

# EL DORADO COUNTY SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY

NOVEMBER 2020

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November 13, 2020

TO COUNTY ASSESSORS:

No. 2020/055

**EL DORADO COUNTY  
SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY**

A copy of the El Dorado County Supplemental Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in specified counties to determine that the practices and procedures used by the County Assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Karl Weiland, El Dorado County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the Assessor's response, constitutes the final survey report, which is distributed to the Governor, the Attorney General, and the State Legislature; and to the El Dorado County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this supplemental survey was performed by the BOE's County-Assessed Properties Division during October 2019. The report does not reflect changes implemented by the Assessor after the fieldwork was completed.

Mr. Weiland and his staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

Sincerely,

/s/ David Yeung

David Yeung  
Deputy Director  
Property Tax Department

DY:dcl  
Enclosure

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## **INTRODUCTION**

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest derives from state law that annually guarantees California schools a minimum amount of funding, to the extent that property tax revenues fall short of providing this minimum amount of funding, the State must make up the difference from the general fund.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews the practices and procedures (surveys) of specified County Assessors' offices. This report reflects the BOE's findings in its current survey of the El Dorado County Assessor's Office.

The Assessor is required to file with the board of supervisors a response that states the manner in which the Assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, and the Senate and Assembly; and to the El Dorado County Board of Supervisors, Grand Jury, and Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Karl Weiland, El Dorado County Assessor, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendixes.

## **OBJECTIVE**

The survey shall "...show...the extent to which assessment practices are consistent with or differ from state law and regulations."<sup>1</sup> The primary objective of a survey is to ensure the Assessor's compliance with state law governing the administration of local property taxation. This objective serves the three-fold purpose of protecting the state's interest in the property tax dollar, promoting fair treatment of taxpayers, and maintaining the overall integrity and public confidence in the property tax system in California.

The objective of the survey program is to promote statewide uniformity and consistency in property tax assessment by reviewing each specified county's property assessment practices and procedures, and publishing an assessment practices survey report. Every Assessor is required to identify and assess all properties located within the county – unless specifically exempt – and maintain a database or "roll" of the properties and their assessed values. If the Assessor's roll meets state requirements, the county is allowed to recapture some administrative costs.

## **SCOPE AND METHODOLOGY**

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the Assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the Assessor.

Pursuant to Revenue and Taxation Code<sup>2</sup> section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team – based on objective standards defined in regulation – that there are no significant assessment problems in the county.

The BOE has elected to conduct a supplemental survey for El Dorado County. The supplemental survey includes a review of the recommendations contained in the prior survey report, the Assessor's written response to the recommendations, the Assessor's current records pertaining to those recommendations, and interviews with the Assessor and his staff. This supplemental survey is made to determine the extent to which the Assessor has implemented the recommendations contained in the prior survey report and to identify areas where problems still exist.

This supplemental survey examined the assessment practices of the El Dorado County Assessor's Office for the 2019-20 assessment roll. Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.

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<sup>1</sup> Government Code section 15642.

<sup>2</sup> Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code and all rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

Our survey methodology of the El Dorado County Assessor's Office included reviews of the Assessor's records, interviews with the Assessor and his staff, and contacts with officials in other public agencies in El Dorado County who provided information relevant to the property tax assessment program.

For a detailed description of the scope of our review of county assessment practices, please refer to the document entitled *Scope of Assessment Practices Surveys* available on the BOE's website at <http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf>. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

## **EXECUTIVE SUMMARY**

The BOE has elected to perform a supplemental survey of the El Dorado Assessor's Office County, addressing only the recommendations from the prior survey and whether the Assessor has implemented those recommendations. In the 2017 El Dorado County Assessment Practices Survey report, there were a total of eight recommendations.

In the area of real property assessment, we reviewed five prior recommendations identified in the Assessor's change in ownership, declines in value, taxable possessory interests, and timeshares programs. The Assessor has partially implemented the recommendations that relate to the Legal Entity Ownership Program and the assessment of timeshare properties. However, the Assessor has not implemented the recommendations that relate to changes in ownership, declines in value, or taxable possessory interests.

In the area of personal property and fixtures, we reviewed three prior recommendations identified in the Assessor's audit, business property statement, and vessels programs. The Assessor has implemented the recommendation related to the assessment of vessels and partially implemented the recommendation related to the business property statement program. However, the Assessor has not implemented the recommendation that relates to audits.

## **OVERVIEW OF EL DORADO COUNTY**

El Dorado County is located in mid-California and lies within California's Gold Rush Country. At the time of this survey, El Dorado County had an estimated population of 190,678. The county encompasses a total area of 1,786.35 square miles, consisting of 1,707.88 of land area and 78.47 square miles of water area, and is bounded on the north by Placer County, on the south by Alpine and Amador Counties, to the west by Sacramento County, and to the east by the state of Nevada.



Established in 1850 as one of the original California counties, El Dorado County has two incorporated cities: the county seat, Placerville, and South Lake Tahoe.

The El Dorado County local assessment roll ranks 27th in value of the 58 county assessment rolls in California. The total assessed roll value has increased by an annual average of 5.5 percent over the last five years.<sup>3</sup>

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<sup>3</sup> Assessed value percent change is calculated using the average of five years from BOE Annual Report Statistical Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, from years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20.



## ASSESSMENT OF REAL PROPERTY: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following are the recommendations included in our August 2017 Assessment Practices Survey Report that relate to the assessment of real property and the Assessor's response to the recommendations. After each recommendation, we report the current status of the Assessor's effort to implement the recommendation, as noted during our supplemental survey fieldwork.

### ***Change in Ownership***

**RECOMMENDATION 1:** Apply section 482 penalty for failure to file completed *Change of Ownership Statements* within 90 days of written request.

### **Original Findings:**

We found the Assessor fails to assess the mandatory section 482(a) penalty when a COS is not returned within the specified 90 days of written request mailed by the Assessor.

### **Original Assessor's Response:**

*We concur and will implement procedures in the adoption of the Megabyte property system.*

### **Current Status:**

The Assessor has not implemented this recommendation. The Assessor sends the property owner a request to file BOE-502-AH, *Change of Ownership Statement (COS)*, in cases when the property owner does not file a completed BOE 502-A, *Preliminary Change of Ownership Report (PCOR)*. However, the Assessor does not apply a penalty because the office does not maintain a manual or automated system set up to track when the 90 day period has expired.

Section 480 provides that transferees shall file a change in ownership statement with the recorder or Assessor in the county where the subject property is located. In addition, section 482(a) provides that if a required party fails to file the completed COS within 90 days from the date of the Assessor's written request, a penalty of either: (1) one hundred dollars (\$100), or (2) 10 percent of the taxes applicable to the new base year value reflecting the change in ownership of the real property or manufactured home, whichever is greater, but not to exceed five thousand dollars (\$5,000), must be added to the assessment made on the roll. The penalty shall apply for failure to file a complete change in ownership statement notwithstanding the fact that the Assessor determines that no change in ownership has occurred. Once the Assessor has sent the taxpayer a COS requesting additional information, the filing of this form is not optional and the Assessor should only allow 90 days for the return of a completed COS.

The information contained in a properly completed COS assists the Assessor in making an accurate assessment. By not assessing penalties timely, the Assessor is not in compliance with section 482.

**RECOMMENDATION 2:** Improve the LEOP program by: (1) reassessing all properties owned by a legal entity undergoing a change in control, and (2) applying appropriate penalties as required by section 482(b) if BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities*, is not filed timely.

**(1) Reassess all properties owned by a legal entity undergoing a change in control.**

**Original Findings:**

We found properties owned by legal entities having undergone a change in control that had not been reassessed even though BOE's LEOP section notified the Assessor of the change.

**Original Assessor's Response:**

*We appreciate the survey team's identification of this administrative oversight and have already implemented corrective procedures.*

**Current Status:**

The Assessor has implemented this portion of the recommendation. We reviewed multiple entities that had undergone a change in control and found the Assessor properly reassessed all properties owned by the legal entity. The Assessor has established procedures to notify staff of changes in control or ownership provided by BOE's LEOP section and is now sending notifications to staff in accordance with the procedures.

**(2) Apply appropriate penalties as required by section 482(b) if BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities*, is not filed timely.**

**Original Findings:**

We found that the Assessor is not applying the penalties required by section 482(b) when BOE-100-Bs are filed late.

**Original Assessor's Response:**

*The implementation of the Megabyte property tax system will resolve this problem.*

**Current Status:**

The Assessor has not implemented this portion of the recommendation. We reviewed a sample of records and discovered penalties required by section 482(b) were not applied when statements were filed late.

Each month, the BOE provides the Assessor with reports identifying legal entities that have undergone a change in control or a change in ownership: the reports are commonly referred to as LEOP's *Notice of Findings* reports. The reports identify the date of the BOE-100-B filing reporting the change in control or change in ownership for each entity and identifies if the transaction is subject to penalty under section 482(b) for late filing. Additionally, a copy of the BOE-100-B filing along with the envelope bearing the postmark that accompanied the filing is sent to the Assessor with the report as evidence of the filing date.

Sections 480.1(a) and 480.2(a) state, in part, that whenever there is a change in ownership or a change in control of any corporation, partnership, limited liability company, or other legal entity, a signed change of ownership statement as provided in subdivision (b) (BOE-100-B), must be filed with the BOE. Section 482(b) states, in part, if a person or legal entity required to file a statement described in section 480.1 or 480.2 fails to do so within 90 days from the earlier of (1) the date of the change in control or the change in ownership, or (2) the date of a written request by the BOE, a penalty of 10 percent must be added to the assessment made on the roll.

By not applying penalties for a late filed BOE-100-B, the Assessor is not complying with statutory requirements.

### ***Declines in Value***

**RECOMMENDATION 3:** Annually review commercial and timeshare properties with taxable values that are less than their factored base year value as required by section 51(e).

### **Original Findings:**

We found that the Assessor is not annually reviewing all commercial and timeshare properties in decline-in-value status in accordance with section 51(e).

### **Original Assessor's Response:**

*We concur with the recommendation. Throughout the recession and recovery, we have always implemented an aggressive Prop 8 review process that attempts to maximize fair and impartial assessments in compliance with the statutory requirements while constrained by limited resources.*

### **Current Status:**

The Assessor has not implemented this recommendation. We found that the Assessor is not annually reviewing timeshare properties in decline-in-value status in accordance with section 51(e).

Section 51(e) provides that the Assessor is not required to annually reappraise all assessable property to determine if the property qualifies for a decline-in-value reduction. However, for each lien date after the first lien date for which the taxable value of the property is reduced, the

value of that property must be annually reappraised at its full cash value until the full cash value exceeds its factored base year value.

In El Dorado County, timeshares decline in value once a developer sells out of all available interests. Brokers or other services are used by owners to market a property and some project developers offer points in exchange for the property interest.

By not annually reviewing all properties in decline-in-value status, the Assessor is not in compliance with statute and may be enrolling incorrect assessments for the lien date.

***Taxable Possessory Interests***

**RECOMMENDATION 4:** Improve the taxable possessory interest program by: (1) not revaluing taxable possessory interests due to a renewal or extension during the reasonably anticipated term of possession, (2) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value and enrolling the values consistently, (3) issuing supplemental assessments for changes in ownership or new construction of qualifying possessory interests on the unsecured roll, and (4) adding the present worth of unpaid rents to the nominal sale price as required by Rule 21.

**(1) Do not revalue taxable possessory interests due to a renewal or extension during the reasonably anticipated term of possession.**

**Original Findings:**

Taxable possessory interests without a stated term of possession are being revalued annually with no evidence of a change in ownership or new construction and regardless of the reasonably anticipated term of possession used in the initial valuation. For example, the Assessor may use a reasonably anticipated term of possession of five years to value a typical month-to-month lease, but then revalues the taxable possessory interest before the end of that anticipated term.

**Original Assessor's Response:**

*We concur with the recommendation and will implement procedures to insure compliance with the transition to our new property system.*

**Current Status:**

The Assessor has not implemented this recommendation. Taxable possessory interests without a stated term of possession are being revalued annually with no evidence of a change in ownership or new construction and regardless of the reasonably anticipated term of possession used in the initial valuation. For example, the Assessor uses a reasonably anticipated term of possession of five years to value a typical month-to-month lease, but then revalues the taxable possessory interest yearly.

Rule 21(d) establishes two categories of taxable possessory interests: those with a stated term and those without a stated term. If there is a specified term of possession in the document creating the taxable possessory interest, the taxable possessory interest is of a stated term; if the tenancy is of unspecified duration or month-to-month, the taxable possessory interest is not of a stated term. For all taxable possessory interests, the term of possession for valuation purposes is called the "reasonably anticipated term of possession." For taxable possessory interests without a stated term, the Assessor may establish a reasonably anticipated term of possession on each valuation date based on the criteria in Rule 21(d)(2).

The Assessor's practice of annually revaluing taxable possessory interests without a stated term of possession, with no evidence of a change in ownership or new construction, rather than when the reasonably anticipated term of possession terminates or with a term that differs from the reasonably anticipated term initially established, could result in incorrect assessments.

**(2) Periodically review all taxable possessory interests with stated terms of possession for declines in value and enroll the values consistently.**

**Original Findings:**

We reviewed several taxable possessory interest files indicating a stated term of possession. Some files contained a spreadsheet showing declining values for the term. The declining values were enrolled according to the spreadsheet for a year or two, and then in subsequent years the enrolled value was either indexed by the BOE-announced inflation factor or a new declining value spreadsheet was created using a new term of possession. In the latter case, our review found no evidence supporting the new term or that would justify using a term other than the original stated term of possession, such as a change in ownership or the creation of an agreement or mutual understanding between the public owners and private lessees.

**Original Assessor's Response:**

*We concur with the recommendation and will comply.*

**Current Status:**

The Assessor has not implemented this recommendation. We reviewed several taxable possessory interest files indicating a stated term of possession. In some cases, the term discontinued being reduced after an error regarding the term was adjusted. In other cases, terms are not being reduced, while others are reduced without an apparent reason for the difference in treatment.

Rule 21(a)(6) defines "stated term of possession" as the remaining period of possession, as of the date of valuation, as specified in the instrument that created, extended, or renewed the taxable possessory interest. The Assessor should monitor and periodically review such taxable possessory interests for possible declines in value.

The Assessor's inconsistent use of a declining term when valuing taxable possessory interests with a stated term of possession is contrary to statute and results in incorrect valuations.

**(3) Issue supplemental assessments for changes in ownership or new construction of qualifying taxable possessory interests on the unsecured roll.**

**Original Findings:**

Most types of taxable possessory interests in El Dorado County are enrolled on the unsecured roll. Due to computer system limitations, the Assessor is unable to issue supplemental assessments for changes in ownership or new construction involving interests on the unsecured roll. However, taxable possessory interests in cabins on U.S. Forest Service land are enrolled on the secured roll; therefore, supplemental assessments are issued for changes in ownership or new construction of these taxable possessory interests.

**Original Assessor's Response:**

*The implementation of the Megabyte Property system, scheduled to go live on July 1, 2018, will resolve this issue.*

**Current Status:**

The Assessor has not implemented this recommendation. We found most types of taxable possessory interests in El Dorado County are enrolled on the unsecured roll. Due to computer system limitations prior to July 1, 2018, the Assessor was unable to issue supplemental assessments for changes in ownership or new construction involving interests on the unsecured roll. On July 1, 2018 the Assessor changed to a new computer system. However, due to staffing and system limitations, the Assessor has not been able to issue supplemental assessments for taxable possessory interests on the unsecured roll.

Section 61(b) provides the creation, renewal, extension, or assignment of a taxable possessory interest is a change in ownership. Section 75.11 provides there shall be a supplemental assessment following a change in ownership or completed new construction.

The Assessor's practice of not issuing supplemental assessments for taxable possessory interests on the unsecured roll following a change in ownership or completed new construction is contrary to statute and may result in a loss of revenue to El Dorado County.

**(4) Add the present worth of unpaid rents to the nominal sale price as required by Rule 21.**

**Original Findings:**

The Assessor enrolls the sale price of privately owned cabins on U.S. Forest Service land as the total base year value for the cabin and the possessory interest and then allocates the value between land and improvements. He does not make an adjustment to the sale price for unexpired contract rents assumed by the buyer of the property. The Assessor believes buyers are essentially paying fee value for the land on which the cabins are located.

**Original Assessor's Response:**

*We disagree with the recommendation for the following reasons:*

*a). This recommendation is faulty and incomplete; compliance would result in overassessment. The recommendation reads 4) "Adding the present worth of unpaid rents to the nominal sales price as required by rule 21". What rule 21 actually states under (e)(1)(A) is "In the direct comparison method, the appraiser shall add the following to the sale price of the subject taxable possessory interest, or to the sale price of a comparable taxable possessory interest, to derive an indicator of the fair market value of the subject taxable possessory interest: (i) the present value on the sale date of any unpaid future contract rent for the term of possession, however this section also states... **The unpaid future contract rent in (i) above shall be reduced by any expense necessary to maintain the income from the taxable possessory interest, including any element of "gross outgo" as defined in subsection (c) of rule 8.** (emphasis added)*

*b) There is evidence to support a conclusion that there is no net income to be capitalized. The Congressional Budget Office analysis of H.R. 5476, the Cabin Fee Act (CFA) shows a net increase in revenue of \$1 million at the end of ten years, an average of \$100,000 per year from the approximate 14,000 cabins in the program. This equates to about \$7 per cabin per year. Source: <http://www.cbo.gov/sites/default/files/113th-congress-2013-2014/costestimate/hr5476.pdf>*

*c) Information has been requested from the Tahoe Basin Management unit of the USFS in an effort to establish if and how much net income is produced by the cabin program in El Dorado County. 2010 congressional testimony from USFS Deputy Chief Joel Holthrop included the following remarks "I also would like to recognize and understand the administrative cost of administering this program. As Representative Hastings said, there are over 14,000 cabin owners, and we recognize that those cabin owners visit the forests many times in a year, and visit the forests with friends and family. So there are maybe as many as five million visitors that are associated with the cabin users. The National Forest System accommodates 175 million visits a year, and the cost of us administering the Cabin User Program is over 5 percent of our recreation budget. In the State of California it is over 15 percent of our recreation budget. And on the El Dorado National Forest alone, it is one third of our recreation budget. The El Dorado is in California." Source: <https://www.gpo.gov/fdsys/pkg/CHRG-111hrg56090/html/CHRG-111hrg56090.htm>*

*d) Explicit in this recommendation and by extension Rule 21, is the premise that buyers and sellers of residential cabins in the USFS Recreational Cabin program are incapable of determining the value of property where less than a fee interest in the land is conveyed. Furthermore, this recommendation mandates an arbitrary rebuttal of the nominal sales price without evidence and in contradiction of evidence provided in prior surveys.*

*e) South Lake Tahoe is a heavily regulated area and the impact of agencies like the Tahoe Regional Planning Authority (TRPA), the California State Conservancy and the Lahontan Regional Water Quality Control Board, along with the complicated market of transferable Development Rights (TDR's) make valuation difficult under the best of circumstances. Between now and the next survey, the Assessor will collect, classify and document market evidence of this*

*type of property to firmly establish appropriate valuation methods in recognition of the unique market and the constitutional and statutory obligations of the office. In addition, we will obtain revenue and expense information for fees charged under the Cabin Fee Act, which replaced the Cabin Users Fair Fee Act in 2014 in order to determine if any adjustments to the nominal sales price are warranted.*

**Current Status:**

The Assessor has not implemented this recommendation. The Assessor enrolls the sale price of privately owned cabins on U.S. Forest Service land as the total base year value for the cabin and the possessory interest and then allocates the value between land and improvements. The Assessor does not make an adjustment to the sale price for unexpired contract rents assumed by the buyer of the property. The Assessor believes buyers are essentially paying fee value for the land on which the cabins are located. Although the Assessor provided a study, we found that it did not support the Assessor's practice of not making an adjustment to the sale price for unexpired contract rents assumed by the buyer of the property.

Under Rule 21(e)(1)(A), the direct method of the comparative sales approach is one of the generally accepted methods for valuing a taxable possessory interest. In this method, an important adjustment to the reported purchase price is the addition of the present value of the unpaid future contract rent over the remaining term of possession. It is also important to consider the cost of site restoration at the end of the term of possession.

When determining the value of a taxable possessory interest, the Assessor must include the total consideration paid for the interest. To arrive at the total consideration, the Assessor must add the present value of the unpaid future contract rents (reduced by any allowable expenses) for the reasonably anticipated term of possession to the sale price. If this adjustment is not made, the value indicator does not reflect the full value of the taxable possessory interest.

The Assessor's practice of not including unexpired contract rents assumed by the buyer is contrary to Rule 21 and Board guidance, and may result in an underassessment of the taxable possessory interest.



## **Timeshares**

**RECOMMENDATION 5:** Improve the timeshare assessment program by: (1) establishing written procedures for the processing of timeshares, (2) assessing personal property at market value in timeshare units held by the developer, and (3) reassessing timeshare projects when the cumulative interest and value transferred meet the requirements of section 65.1.

### **(1) Establish written procedures for the processing of timeshares.**

#### **Original Findings:**

The Assessor currently has no written procedures for the processing of timeshare properties. Furthermore, within the periods included in our review of the timeshare assessment program, there had been a change in personnel assigned to timeshare assessments in the Assessor's office. As a result, during our review of timeshare properties, the current staff responsible for valuations were not familiar with how timeshares had been valued previously and were able to provide only limited information on current practices. Without written procedures, uniformity and consistency in processing timeshare assessments are difficult to achieve. The program would benefit from the development of detailed procedures for the assessment of these properties.

#### **Original Assessor's Response:**

*We concur with the recommendation and have completed established written procedures and incorporated them into our procedures.*

#### **Current Status:**

We found that the Assessor has implemented this recommendation. The BOE was provided established written procedures for the processing of timeshare properties. The current procedures include steps for enrolling new projects, inventory control, and valuing deeded and right to use timeshare units. However, we found that the procedures for assessment of personal property could be more clearly defined.

### **(2) Assess personal property at market value in timeshare units held by the developer.**

#### **Original Findings:**

The Assessor does not assess any of the personal property in the timeshare project. Some personal property is still held in the developer's timeshare inventory, while some is located in units that are either rented to others by the timeshare owners or by the developer.

#### **Original Assessor's Response:**

*We concur and will implement this recommendation with the transition to our new property system.*

**Current Status:**

We found that the Assessor has not implemented this recommendation. The Assessor does not assess any personal property (furnishings) in the units that are held in the developer's timeshare inventory or units that are rented by timeshare owners and the developer.

Section 201 provides that unless exempt, all property is taxable. Section 224 and Rule 134 exempt from taxation only those household furnishings and personal effects not held or used in connection with a trade, profession, or business. Since household furnishings in timeshare units that are rented are used in a business, they are considered taxable personal property.

The Assessor's current practice results in taxable personal property escaping assessment.

**(3) Reassess timeshare projects when the cumulative interest and value transferred meet the requirements of section 65.1.**

**Original Findings:**

We found that the Assessor does not track transfers of timeshares to determine whether cumulative transfers in any one assessment year meet the percentage interest and value requirements of section 65.1.

**Original Assessor's Response:**

*We concur and will implement this recommendation with the transition to our new property system.*

**Current Status:**

We found that the Assessor has not implemented this recommendation. The Assessor recently switched to a new assessment program, but the feature to track timeshare interest transfers has not been implemented. A total value of the annual cumulative timeshare interest transfers for each property is not tracked. The Assessor's practice is to assess and enroll all transfers at market value.

Section 65.1(a) provides that a change in ownership of an interest with a market value of less than 5 percent of the total property value shall not be reappraised if the value transferred is less than \$10,000. However, these transfers are cumulative within each assessment year. Therefore, the Assessor must track and reassess any interest that equals or exceeds 5 percent of the total property value and the total interest transferred to determine whether or not the total value exceeds \$10,000 at the end of each assessment year.

The Assessor's failure to track and review changes in ownership of timeshare estates in accordance with the provisions of section 65.1 may result in incorrect assessments of timeshare estate projects.

## **ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS**

Following are the recommendations included in our August 2017 Assessment Practices Survey Report that relate to the assessment of personal property and fixtures and the Assessor's response to the recommendations. After each recommendation, we report the current status of the Assessor's effort to implement the recommendation as noted during our supplemental survey fieldwork.

### ***Audit Program***

**RECOMMENDATION 6:** Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

### **Original Findings:**

We found for each of the assessment years under the scope of the survey, 2010-2011, 2011-2012, 2012-2013, 2013-2014, and 2014-2015, the Assessor completed a total of 26, 16, 27, 29, and 20 audits, respectively. Section 469 requires the Assessor to audit 22 assessees per year, with 11 of those from the pool of largest business property owners, those taxpayers that have the largest assessments of locally assessable trade fixtures and business tangible personal property in the county.

### **Original Assessor's Response:**

*We concur with the recommendation and will comply as time and resources allow.*

### **Current Status:**

We found that the Assessor did not meet the minimum number of audits required by section 469 for the 2016-2017 and 2018-2019 fiscal years. The Assessor fell short of the required 22 audits by completing a total of 20 audits for the 2016-2017 fiscal year and 8 audits for the 2018-2019 fiscal year. As of the date of our review, the Assessor had not conducted any audits for the 2019-2020 fiscal year. For the 2015-2016 through the 2018-2019 fiscal years, section 469 required the Assessor to audit 22 taxpayers per year, with 11 of those audits from the pool of largest business property owners and 11 audits from the pool of all other business property owners.

The passage of Senate Bill 1498 (Stats. 2018, Ch. 467), effective January 1, 2019, provides the Assessor some discretion in the number of audits completed each year. The new law amended section 469, which allows the four-year total number of audits in each category to be completed within a four-year period. The first four-year period begins with the 2019-2020 fiscal year; therefore, we are unable to determine whether the Assessor will meet the minimum number of audits required for the current fiscal year.

## **Business Property Statement Program**

**RECOMMENDATION 7:** Value taxable business property in accordance with section 501 when a taxpayer fails to file a business property statement or files late.

### **Original Findings:**

Our review included verifying the Assessor's procedures for processing late and non-filed business property statements (BPS). We found that when the business owner fails to file a BPS, the Assessor uses the previous year's reported costs data to estimate an assessment and then applies a 10 percent penalty as provided by section 463. However, in cases when the taxpayer fails to file a BPS for two or more consecutive years, we found that the Assessor incorrectly escalates the values by applying a 10 percent penalty to the previous year's enrollment inclusive of any previously applied penalties.

### **Original Assessor's Response:**

*We concur and will implement a procedure for this recommendation with the transition to our new property system.*

### **Current Status:**

We found that the Assessor has partially implemented this recommendation. When a taxpayer files a business property statement (BPS) late, the Assessor uses the reported cost data to value the property and then applies a 10 percent penalty in accordance with section 463. Beginning with the 2019 roll year, the Assessor implemented a new procedure for processing accounts when a property owner fails to file a BPS. When a property owner fails to file a BPS, the Assessor will apply the current year's valuation factors to the last reported acquisition costs, increase the value by the Assessor's estimated percentage of total roll growth, then apply the section 463 penalty. However, the Assessor could not provide support for the 5 percent estimate of total roll growth and the current year's valuation factors were not being applied to the last known cost data, rather, they were applied to the previous year's assessed value less the section 463 penalty.

Section 441(b) provides that a penalty shall apply if a BPS is not filed by May 7. If an assessee does not file a BPS by May 7, section 501 provides that the Assessor shall estimate a value based on available information and add a 10 percent penalty to that estimated value. If a BPS was received during the previous year, it is usually reasonable to use the reported cost data as a basis for estimating the current year's value. However, when allowing estimated assessments to continue for several years without any new information, the values become increasingly susceptible to error.

The Assessor's current use of unsupported value estimates when a property owner fails to file a property statement may lead to erroneous value conclusions and may lead to improper application of the late or non-filing penalty provided for in section 463.

## **Vessels**

**RECOMMENDATION 8:** Improve the vessels program by: (1) using market derived factors to value vessels, and (2) including sales tax as a component of market value when appraising vessels.

### **(1) Use market derived factors to value vessels.**

#### **Original Findings:**

After an initial vessel assessment is made, the Assessor annually applies a county depreciation factor to all vessels and personal watercraft. The Assessor believes that the county's depreciation table is based on a market study, but was not able to provide any material related to the study and was not sure who authored the study.

#### **Original Assessor's Response:**

*We concur and will implement this recommendation with the transition to our new property system.*

#### **Current Status:**

The Assessor has implemented this recommendation. We reviewed several vessel assessments and verified that the Assessor began utilizing the Board-recommended vessel valuation factors as of the 2019 roll year.

### **(2) Include sales tax as a component of market value when appraising vessels.**

#### **Original Findings:**

We found it is the Assessor's policy to not make a sales tax adjustment to the stated blue book value of vessels. The Assessor believes that the stated blue book value is within a range of values that may be viewed to include sales tax. Vessel guides such as National Automobile Dealers Associate (NADA) are intended for use on a nationwide basis and do not include the sales and use tax in the values listed.

#### **Original Assessor's Response:**

*We have adopted procedures to insure and document compliance.*

#### **Current Status:**

The Assessor has implemented this recommendation. The Assessor now includes sales tax as a component of market value when appraising vessels.

## APPENDIX A: STATISTICAL DATA

**Table 1: Assessment Roll**

The following table displays pertinent information from the 2019-2020 assessment roll.<sup>4</sup>

	PROPERTY TYPE	ENROLLED VALUE
<b>Secured Roll</b>	Land	\$11,001,190,762
	Improvements	\$23,577,684,427
	Personal Property	\$ 290,748,847
	Total Secured	\$34,869,624,036
<b>Unsecured Roll</b>	Land	\$ 18,684,052
	Improvements	\$ 211,021,115
	Personal Property	\$ 420,993,034
	Total Unsecured	\$ 650,698,201
<b>Exemptions<sup>5</sup></b>		(\$ 765,966,172)
	<b>Total Assessment Roll</b>	\$34,754,356,065

**Table 2: Change in Assessed Values**

The following table summarizes the change in assessed values over recent years:<sup>6</sup>

YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2019-20	\$34,754,356,000	4.1%	6.1%
2018-19	\$33,370,394,000	6.1%	6.5%
2017-18	\$31,454,871,000	6.0%	6.3%
2016-17	\$29,677,168,000	5.4%	5.5%
2015-16	\$28,151,911,000	5.6%	6.0%

<sup>4</sup> Statistics provided by BOE-822, *Report of Assessed Values By City*, El Dorado County for year 2019.

<sup>5</sup> The value of the Homeowners' Exemption is excluded from the exemptions total.

<sup>6</sup> BOE Annual Report Statistical Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, from years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20.

**Table 3: Gross Budget and Staffing**

The Assessor's budget has grown from \$3,457,789 in 2015-16 to \$4,361,705 in 2019-20.

As of the date of our survey, the Assessor had 37.8 budgeted permanent positions. These positions consist of the Assessor, Assistant Assessor, Deputy Assessor, 14 real property appraisers, 3 business property auditor-appraisers, 1 cadastral draftsman, 2 computer programmers, and 14.8 support staff.<sup>7</sup>

The following table identifies the Assessor's budget and staffing over recent years:<sup>8</sup>

BUDGET YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2019-20	\$4,361,705	8.7%	37.8
2018-19	\$4,011,853	-0.4%	37.8
2017-18	\$4,028,137	5.2%	37.8
2016-17	\$3,830,752	10.8%	37.8
2015-16	\$3,457,789	5.2%	36.0

**Table 4: Assessment Appeals**

The following table shows the number of assessment appeals filed in recent years:<sup>9</sup>

YEAR	ASSESSMENT APPEALS FILED
2019-20	92
2018-19	77
2017-18	76
2016-17	141
2015-16	98

<sup>7</sup> Statistics provided by the Assessor.

<sup>8</sup> Statistics provided by the Assessor.

<sup>9</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2016-17 and 2018-19. Assessor provided statistics for years 2015-16, 2017-18 and 2019-20.

**Table 5: Exemptions – Welfare**

The following table shows welfare exemption data for recent years:<sup>10</sup>

<b>YEAR</b>	<b>WELFARE EXEMPTIONS</b>	<b>EXEMPTED VALUE</b>
2019-20	250	\$813,035,235
2018-19	233	\$554,232,610
2017-18	225	\$522,976,075
2016-17	303	\$502,865,721
2015-16	250	\$469,935,509

**Table 6: Change in Ownership**

The following table shows the total number of transfer documents received and the total number of reappraisals due to changes in ownership processed in recent years:<sup>11</sup>

<b>YEAR</b>	<b>TOTAL TRANSFER DOCUMENTS RECEIVED</b>	<b>REAPPRAISABLE TRANSFERS</b>
2019-20	13,331	8,690
2018-19	17,063	9,500
2017-18	19,145	9,800
2016-17	19,698	10,245
2015-16	18,240	8,856

<sup>10</sup> Statistics provided by BOE-802, *Report on Exemptions*, for years 2015-16 through 2019-20.

<sup>11</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*, for years 2015-16, 2017-18, and 2019-20. Assessor provided statistics for years 2016-17 and 2018-19.



**Table 7: New Construction**

The following table shows the total number of building permits received and the total number of new construction assessments processed in recent years:<sup>12</sup>

YEAR	TOTAL BUILDING PERMITS RECEIVED	NEW CONSTRUCTION ASSESSMENTS
2019-20	3,066	526
2018-19	10,910	2,563
2017-18	10,584	2,096
2016-17	10,583	3,741
2015-16	7,482	1,519

**Table 8: Declines In Value**

The following table shows the total number of decline-in-value assessments in recent years:<sup>13</sup>

YEAR	DECLINE-IN-VALUE ASSESSMENTS
2019-20	30,601
2018-19	33,315
2017-18	39,270
2016-17	49,519
2015-16	53,487

<sup>12</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*, for years 2015-16, 2017-18, and 2019-20. Assessor provided statistics for years 2016-17 and 2018-19.

<sup>13</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*, for years 2015-16, 2017-18, and 2019-20. Assessor provided statistics for years 2016-17 and 2018-19.

**Table 9: Audits**

The following table shows the minimum number of audits required to be conducted and the total number of audits completed in recent years.<sup>14</sup>

<b>MINIMUM NUMBER OF AUDITS REQUIRED<sup>15</sup></b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>
Largest Assessments	11	11	11	11	11
All Other Taxpayers	11	11	11	11	11
<b>Total Required</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>
<b>NUMBER OF AUDITS COMPLETED</b>					
<b>Total Audits Completed</b>	<b>5</b>	<b>8</b>	<b>22</b>	<b>20</b>	<b>34</b>
Largest Assessments	3	4	11	10	14
<b>Over/(Under) Required</b>	<b>(8)</b>	<b>(7)</b>	<b>0</b>	<b>(1)</b>	<b>3</b>
All Other Taxpayers	2	4	11	10	20
<b>Over/(Under) Required</b>	<b>(9)</b>	<b>(7)</b>	<b>0</b>	<b>(1)</b>	<b>9</b>
<b>CCCASE AUDITS</b>					
Prepared for other County Assessors	0	0	0	0	0

<sup>14</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*, for years 2016-17 and 2018-19. Assessor provided statistics for years 2015-16, 2017-18 and 2019-20.

<sup>15</sup> See Letter To Assessor No. 2009/049, *Significant Number of Business Property Audit*, for the minimum number of annual audits required pursuant to the provisions of Revenue and Taxation Code section 469.

## **APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP**

### ***El Dorado County***

#### ***Deputy Director***

David Yeung

#### ***Survey Program Manager:***

Diane Yasui

Manager, Property Tax

#### ***Survey Team Supervisor:***

Andrew Austin

Supervisor, Property Tax

#### ***Survey Quality Control:***

Michael Dean Saunders

Senior Specialist Property Appraiser

#### ***Survey Team Leader:***

Gary Coates

Senior Specialist Property Appraiser

#### ***Survey Team:***

Christine Bradley

Associate Property Appraiser

Amanda Lopez

Associate Property Appraiser

Alexander Fries

Associate Property Auditor-Appraiser

Dany Lunetta

Associate Governmental Program Analyst

## **ASSESSOR'S RESPONSE TO BOE'S FINDINGS**

Section 15645 of the Government Code provides that the Assessor may file with the Board a response to the findings and recommendations in the survey report. The survey report, the Assessor's response, and the BOE's comments regarding the Assessor's response, if any, constitute the final survey report.

The El Dorado County Assessor's response begins on the next page. The BOE has no comments regarding the Assessor's response.



**COUNTY OF EL DORADO**  
**OFFICE OF THE ASSESSOR Karl Weiland, Assessor**

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MAIN OFFICE - 360 FAIR LANE PLACERVILLE, CA 95667  
TELEPHONE - PLACERVILLE (530) 621-5719 or S. LAKE TAHOE (530) 573-3422  
FAX (530) 642-8148 - ONLINE: [www.edcgov.us/assessor](http://www.edcgov.us/assessor)

August 6, 2020

David Yeung, Chief  
County Assessed Properties Division  
State Board of Equalization  
P.O. Box 942879  
Sacramento, CA 94279-0064

RECEIVED

AUG 11 2020

County-Assessed Properties Division  
State Board of Equalization

Dear Mr. Yeung:

Pursuant to §15645 of the California Government Code, I have prepared and included a response to the 2015 State Board of Equalization Assessment Practices Survey.

I would like to thank Andrew Austin and his team for the courteous manner in which they performed their duties.

As in surveys past, the results of this survey reflect the professionalism and dedication of the staff in the El Dorado County Assessor's Office and I thank them for their hard work and commitment.

Sincerely,

Karl Weiland  
Assessor



# COUNTY OF EL DORADO

## OFFICE OF THE ASSESSOR **Karl Weiland, Assessor**

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MAIN OFFICE - 360 FAIR LANE PLACERVILLE, CA 95667  
TELEPHONE - PLACERVILLE (530) 621-5719 ✉ S. LAKE TAHOE (530) 573-3422  
FAX (530) 642-8148 - ONLINE: [www.edcgov.us/assessor](http://www.edcgov.us/assessor)

**August 6, 2020**

### EL DORADO COUNTY RESPONSE TO RECOMENDATIONS

**ORIGINAL RECOMMENDATION 1:** Apply section 482 penalty for failure to file completed *Changes in Ownership Statements* within 90 days of written request.

**Original Response:** *We concur and will implement procedures in the adoption of the Megabyte property system.*

**Current Finding:** The Assessor has not implemented this recommendation.

**Current Response:** *Issued in August of 2017, the last survey field work was completed between October 2014 and March 2015. In January of 2015, the County signed a contract with Megabyte Property Systems to transition from our legacy system, M204 to the Megabyte property system (MPS). The last roll in the old M204 system was the completion of the 2018/2019 roll, which was timely converted, extended and billed in the new system. The Assessor began using the new system to complete the 2019/2020 roll, which, due to delays and issues with data conversion, did not actually begin until early 2019. When the 2019 survey began, our office had maybe 10 months of actual system operation, most of which was consumed with the preparation and completion of the 2019/2020 roll. We are currently in the process of establishing procedures to implement this recommendation.*

**ORIGINAL RECOMMENDATION 2:** Improve the LEOP program by:

- (1) Reassessing all properties owned by a legal entity undergoing a change in control; and
- (2) Applying appropriate penalties as required by §482(b) if BOE-100-B *Statement of Changes in Control and Ownership of Legal Entities* is not timely filed;

**Original Response:** *1) We appreciate the survey team's identification of this administrative oversight and have already implemented corrective procedures. 2) The implementation of the Megabyte property tax system will resolve this problem.*

**Current Finding:** 1) The Assessor has implemented this portion of the recommendation. 2) The Assessor has not implemented this portion of the recommendation.

**Current Response:** *We have contacted the vendor with a request for technical assistance to implement this portion of the recommendation.*

**ORIGINAL RECOMMENDATION 3:** Annually review commercial and timeshare properties with taxable values that are less than their factored base year value as required by section 51(e)

**Original Response:** *We concur with the recommendation. Throughout the recession and recovery, we have always implemented an aggressive Prop 8 review process that attempts to maximize fair and impartial assessments in compliance with the statutory requirements while constrained by limited resources.*

**Current Finding:** *The Assessor has not implemented this recommendation. We found the Assessor is not annually reviewing timeshare properties in decline-in-value status in accordance with §51(e).*

**Current Response:** *No change from our original response.*

**ORIGINAL RECOMMENDATION 4:** Improve the taxable possessory interest program by:

- 1) Not revaluing taxable possessory interests due to a renewal or extension during the reasonable anticipated term of possession;
- 2) Periodically reviewing all taxable possessory interests with stated terms of possession for declines in value and enrolling the values consistently
- 3) Issuing supplemental assessments for changes in ownership or new construction of qualifying interests on the unsecured roll; and
- 4) Adding the present worth of unpaid rents to the nominal sale price as required by rule 21.

**Original Response:** 1) *We concur with the recommendation and will implement procedures to insure compliance with the transition to our new property system*

**Current Finding:** 1) The Assessor has not implemented this recommendation

**Current Response:** 1) *No change from our original response.*

**Original Response 2)** *We concur with the recommendation have instituted procedures to insure compliance.*

**Current Finding:** 2) The Assessor has not implemented this recommendation,

**Current Response:** *We have implemented this recommendation.*

**Original Response 3)** *The implementation of the Megabyte Property system, scheduled to go live on July 1, 2018, will resolve this issue.*

**Current Finding:** 3) The Assessor has not implemented this recommendation

**Current Response:** *No change from original response.*

**Original Response 4)** *We disagree with the recommendation for the following reasons:*

- a) *This recommendation is faulty and incomplete; compliance would result in overassessment. The recommendation reads 4) "Adding the present worth of unpaid rents to the nominal sales price as required by rule 21". What rule 21 actually states under (e )(1)(A) is "In the direct comparison method, the appraiser shall add the following to the sale price of the subject taxable possessory interest, or to the sale price of a comparable taxable possessory interest, to derive an indicator of the fair market value of the subject taxable possessory interest: (i) the present value on the sale date of any unpaid future contract rent for the term of possession, however this section also states...The unpaid future contract rent in (i) above shall be reduced by any expense necessary to maintain the income from the taxable possessory interest, including any element of "gross outgo" as defined in subsection (c) of rule 8. (emphasis added)*
- b) *There is evidence to support a conclusion that there is no net income to be capitalized. The Congressional Budget Office analysis of H.R.5476, the Cabin Fee Act (CFA) shows a net increase in revenue of \$1 million at the end of ten years, an average of \$100,000 per year from the approximate 14,000 cabins in the program. This equates to about \$7 per cabin per year. Source:<http://www.cbo.gov/sites/default/files/113th-congress-2013-2014/costestimate/hr5476.pdf>*
- c) *Information has been requested from the Tahoe Basin Management unit of the USFS in an effort to establish if and how much net income is produced by the cabin program in El Dorado County. 2010 congressional testimony from USFS Deputy Chief Joel Holtrop included the following remarks "I also would like to recognize and understand the administrative cost of administering this program. As Representative Hastings said, there are over 14,000 cabin owners, and we recognize that those cabin owners visit the forests many times in a year, and visit the forests with friends and family. So there are maybe as many as five million visitors that are associated with*

*the cabin users. The National Forest System accommodates 175 million visits a year, and the cost of us administering the Cabin User Program is over 5 percent of our recreation budget. In the State of California it is over 15 percent of our recreation budget. And on the El Dorado National Forest alone, it is one third of our recreation budget. The El Dorado is in California.”*

Source: <https://www.gpo.gov/fdsys/pkg/CHRG-111hhrg56090/html/CHRG-111hhrg56090.htm>

- d) *Explicit in this recommendation and by extension Rule 21, is the premise that buyers and sellers of residential cabins in the USFS Recreational Cabin program are incapable of determining the value of property where less than a fee interest in the land is conveyed. Furthermore, this recommendation mandates an arbitrary rebuttal of the nominal sales price without evidence and in contradiction of evidence provided in prior surveys.*
  
- e) *South Lake Tahoe is a heavily regulated area and the impact of agencies like the Tahoe Regional Planning Authority (TRPA), the California State Conservancy and the Lahontan Regional Water Quality Control Board, along with the complicated market of transferable Development Rights (TDR's) make valuation difficult under the best of circumstances. Between now and the next survey, the Assessor will collect, classify and document market evidence of this type of property to firmly establish appropriate valuation methods in recognition of the unique market and the constitutional and statutory obligations of the office. In addition, we will obtain revenue and expense information for fees charged under the Cabin Fee Act, which replaced the Cabin Users Fair Fee Act in 2014 in order to determine if any adjustments to the nominal sales price are warranted.*

**Current Finding: 4)** The Assessor has not implemented this recommendation

**Current Response:** *No change from original response*

**ORIGINAL RECOMMENDATION 5:** Improve the timeshare assessment program by:

- 1) Establishing written procedures for the assessment of timeshares
- 2) Assessing personal property at market value in timeshare units held by the developer; and
- 3) Reassessing timeshare projects when the cumulative interest and value transferred meets the requirement of §65.1

**Original Response:** *1) We concur with the recommendation and have completed established written procedures and incorporated them into our procedures. 2) We concur and will implement this recommendation with the transition to our new property system. 3) We concur and will implement this recommendation with the transition to our new property system.*

**Current Finding:** 1) The Assessor has implemented this portion of the finding. 2) We found that the Assessor has not implemented this portion of the recommendation. 3) The Assessor has not implemented this portion of the recommendation.

**Current Response:** *2) We have submitted a request to our property system vendor for technical assistance in implementing this recommendation: 3) We have submitted a request to our property system vendor for technical assistance in implementing this recommendation:*

**ORIGINAL RECOMMENDATION 6:** Perform the minimum number of audits of professions, trades and businesses pursuant to section 469.

**Original Response:** *We concur with the recommendation and will comply as time and resources allow.*

**CURRENT FINDING:** The Assessor did not meet the minimum number of audits required by §469 for the 21016/2017 and 2018/2019 fiscal years.

**Current Response:** *We again concur and will comply as time and resources permit*



**ORIGINAL RECOMMENDATION 7:** Value taxable business property in accordance with sections 501 and 463 when a taxpayer fails to file business property statement or files late.

**Original Response:** *We concur and will implement a procedure for this recommendation with the transition to our new property system.*

**Current Finding:** We found the Assessor has partially implemented this recommendation. When a taxpayer files late the assessor uses the reported cost data to value the property and then applies a 10% penalty in accordance with §463. Beginning with the 2019 roll year, the assessor implemented a new procedure for processing accounts when a property owner fails to file a property statement. When a property owner fails to file a property statement, the assessor will apply the current year's valuation factors to the last reported acquisition costs, increase the value by the assessors estimated percentage of total roll growth, then apply the §463 penalty. However, the Assessor could not provide support for the five percent estimate of roll growth and the current year's valuation factors were not being applied to the last known cost data, rather they were applied to the previous year's assessed less the §463 penalty.

§463(b) provides that a penalty shall apply if a Business Property Statement (BPS) is not filed by May 7<sup>th</sup>. If an assessee does not file a BPS by May 7<sup>th</sup>, §501 provides that the Assessor shall estimate a value based on available information and add a 10% penalty to that estimated value. If a BPS was received during the previous year, it is usually reasonable to use the reported cost data as a basis for estimating the current years value. However, when allowing estimated assessment to continue for several years without any new information, the values become increasingly susceptible to error.

The Assessor's use of unsupported value estimates when a property owner fails to file a property statement may lead to erroneous value conclusions and may lead to improper application of the late or non-filing penalty prided for in §463.

**Current Response:** *We disagree with the recommendation for the following reasons:*

- 1) *The assertion that the Assessor could not provide support for the five percent estimate of roll growth is refuted by the report. I direct the reader to page 5 of this report where it is noted that the average total assessed roll value increase by an annual average of 5.5% over the last five years.*
- 2) *The recommendation incorrectly cites §501. §501 reads: If after written request by the assessor, any person fails to comply with any provision of law for furnishing information required by Sections 441 and 470, the assessor, based upon information **in his possession**, shall estimate the value of the property and, based upon this estimate, promptly assess the property. (emphasis added) Obviously, there is a vast difference between "available information" and "information in his possession".*
- 3) *The recommendation goes on to make several unsupportable conclusions regarding the reasonableness of succeeding year's assessment and appropriateness of the penalty.*

**ORIGINAL RECOMMENDATION 8:** Improve the vessel program by:

- (1) Using market value derived factors to value vessels; and
- (2) Including sales tax as a component of market value when appraising vessels

**Original Response:** *1) We concur and will implement this recommendation with the transition to our new property system. 2) We have adopted procedures to insure and document compliance.*

**Current Finding** *1) The Assessor has implemented this recommendation 2) The Assessor has implemented this recommendation.*