

# The Case of The Supplemental Tax

## Who, What, When and Why



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On July 1, 1983, California State Law was changed to require the reassessment of property as of the first day of the month following an ownership change or the completion of new construction. In most cases, this reassessment results in one or possibly two supplemental tax bills (depending on the number of years to be adjusted) being sent to the property owner in addition to annual property tax bill. This booklet, produced at the direction of the Ventura County Treasurer-Tax Collector, focuses on the supplemental tax bills generated by such reassessment of property value.

### **How were changes in property value due to sale of property or new construction taxed in the past?**

Before July 1983, the Assessor reassessed property just once each year on March 1 for taxes due the following fiscal year (July 1 – June 30). Any change in property value resulting from a change in ownership or the completion of new construction that took place after March 1 was not reevaluated and taxed until the following year.

### **What do you mean by new construction or change of ownership?**

Typically, new construction is any substantial addition to real property (e.g., adding a new room, pool, or garage) or any substantial alteration, which restores a building, room or other improvement to the equivalent of new (e.g., completely renovating an outdated kitchen).

Most changes in ownership caused by the sale of property result in reassessment. However, interspousal transfers; the transfer, sale or inheritance of property between parents and their children; and the addition of joint tenants do not result in the reappraisal of property values.

Furthermore, homeowners over the age of 55 years who sell their principal residence and purchase a replacement dwelling within two years that is of equal or lesser market value are eligible to transfer the presale assessed value of their original property to the replacement dwelling.

For further information or claim forms, please contact the Assessor at (805) 654-2176 or go online to: <http://assessor.countyofventura.org>.

### What happens when the Assessor reassesses my property?

The Assessor first determines the new value of the property based on current market values. The Assessor then calculates the difference between the new value (set at the time of purchase or completion of new construction) and the old value (set on January 1 of the previous fiscal year). The result is the supplemental assessment value. Once the new assessed value of your property has been determined, the Assessor will send you a notification of the amount.

*Example:*

New Value at date of purchase	
or completion of new construction	\$500,000
Assessed value for current fiscal year	<u>-300,000</u>
Supplemental assessment value will be	\$200,000

This reassessment usually results in an increase in property value, in which case your supplemental taxes will be calculated by the Auditor-Controller based on the change in value, and one or possibly two supplemental tax bills will be created and mailed to you by the Tax Collector. However, in some instances the reassessment results in a reduction in value, in which case a refund will be prepared by the Auditor-Controller and mailed to you. A reduction in value will not reduce the amount due on the annual tax bill. The annual tax bill must be paid in the amount originally billed.

### Do I have the same right to appeal the Assessor's supplemental assessed value as I do the annual value?

Yes. You may take the matter up with the Assessor to see if that office will change the valuation. Additionally, the Board of Supervisors has established an Assessment Appeals Board for the purpose of resolving valuation problems in

connection with supplemental tax bills. Applications for appeal must be filed within sixty days of the date shown on the Notice of Supplemental Assessment.

If you choose to appeal your assessment, you should still pay your tax installments in full by the appropriate deadlines; otherwise, you may incur penalties while the case is in appeals. If your appeal is granted, a refund will be issued to you.

Further information about the appeals process can be obtained by calling (805) 654-2251 or writing to: Assessment Appeals Board, Hall of Administration, 800 South Victoria Avenue, Ventura, CA 93009.

### **If I receive a supplemental tax bill, will I also receive an annual tax bill in November of each year?**

Yes. The supplemental tax bill is sent in addition to the annual tax bill and both must be paid as specified on the bill. For information on the annual tax bill, see our booklet on understanding property taxes.

### **If I pay property taxes through an impound account (i.e., with my mortgage payment) will my lender get my supplemental tax bill?**

No. Unlike the annual tax bill, lending agencies do not receive a copy of the supplemental tax bill. When you receive a supplemental tax bill, you must contact your lender to determine who will pay the bill.

### **What does the supplemental tax bill tell me?**

The supplemental tax bill provides the following information:

- The owner (or new owner) as of the date of the supplemental event.
- The fiscal year for which the taxes are assessed.
- The location of the property.
- The old and the new assessed value and the difference (net supplemental roll value) upon which the tax is computed.
- The type and amount of any exemptions (e.g., homeowner's).
- The total amount of taxes due based upon the net increase in value.

- The date of the ownership change or completion of new construction. This date is used to prorate the tax for the period remaining in the current fiscal year for which the bill was issued.

The bill may be paid in two installments and provides payment stubs for each installment, which show the amount due and the date that the amount must be paid to avoid penalties for late payment.

### **What if I purchase a piece of property and then sell it again after a few months?**

If you purchase and then sell property within a short period of time, the supplemental tax bill you receive should cover only those months during which you owned the property, and the new owner should receive a separate supplemental tax bill. Because of the large number of parcels and frequency of property changing hands in Ventura County, there are often delays in placing assessments on the roll. Be sure to check the dates used to prorate the bill to ensure that the period covered is the period during which you actually owned the property. If you receive an incorrect tax bill with incorrect dates of ownership, contact the Assessor's Office at (805) 654-2282.

### **When I purchase property or complete construction at some point during the fiscal year, will I be taxed on the supplemental value for the entire fiscal year?**

No. You are taxed on the supplemental value for the portion of the current fiscal year remaining after you purchased the property or completed new construction. However, if the change in ownership or completion of new construction occurs between January 1 and June 30, you will receive an additional supplemental bill for the next fiscal year, which will be for the entire fiscal year.

### **So it's possible to get more than one supplemental tax bill?**

Yes. It is possible to receive two supplemental tax bills, depending on when the ownership change or completion of new construction occurred and when the Assessor recorded the new value on the tax roll.

Because property is assessed each January 1 for the upcoming fiscal year (July 1 – June 30), you will receive one supplemental bill if the change in property value is

recorded on the tax roll between July 1 and December 31; you will receive two supplemental bills if the change in property value is recorded on the tax roll between January 1 and June 30.

Figure 1 illustrates the homeowner’s obligation to pay both supplemental and annual tax bills after purchasing property or completing new construction. (NOTE: The diagram assumes an increase in property value.)

Figure 1.

If you Buy New Property  
or  
Complete New Construction

Between July 1 and December 31		Between January 1 and June 30
	Then you will be responsible for	
Your portion of the <b>Annual Tax Bill</b> for the current fiscal year.		Your portion of the <b>Annual Tax Bill</b> for the current fiscal year.
<b>Supplemental Tax Bill</b> for the remainder of the fiscal year.		<b>Supplemental Tax Bill</b> for the remainder of the fiscal year and the entire upcoming fiscal year.

When do supplemental tax bills have to be paid?

The date on which supplemental tax bills become delinquent varies depending upon when they are created by the Auditor. If the bill is created between July 1 and October 30, the taxes become delinquent at 5 p.m. on December 10 for the first installment and 5 p.m. on April 10 for the second installment (the same delinquency schedule as for annual tax bills mailed in November). If the bill is created between November 1 and June 30, the delinquency dates, which are

printed on the bill are determined as follows: The first installment is delinquent at 5 p.m. on the last day of the month following the month the bill was mailed; the second installment is delinquent at 5 p.m. on the last day of the fourth month after the first installment delinquency date. Penalties of 10% are added to any installment, which is not paid on time, and an additional \$30 charge is added to a late second installment.

**If payment of the supplemental tax bill is not made before the delinquency date because of a misunderstanding between my lender and myself, may I have the penalties excused?**

No. State law stipulates that this is not an acceptable reason for excusing penalties.

**If I do not have enough money, may I just pay part of an installment?**

No. The full amount of each installment must be paid.

**Am I entitled to a homeowner's exemption on my supplemental tax bill?**

You may very well be eligible for a homeowner's exemption on your supplemental tax bill. Exemptions, however, are not granted automatically. You must apply to the Assessor before the 30<sup>th</sup> day following the date of the notice from the Assessor of your supplemental assessment. As long as the home you purchased did not receive the homeowner's exemption on the current year's assessment, and as long as you occupy the home as your principal residence within 90 days of the purchase date, you would be allowed the full amount (\$7,000) on the supplemental assessment. If your newly purchased home did receive the full homeowner's exemption, however, you would not be able to receive the exemption on your supplemental assessment.

*Example:*

You purchased a home on which no homeowner's exemption had been allowed. You are reassessed on the first day of the month following the ownership change. If you file for and qualify for a homeowner's exemption, the entire \$7,000

exemption amount would be deducted from the supplemental assessment BEFORE the taxes are calculated as follows.

$$\text{Assessed Value} - \text{Exemption} \times \text{Tax Rate} \times \text{Proration Factor} = \text{Tax Due}$$

**Are other exemptions and assistance programs available that will help defray the amount of supplemental taxes due?**

Yes. Supplemental taxes are eligible for the same property tax exemptions and assistance programs as your annual taxes. In addition to the homeowner's exemption, you can apply through the Assessor's Office for a number of other assessment exemptions (e.g., Veteran's, church, and welfare) that result in savings. You must, however file for all exemptions before the 30<sup>th</sup> day following the date of the notice from the Assessor of your supplemental assessment. For further information, contact the Assessor's Office, Exemption Services at (805) 654-2287 or send an email to [assessor.info@ventura.org](mailto:assessor.info@ventura.org).