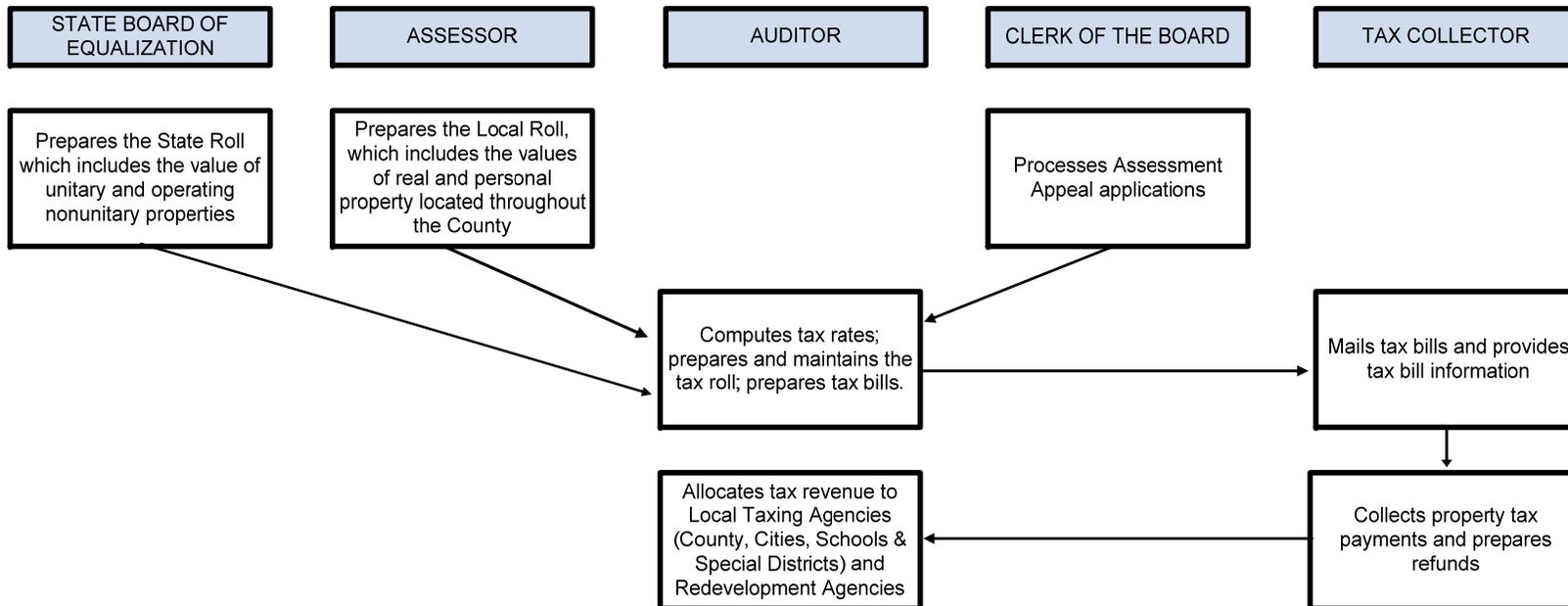


HOW THE PROPERTY TAX SYSTEM WORKS

Overview

Property tax administration is the responsibility of three departments in the County of San Diego (County). Each of these departments performs key activities in the property tax administration system as described below:

- The County Assessor is responsible for determining the taxable value of real and personal property and for preparing the annual assessment roll.
- The County Auditor computes tax rates and applies them to the properties' taxable value to generate the tax roll and tax bills; and is also responsible for allocating and distributing property tax revenues collected to local taxing agencies.
- The County Tax Collector is responsible for billing and collection activities, including the mailing of tax bills, processing of tax bill payments, and maintenance of taxpayer accounts.



GENERAL INFORMATION FOR PROPERTY OWNERS

The property tax administration cycle begins with the determination of the taxable value of property. Each year the County Assessor and the State Board of Equalization determine the assessed value of real and personal property located throughout the County. The property value is assessed to the persons owning, claiming, possessing, or controlling the property on the lien date. Property taxes are levied for each fiscal year, and generally, tax liens attach annually as of 12:01 a.m. on January 1st preceding the fiscal year for which taxes are levied (Revenue and Taxation Code (R&T) Section (§) 2192). The County Assessor should be notified immediately of any change of address to ensure that homeowners receive important notifications and tax bills.

Filing requirements for new property owners

New property owners are required to file a signed Change in Ownership Statement with the County Assessor/Recorder/County Clerk within a specified period of time (R&T § 480). Failure to file the required statement will result in penalties added to the property tax bill. In addition to annual property tax bills, new property owners will receive one or two supplemental tax bills. Refer to Supplemental Tax Bills section below for additional information.

Filing requirements for personal property owners

Each person owning taxable personal property with an aggregate cost of one hundred thousand dollars (\$100,000) or more for an assessment year is required to file a signed property statement with the County Assessor (R&T 441(a)) between January 1st and April 1st. Property owners who fail to file the required statement by May 7 will incur a penalty of ten percent (10%) of the assessed value of the unreported taxable property.

Tax Exemption Programs

The Constitution of the State of California and certain California Laws contain provisions granting exemption from taxation to certain individuals and entities that meet specified criteria. The County Assessor administers the homeowner tax exemption program, which allows homeowners to claim a \$7,000 exemption from the full value of a property used as the homeowner's primary residence; and other programs applicable to properties owned by disabled veterans, religious organizations, public schools, colleges, and cemeteries. The County Assessor also administers programs for lessors, historical property, and four percent (4%) documented vessel exemptions. Additionally, the County Assessor and the State Board of Equalization jointly administer the welfare exemption program. To receive an exemption, a claim for the exemption must be filed with the County Assessor. Exemptions may not apply to the taxes of certain special districts or to fixed charges collected with property taxes.

Assessment Appeals

If property owners feel that the assessed value of their property as determined by the County Assessor is incorrect, they should contact the County Assessor's office to discuss the matter. If the dispute cannot be resolved, the property owner may file an appeal with the Assessment Appeals Board. The filing period is July 2nd through November 30th of each year.

Additional information regarding filing requirements for property owners, change of address, assessed valuation, tax exemption programs, assessment appeals, and supplemental assessments is available in the County Assessor's website at <http://arcc.co.san-diego.ca.us> or by contacting one of the County Assessor's branch offices.

GENERATION OF TAX BILLS

Tax Rate Area (TRA)

Properties are subject to taxation by a number of taxing agencies, including the County, cities, school districts, and various special districts. The County Auditor in coordination with the County Assessor and the State Board of Equalization groups properties taxed by the same combination of taxing agencies into a distinct Tax Rate Area (TRA). The TRAs are numbered and appear on the property tax bills. There are 4,950 such TRAs in the County. TRAs are used by the County Auditor in the administration of tax rates and special assessments and in the distribution of property tax revenue.

Annual Secured Tax Bills

Proposition 13 of 1978 limits the maximum ad valorem tax to one percent (1%) of the full cash value of property. In preparing the secured tax roll, the County Auditor applies tax rates to the assessed valuation rolls prepared by the County Assessor and the State Board of Equalization. In addition to the one percent (1%) ad valorem tax rate authorized by Proposition 13, a typical annual secured tax bill includes tax rates for voter approved debt of school districts and special districts. These tax rates are computed based on the amount needed to make annual payments for the interest and principal on general obligation bonds or other indebtedness approved by the voters prior to July 1, 1978. Tax rates for voter approved debt of school districts are computed by the County Auditor. Tax rates levied by special districts are computed by the districts and transmitted to the County Auditor for inclusion in the tax roll. The one percent (1%) tax rate applies to all taxable property values including land, improvements, and personal property. Debt service tax rates may apply to all property values, land only, or land and improvements only. The taxable base value for the various debt service rates is determined by specific statutes authorizing the tax. The taxable base value applicable to each debt service tax rate included in the current year tax roll is described in the Assessed Valuation section starting on page 26.

Special Assessments

Property tax law allows for the collection of special assessments levied by local government entities through the property tax bills. Examples of these assessments include special taxes such as Mello-Roos, and fees or charges assessed by a variety of special districts to pay for specific additional services or benefits to properties located within the districts' boundaries. A complete listing of fixed charge special assessments added to the tax roll is provided beginning on page 73. By law, special assessments cannot be based on property value. Instead, the assessment amount is based on other property characteristics, or on the specific benefit a property receives from the services or improvements provided by the districts. Special assessments are administered by the entities levying them and all questions regarding special assessments must be directed to them by contacting the telephone number provided on the tax bill. The telephone numbers are also provided beginning on page 73.

Unsecured Tax Bills

Unsecured taxes are not a lien on real property. Examples of unsecured property include boats, leasehold interests, and mining claims. In accordance with State law, tax rates for unsecured property are the secured tax rates levied for the preceding fiscal year (R&T § 2905). Since tax rates applicable to unsecured property are known at the lien date, unsecured billing starts in January.

Supplemental Tax Bills

The County Assessor is required to appraise real property when there are changes in property ownership or completion of new construction to determine the property's full cash value. The County Assessor transmits supplemental assessments to the County Auditor for inclusion in the tax rolls. A supplemental assessment is the difference between the property assessed value on the tax rolls and the assessed value as of the date the change of ownership or completion of construction occurred. A supplemental tax bill retroactively taxes the supplemental assessment of a property on a pro-rata basis.

PROPERTY TAX PAYMENTS

Annual (secured) property tax bills are mailed in October. It is the taxpayer's responsibility to obtain a tax bill and pay the taxes on their property. Failure to receive or obtain a bill does not justify the waiver of delinquent penalties. If tax bills are not received by November 1st, a request for them should be made to the County Tax Collector. Property tax bills may be paid in person at any of the County Tax Collector's branch offices, by mail, or online. The property tax bills and the County Tax Collector's website provide detailed information on the various options available for payment. Annual property tax bills, which include property taxes and

assessments, fees, or charges collected with County taxes are payable in two equal installments by the dates indicated in the next section.(R&T 2700.1).

Defaulted Taxes

Annually, on or before September 8, the County Tax Collector publishes a list of current year taxes that have not been paid and are in default. The list is published in a newspaper authorized by the County Board of Supervisors.

Unsecured Taxes

Unsecured property taxes are due on the lien date and payable on demand. Unsecured taxes become delinquent if unpaid by August 31st, and are subject to a delinquent penalty of ten percent (10%).

IMPORTANT TAX DATES

January:	Jan. 1	Lien Date – Taxes attach to property as a lien at 12:01 a.m.
February:	Feb. 1	Secured property taxes second installment due.
March:	Mar. 1-15	Affidavits and claim forms for exempt entities filing period (delinquent at 5:00 p.m. on March 15 th).
April:	Apr. 10	Secured property taxes second installment becomes delinquent if unpaid by 5:00 p.m.
May:		Delinquent notices mailed out for unpaid regular secured tax bills.
June:	June 30	Fiscal Year ends.
July:		County Assessor delivers local roll to the County Auditor.
	July 1	Fiscal year begins.
	July 2	Assessment appeals filing period begins.
October:		Original secured tax bills mailed out.
November:	Nov. 1	Secured property taxes first installment due.
	Nov. 30	Assessment appeals filing period ends.
December:	Dec. 10	Secured property taxes first installment becomes delinquent if unpaid by 5:00 p.m.

Refer to the County Tax Collector’s website at www.sdtreastax.com for additional information regarding taxes and penalties due, payment options, and payment status.

GENERAL INFORMATION FOR TAXING AGENCIES

PREPARING THE TAX ROLL

To generate the annual secured tax roll, the County Auditor applies the one percent (1%) tax rate set by Proposition 13 and other tax rates for voter approved debt to the combined assessed valuation roll. Additionally, the County Auditor compiles the fixed charge special assessments to be included in the tax roll on behalf of local governmental entities.

Combined Assessed Valuation Reports

The County Auditor combines the assessed values (AV) from the local assessed valuation roll prepared by the County Assessor and the State roll prepared by the State Board of Equalization into a combined AV roll. Combined AV reports are prepared for each taxing agency and mailed out in July. Taxing agencies that have voter approved debt must use the combined AV reports provided by the County Auditor for their tax rate computations.

Tax Rates, Fees and Assessments

The County Auditor computes the tax rates for voter approved debt of school districts. The tax rate computation takes place in early July. School districts that have recently issued general obligation bonds or plan on issuing new bonds in the coming year must notify the County Auditor and submit the actual or estimated debt service schedule for the new bonds in early July to ensure that a tax rate for the new bonds is included in the tax roll. Tax rates must be approved by the County Board of Supervisors on or before September 1st. Additionally, special districts that compute their own rates must submit a resolution and other supporting documentation to the County Auditor no later than August 30th to ensure that the rate is included in the tax roll. Governmental entities who wish to bill and collect their fees, special taxes, or assessments through the property tax roll must submit a list of parcels and the assessment amount for each parcel to the County Auditor by this date. In addition to the list of parcels and charges, the County Auditor must also receive a copy of the governing body's ordinance approving the assessments, and a signed statement certifying the accuracy of the assessment information provided to the County Auditor. The deadline for submitting Fixed Charge Special Assessments is August 10th. After all tax rates and fixed charge special assessments are compiled, the tax roll is generated.

The tax roll is then utilized to generate the annual tax bills and determine the county-wide taxes receivable. The total receivable amount is then allocated to taxing agencies using the allocation formula established by Assembly Bill 8 in 1979. Refer to the chart on

page 5 for the current year revenue allocation. However, before this process takes place, the County Auditor must update the master Tax Rate Area Index (TRA) and compute the Tax Rate Area (TRA) allocation factors.

Tax Rate Area Index

Each year, the County Auditor updates the TRA to reflect changes to the TRA structure approved by the State Board of Equalization. In coordination with the County Assessor and the State Board of Equalization, the County Auditor assigns properties with the same combination of taxing agencies serving them into distinct TRAs. TRAs are a key component in the allocation of property tax revenues. After California voters approved Proposition 13 in 1978 limiting the ad valorem tax to one percent (1%) of a property's full market value, the state legislature had to establish a means to allocate the reduced amount of tax revenue to the taxing agencies entitled to receive a share of the tax. The revenue allocation formula was initially defined by Assembly Bill 8 (AB8) and supplemented later on by various bills.

AB8 Tax Revenue Allocation Formula

The tax base for each taxing agency was determined in 1979. The basic premise of AB8 is that during each subsequent year after the tax base was determined, each agency would be entitled to receive the tax base received during the prior year plus a proportional share of the revenues resulting from the assessed value growth above the base. The combined base and growth for the current year would then become the following year's base. The annual growth is measured at the TRA level and it results from TRA value changes from year to year due to increases or decreases of property values and other factors, including jurisdictional changes and new legislation.

Jurisdictional Changes and TRA allocation factors

A jurisdictional change occurs when a taxing entity's boundaries change. The change may be due to annexation or detachment of properties from a taxing entity or reorganization of existing taxing entities. A taxing entity frequently initiates the process through the Local Agency Formation Commission (LAFCO), and the change is also submitted to the State Board of Equalization (SBE). The SBE maintains an official list of taxing entities within a TRA. These jurisdictional changes often result in changes to the TRA allocation factors. Each TRA has a set of factors equaling one hundred percent (100%) which are used to allocate TRA incremental increase or decrease from growth in the tax levy. These factors generally do not change without a jurisdictional change negotiated agreement initiated by LAFCO and/or the affected jurisdictions, by mandated legislative tax shifts, or TRA consolidations.

PROPERTY TAX REVENUE APPORTIONMENT

The County Auditor allocates and distributes taxes on a monthly basis according to a preliminary schedule prepared by the County Auditor and distributed to taxing agencies in July. The County Tax Collector transmits on a monthly basis the taxes collected to the County Auditor along with detailed certified reports listing taxes collected by revenue category (e.g. current year secured taxes, current year unsecured taxes, prior year secured taxes, etc).

When collected, ad valorem tax revenue attributable to tax rates for voter approved debt and revenue attributable to fixed charge special assessments (FCSAs) are allocated and distributed to specific funds set up for each tax rate or FCSA. Except as noted below, ad valorem tax revenue attributable to the one percent (1%) general tax rate is transferred to a county-wide revenue holding fund. The revenue is then allocated and distributed to the taxing agencies entitled to receive a portion of this tax utilizing each agency's AB8 apportionment factor.

The one percent (1%) general tax revenue derived from the following property types is allocated using different apportionment factors or special formulas prescribed by the various sections of the California Revenue and Taxation Code reference below:

- 1% Unitary Tax (R&T § 100)
- 1% Unitary-Qualified Electric (R&T § 100.95(a)(3))
- 1% Unitary Regulated Railway Companies (R&T § 100.11(a)(1)(B) & 100.11(a)(2)(C))
- 1% Supplemental Tax Revenue (R&T § 75.60)
- 1% Unsecured Tax from Aircraft (R&T § 4701)

Alternative Method of Apportionment (Teeter Plan)

The County of San Diego implemented the alternative method of apportionment commonly referred as the Teeter Plan in fiscal year 1993-94. Under the Teeter Plan, the County buys out the estimated outstanding current year delinquent secured and secured supplemental tax receivables as of June 30th. The Teeter Plan buy out is processed before June 30th.

IMPORTANT TAX DATES FOR TAXING AGENCIES

May:	May 30	Preliminary assessed value reports available from the County Assessor.
	May 30	County Auditor distributes instructions for placing voter approved tax rates on the County tax roll.
July:	July 1	County Assessor transmits certified local assessed valuation roll to the County Auditor.
	July 1	State transmits preliminary State roll to the County Auditor.
	July 2	County Auditor starts accepting fixed charge special assessment submissions.
	July 9 to 13	County Auditor distributes combined assessed valuation reports to taxing agencies.
	July 9	Deadline for school districts for submission of debt service schedules for new general obligation bonds to the County Auditor.
	July 16 to 23	County Auditor distributes assessed valuation reports to redevelopment agencies.
	July 30	County Auditor starts accepting voter approved debt service rates/resolutions (from agencies that compute their own tax rates).
August:	Aug. 3	County Board of Supervisors approval of tax rates.
	Aug. 10	Last day for submission of fixed charge special assessments to the County Auditor.
	Aug. 30	Last day for submission of voter approved debt service rates/resolutions (from agencies that compute their own tax rates) to the County Auditor.
October:	Oct. 1	Deadline for redevelopment agencies to file Statement of Indebtedness with the County Auditor.
	Oct. 30	County Auditor distributes estimated tax increment reports to redevelopment agencies.