construction or installation thereof was commenced or any building permit pertaining thereto was issued.

(e) This section applies only to fire sprinkler systems, other fire extinguishing systems, fire detection systems, and fire-related egress improvements, as defined in this section, that are constructed or installed in an existing building.

(f) (1) *Notwithstanding subdivision (e) or any other law, for purposes of this section, the construction or installation of any fire sprinkler system, other fire extinguishing system, and fire detection system includes the construction or installation of any fire sprinkler system, other fire extinguishing system, and fire detection system in a new building. The assessor shall administer this subdivision in the following manner:*

(A) *The owner of the building shall file a claim with the assessor and provide the assessor any documents necessary to identify the value attributable to the fire sprinkler system, other fire extinguishing system, and fire detection system included in the price of the new building.*

(B) *The assessor shall evaluate the claim and determine the portion of the value of the new building that is attributable to the fire sprinkler system, other fire extinguishing system, and fire detection system. The assessor shall then reduce the new base year value of the new building by an amount equal to that portion of the value of the new building attributable to the fire sprinkler system, other fire extinguishing system, and fire detection system.*

(2) *The extension of the new construction exclusion to a new building provided by this subdivision shall remain in effect only until there is a subsequent change in ownership of the new building.*

(3) *For purposes of this subdivision, all of the following shall apply:*

(A) *“New building” means any building, structure, or portion thereof that is newly constructed upon land or improvements that were originally constructed prior to January 1, 2011, and that qualified for reassessment pursuant to Section 170.*

1 (B) “Owner” means the original owner of property that was
2 damaged or destroyed by misfortune or calamity who was eligible
3 to apply for reassessment pursuant to Section 170.

4 (C) The construction or installation of any fire sprinkler system,
5 other fire extinguishing system, and fire detection system does not
6 include the construction or installation of any fire sprinkler system,
7 other fire extinguishing system, and fire detection system that is
8 required to be constructed or installed in a nonresidential new
9 building pursuant to Title 24 of the California Code of Regulations
10 or any local ordinance.

11 (4) This subdivision shall only apply to constructions and
12 installations of fire sprinkler systems, other fire extinguishing
13 systems, and fire detection systems completed on or after January
14 1, 2012.

15 SEC. 2. If the Commission on State Mandates determines that
16 this act contains costs mandated by the state, reimbursement to
17 local agencies and school districts for those costs shall be made
18 pursuant to Part 7 (commencing with Section 17500) of Division
19 4 of Title 2 of the Government Code.

20 SEC. 3. Notwithstanding Section 2229 of the Revenue and
21 Taxation Code, no appropriation is made by this act and the state
22 shall not reimburse any local agency for any property tax revenues
23 lost by it pursuant to this act.

24 SEC. 4. This act provides for a tax levy within the meaning of
25 Article IV of the Constitution and shall go into immediate effect.