

State of California
BOARD OF EQUALIZATION
PROPERTY TAX RULES

Chapter 1. State Board of Equalization – Property Tax
Subchapter 2. Valuation Principles and Procedures

Rule 54. VALUATION OF LAND UNDER A LAND CONSERVATION ACT AGREEMENT THAT FAILS TO QUALIFY UNDER RULE 51.

Authority Cited: Section 15606, Government code.

Reference: Sections 402.1, 402.5 and 421, Revenue and Taxation Code.

Land (other than timberland), fruit- or nut-bearing trees, and vines subject to an enforceable Land Conservation Act agreement that, according to the criteria set out in section 51 of this chapter, do not qualify for assessment under section 423 of the Revenue and Taxation Code shall be appraised at market value, pursuant to section 402.1 of that Code. Any conflicting assessment provisions in the agreement are unconstitutional and shall be disregarded.

The market value of such land, or of such land and perennials, shall be estimated by using either the comparative sales method or the income method or both.

(a) THE COMPARATIVE SALES APPROACH. If the comparative sales method is used and the restrictions imposed by the agreement have more than a minimal effect on the value of the property, the recently sold properties to which the subject property is compared shall be those similarly restricted as to use and preferably so restricted for a similar remaining period. If there is substantial evidence, however, that the restrictions on the subject property will be removed or materially modified in the predictable future, the subject property may also be compared with recently sold properties which have natural limitations on their use that are adjudged to have substantially the same effect as the legal limitations on the subject property. The sold properties shall also have the characteristics described in section 402.5 of the Revenue and Taxation Code.

(b) THE INCOME APPROACH. If the income method is used and the restrictions imposed by the agreement have more than a minimal effect on the value of the property, the appraiser shall proceed as follows:

(1) Estimate, preferably by reference to sale prices of comparable properties not subject to Land Conservation Act agreements or contracts, the market value that the land, or the land and perennials, would have on the current lien date if the property were not subject to the agreement but were subject to any other applicable restrictions and assume that this will be the value of the land, or of the land and perennials, when free of the agreement restrictions;

(2) Using a market-derived capitalization rate (including an appropriate property tax component), find the present worth of the value derived in step 1 deferred by the number of years or fractions thereof until the land, or the land and perennials, will be freed of the agreement restrictions by a notice of nonrenewal that has already been given or by a notice that could be given prior to the agreement's next anniversary date;

(3) Using the capitalization rate prescribed by section 423(b) of the Revenue and Taxation Code or a capitalization rate otherwise derived that is appropriate for an income stream which does not include capital appreciation, estimate the present worth of the income (including any amenities not represented by money income) from the restricted use of the land, or of the land and perennials, during the period between the lien date and the date to which the value derived in step 1 is deferred:

(4) Add the present worths derived in steps 2 and 3.

History: Adopted March 26, 1971, effective April 25, 1971.