



Photo by Jim Bartsch

Remodeling and the Tax Assessment Conundrum

By DENNIS ALLEN

People frequently ask about remodeling as it relates to property tax assessments. Some believe that simply increasing the footprint of a house causes a reassessment, while others think that a modest remodeling change, like swapping out a cabinet, would trigger the process. Since this covers a wide spectrum of remodeling activity, what would actually initiate a reassessment?

For help with this question, I turned to Ryan Cullinen from our office who heads our pre-construction team.

The first point he emphasized is that remodels and additions don't necessarily lead to a reassessment of the entire house. Any area of a house not being modified will keep the existing tax base. If a 200-square-foot kitchen remodel triggers a reassessment, only the 200 square feet being remodeled would be subject to a new rate.

So what scope of work triggers a reassessment?

Any change that increases the area of the house is subject to new taxes. Remodeled areas that are considered "substantially equivalent of new" are reevaluated for new taxes. But how is "substantially equivalent of new" interpreted? If a room is demolished down to the studs and then rebuilt, that would be considered basically new. However, if a wall between the kitchen and dining room is removed, as an example, that may not be enough to trigger reassessment as long as the surrounding areas aren't modified in a significant enough way to set in motion a reappraisal.

Planning major new features in a kitchen such as a bay window or a

large island work area would likely open a reassessment. Changing a gas cooker to a magnetic induction electric unit, on the other hand, would not likely lead to a tax reconsideration. It all depends on how many and how extensive the remodeling changes are.

Obviously from the above, when it comes to remodeling, the line that opens a tax reassessment is a bit vague. It's possible, however, to have the tax assessor review a set of plans showing the specific remodeling changes being contemplated to get an opinion as to whether the proposed work would affect property taxes. This can be done prior to applying for a building permit.

For some, how the tax situation plays out is critical, maybe even determining whether it's possible to stay in Santa Barbara or not. Homes built in the '60s or earlier have a low tax base (fixed at 1975 property values by proposition 13) as long as they haven't undergone big construction changes in the subsequent years. Maybe the house has been inherited from a parent so there are new inhabitants, but the same advantageous tax situation. (New ownership as a result of a sale would change the tax base by linking it to the property value at the time of sale.) Knowing in advance what upgrading work would or would not trigger a reassessment might make all the difference.

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