

Property Tax Assistance Company, Inc.
MULTI-STATE TAX CONSULTANTS

16906 Bellflower Boulevard • Bellflower, CA 90706
Telephone: (213) 867-0758 • FAX: (213) 925-7344

OFFICES
LOS ANGELES, CALIFORNIA
SAN DIEGO, CALIFORNIA
SAN FRANCISCO, CALIFORNIA
CLEVELAND, OHIO

PTA

September 25, 1991

State Board of Equalization
Assessment Standard Division
P.O. Box 942879
Sacramento, CA 94279-0001

Attn: Verne Walton

Re: Sales & Auction Data

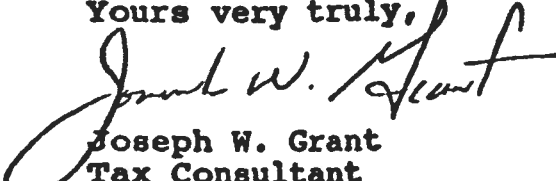
Dear Mr. Walton:

Recently we attended a Society of Auditor Appraisers meeting in Concord, California. Mark Buckley from your office gave a very good lecture in one of the workshops I attended. During this lecture it was my understanding that the SBE is not opposed to using auction data to help arrive at a proper market value. We would appreciate having some additional data on how and when this type of data would be used, specifically we would like to know:

1. What is the SBE's position on the use of this type of information?
2. Does the SBE have any written guidelines on the use of this type of data and if so may we get a copy?
3. Have there been letters to the assessors written on this subject and if so which ones?

Thank you in advance for your cooperation in this matter.

Yours very truly,


Joseph W. Grant
Tax Consultant

al

CALIFORNIA • TEXAS • COLORADO • OKLAHOMA
MISSOURI • WASHINGTON • OREGON

OHIO • MICHIGAN • GEORGIA • ALABAMA
ILLINOIS • MARYLAND • CONNECTICUT • WASHINGTON, D.C.
VIRGINIA • RHODE ISLAND

STATE BOARD OF EQUALIZATION

N STREET, SACRAMENTO, CALIFORNIA

BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001

(916) 445-4982

SEP 28 1992

WILLIAM M. BENNETT
First District, Kernfield

BRAD SHERMAN
Second District, Los Angeles

ERNEST J. DRONENBURG, JR.
Third District, San Diego

MATTHEW K. FONG
Fourth District, Los Angeles

GRAY DAVIS
Controller, Sacramento

BURTON W. OLIVER
Executive Director

September 24, 1992

Property Tax Assistance Co., Inc.
16906 Bellflower Boulevard
Bellflower, California 90706

Attention: Mr. Joseph W. Grant
Tax Consultant

Dear Mr. Grant:

I am responding to your letter dated September 25, 1991. You have requested our opinion on using auction sales data as an indicator of fair market value.

I am not aware of any formal policy on this specific subject adopted by either the Board or by the Assessment Standards Division staff. We have reviewed our files and have found no previous written correspondence on this matter.

For auction sale prices to be a valid indicator of fair market value, the conditions stipulated in the market value definition must be met. The definition of fair market value is found in Section 110 of the Revenue and Taxation Code and further clarified in Rule 2 of the California Code of Regulations. Rule 2 defines fair market value as follows:

"... the price at which a property, if exposed for sale in the open market with a reasonable time for the seller to find a purchaser, would transfer for cash or its equivalent under prevailing market conditions between parties who have knowledge of the uses to which the property may be put, both seeking to maximize their gains and neither being in a position to take advantage of the exigencies of the other. . . ."

Each selling price an appraiser uses as an indicator of market value should be investigated and studied to determine whether the required market value conditions are met. The absence of any of the conditions stipulated in the market value definition does not mean the sale is not indicative of market value. It requires the appraiser to determine whether the lack of this condition influenced selling price.

Auctions due to forced sales such as a bankruptcy or foreclosure would generally not be considered reliable indicators of fair market value. However, in some circumstances auction sales could meet the market value

conditions. The appraiser should consider if the transaction was typical of existing market and economic conditions. Some types of property typically transfer through the auction process. If this is the typical method of transfer, given the existing market and economic conditions, and the market value conditions have been met, the sale may be indicative of fair market value. In those cases, it would be proper to use the auction sales prices as an indicator of fair market value.

I hope this has been responsive to your questions and clarifies our position in this matter. If you have any further questions, please feel free to contact our Business Property Technical Services Unit at (916) 445-4982.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:sk