

In June 1978, California voters approved Proposition 13, the landmark property tax limitation initiative that added Article XIII A to the California Constitution.

Proposition 13:

- Rolled back most local real property assessments to 1975 market value levels;
- Limited the property tax rate to 1 percent plus the rate necessary to fund local voter-approved bonded indebtedness;
- In most cases, limited future property tax increases to a maximum of 2 percent per year.

In November 1978, California voters passed Proposition 8, which amended Article XIII A to allow temporary reductions in assessed value in cases where real property suffers a **decline in value**. Proposition 8 is codified by section 51(a)(2) of the Revenue and Taxation Code.

A decline in value occurs in any year in which the current market value of real property is less than its adjusted **base year value** as of the lien date, January 1. A property's **base year value** is the market value of real property as established in 1975 or when the property last changed ownership or underwent new construction. The base year value is adjusted annually by lower of the percentage change in the consumer price index (CPI), or 2 percent. The adjusted base year value is also known as the **factored base year value**.

The market value of real property may decline from one lien date to the next lien date; however, the property will not benefit from a lower assessment unless its market value falls below the current factored base year value.

For example, if you purchase your property during a time when the real estate market falls dramatically, or if your property is substantially damaged due to a storm or fire that causes a reduction in your property's value, it is likely that your property will benefit from a Proposition 8 reassessment. The decline in value is typically temporary and may be the result of changes in the real estate market, the neighborhood, or the property itself.

When the market value of a property on the January 1 lien date falls below the factored base year value, the assessor will review the property's assessment and enroll the lesser of the factored base year value or market value.

Once a property's assessment has been reduced under Proposition 8, the assessor reviews the assessment annually to determine whether it should remain in decline-in-value status. The assessed value of a property in decline-in-value status may increase each lien date (January 1) by more than the standard two percent maximum allowed for properties assessed under Proposition 13; however, unless there is a change in ownership or new construction, a property's assessed value can never increase above its existing factored base year value.