POSSESSORY INTERESTS

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What are taxable possessory interests?

A taxable possessory interest may occur whenever a private person or entity rents, leases, occupies, controls, or has the right to beneficial use in publicly-owned real property. A possessory interest may be created or acquired through a contract, lease, concession agreement, license, permit, verbal agreement, or simply by possession or occupation without agreement. The use of the property may be concurrent or alternating with another use or user.

What are examples of possessory interests?

- Boat moorings, skiff racks, boat slips, and storage for boats at public harbors and ports.
- Private possession and use of residences that are owned by public agencies.
- Airplane tie-downs, hangars, concessions, and commercial buildings at public airports.
- The right to graze livestock on public land.
- Concessions at publicly-owned golf courses, parks, stadiums, fairgrounds, and other facilities.
- Commercial establishments located along the Morro Bay Embarcadero.

Are possessory interests new?

No. Possessory interest assessments existed as early as the 1850's. Today, possessory interests in California constitute thousands of property assessments and amount to a significant part of the property tax base for our counties, cities, and school districts.

Why are possessory interests taxable?

Publicly-owned property is tax exempt as it is held by a public agency to provide a service or public enjoyment. Publicly-owned property providing beneficial use to a private person or entity is no longer available for public use. Thus, the "possession" becomes taxable to the individual or entity receiving the beneficial use. Similarly, landlords of privately-owned taxable property relinquish the beneficial use of their property to a tenant who in turn pays property taxes indirectly through rents paid for possession.

How are possessory interests valued?

Possessory interests are appraised under the guidelines of the California State Constitution and Proposition 13. The rights of the possessor are appraised at a leasehold market value, which is then enrolled as the taxable value. Once a base value is set, that value (plus a maximum of 2% per year indexing) will remain the taxable value until a new appraisal occurs. A reappraisal may be triggered by a change in ownership, completed new construction, or when the term used for appraisal purposes (either the lease term or the typical use term for that type of possessory interest) is over.

Possessory interests are assessed to the possessor of record as of lien date (12:01 a.m. January 1) of each year.
The possessor of record on lien date is responsible for the entire year's taxes.

If you disagree with the taxable value of your possessory interest, you may request a review of the assessment with the County Assessor's office. You may also file an appeal with the County Clerk of the Board.

Information on the possessory interest low value exemption

On December 10, 2019, at the request of the Assessor, the County Board of Supervisors approved an amendment to Chapter 3.21 of Title 3 of the County Code regarding Low Value Assessments and Property Tax on Such Assessments. Subsection 3.21.020(b)(4) previously provided for the exemption from taxation all possessory interests with an assessed value less than or equal to five thousand dollars.

The recently approved amendment increases the exemption allowed in Subsection 3.21.020(b)(4) from five thousand dollars to fifty thousand dollars, as provided by the July 12, 2019 amendment to Section 155.20 of the California Revenue and Taxation Code regarding possessory interests and the administration of the low value exemption.

What does this mean for you?

Beginning with the 2020/2021 tax year, any taxpayer whose possessory interest property tax assessment falls below $50,000 as of the lien date (January 1 tenancy reporting date) will not receive a tax bill.