

# YUBA COUNTY ASSESSMENT PRACTICES SURVEY

NOVEMBER 2015

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## CALIFORNIA STATE BOARD OF EQUALIZATION

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No. 2015/052

November 25, 2015

TO COUNTY ASSESSORS:

**YUBA COUNTY  
ASSESSMENT PRACTICES SURVEY**

A copy of the Yuba County 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 each county and city and county 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 Bruce Stottlemeyer, Yuba 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 Yuba County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from February through March 2014. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Mr. Stottlemeyer 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,

Dean R. Kinnee  
Deputy Director  
Property Tax Department

DRK: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 every county assessor's office. This report reflects the BOE's findings in its current survey of the Yuba 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 Yuba 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 Bruce Stottlemeyer, Yuba 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, review each county's property assessment practices and procedures once every five years, and publish 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.

This survey examined the assessment practices of the Yuba County Assessor's Office for the 2013-14 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.

Our survey methodology of the Yuba 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 Yuba County who provided information relevant to the property tax assessment program.

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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.

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>.

We conducted reviews of the following areas:

- Administration

We reviewed the assessor's administrative policies and procedures that affect both the real property and business property assessment programs. Specific areas reviewed include the assessor's budget and staffing, workload, staff property and activities, assessment appeals, and exemptions.

- Assessment of Real Property

We reviewed the assessor's program for assessing real property. Specific areas reviewed include properties having experienced a change in ownership, new construction assessments, properties experiencing a decline in value, agricultural properties, and certain properties subject to special assessment procedures such as taxable possessory interests and mineral property.

- Assessment of Personal Property and Fixtures

We reviewed the assessor's program for assessing personal property and fixtures. Specific areas reviewed include conducting audits, processing business property statements, business equipment valuation, and manufactured home assessments.

## **EXECUTIVE SUMMARY**

We examined the assessment practices of the Yuba County Assessor's Office for the 2013-14 assessment roll. This report offers recommendations to help the assessor correct assessment problems identified by the survey team. The survey team makes recommendations when assessment practices in a given area are not in accordance with property tax law or generally accepted appraisal practices. An assessment practices survey is not a comprehensive audit of the assessor's entire operation. The survey team does not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment. In terms of current auditing practices, an assessment practices survey resembles a compliance audit – the survey team's primary objective is to determine whether assessments are being made in accordance with property tax law.

In the area of administration, the assessor is effectively managing staffing and workload, staff property and activities, and assessment appeals. However, we made a recommendation for improvement in the exemptions program.

In the area of real property assessment, the assessor has effective programs for new construction and agricultural properties. However, we made recommendations for improvement in the change in ownership, declines in value, taxable possessory interests, and mineral property programs.

In the area of personal property and fixtures assessment, the assessor has effective programs for business equipment valuation and the assessment of manufactured homes. However, we made recommendations for improvement in the audit and business property statement programs.

Despite the recommendations noted in this report, we found that most properties and property types are assessed correctly, and that the overall quality of the assessment roll meets state standards.

We found no significant assessment problems as defined in Rule 371. Since Yuba County was not selected for assessment sampling pursuant to Government Code section 15643(b), this report does not include the assessment ratios that are generated for surveys that include assessment sampling. Accordingly, pursuant to section 75.60, Yuba County continues to be eligible for recovery of costs associated with administering supplemental assessments.

## **OVERVIEW OF YUBA COUNTY**

Yuba County is located in northern California. The county encompasses a total area of 644 square miles, consisting of 632 square miles of land area and 12 square miles of water area. Yuba County is bordered by Butte and Plumas Counties to the north, Nevada and Sierra Counties to the east, Sutter and Placer Counties to the south, and Sutter County to the west.

Created in 1850, Yuba County was one of California's original 27 counties. As of 2013, Yuba County had a population of 73,340. Marysville and Wheatland are the only incorporated cities in Yuba County. The county seat is Marysville.

Agriculture is the most extensive land use in Yuba County. The top three agricultural commodities in 2013 were walnuts, rice, and prunes. The total gross production value of agricultural commodities in 2013 was nearly \$235 million.





## FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the Yuba County assessment roll meets the requirements for assessment quality established by section 75.60. This report does not provide a detailed description of all areas reviewed; it addresses only the deficiencies discovered.

Following is a list of the formal recommendations contained in this report.

**RECOMMENDATION 1:** Exempt only those areas of veterans' organization properties used exclusively for exempt purposes. ....7

**RECOMMENDATION 2:** Apply penalties as required by section 482(b).....9

**RECOMMENDATION 3:** Annually review all decline in value properties pursuant to section 51(e).....9

**RECOMMENDATION 4:** Properly identifying the specific government agency controlling the use of the property.....10

**RECOMMENDATION 5:** Assess unpatented mining claims consistent with the reasonably anticipated term of possession established by the assessor and new fee structure. ....11

**RECOMMENDATION 6:** Measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469. ....12

**RECOMMENDATION 7:** Improve the audit program by: (1) modifying the audit selection procedure to correctly develop the pool of largest audit accounts as defined by Rule 192 and (2) enrolling all escape assessments and overassessments discovered during the course of an audit. ....14

**RECOMMENDATION 8:** Improve the BPS program by: (1) conducting an audit or field review when property owners fail to file a BPS for three or more consecutive years and (2) mailing the BOE-576-D, *Vessel Property Statement*, annually to all owners of vessels costing \$100,000 or more in accordance with section 441.....15

## ADMINISTRATION

### **Exemptions**

Article XIII, section 1 of the California Constitution sets forth the general principle that all property is taxable unless otherwise provided. Section 3 of article XIII authorizes exemption of certain types of property from property taxation and section 4 authorizes the Legislature to exempt certain other types of property from property taxation.<sup>3</sup>

Our review of the assessor's exemptions program included the welfare exemption and disabled veterans' exemption programs. We found an area in need of improvement regarding veterans' organization properties.

**RECOMMENDATION 1:** Exempt only those areas of veterans' organization properties used exclusively for exempt purposes.

Our review indicates veterans' organization property assessments have been entirely exempted despite the fact the use of the property includes nonexempt activities.

Section 215.1 allows the exemption of veterans' organization property used exclusively for charitable purposes. The exemption should only be extended to that portion of property used exclusively for exempt activity. For example, the adjutant's office used for counseling could be considered for exemption. Nonexempt activity includes areas used for fraternal purposes, bar areas, food service areas available to the public, game areas, and locker rooms.

The assessor should perform a field inspection of the property and note those areas used for exempt activity versus areas used for nonqualifying purposes. The assessor should then determine the portion of the property that qualifies for the exemption by calculating the percentage of the property used for qualifying purposes to the total area of the property and apply that percentage to the property's total value. The business property statement associated with the property should also be reviewed to ensure exemptions are only applied to the value of items used exclusively for exempt purposes.

Exemption of nonqualifying areas is contrary to statute and provides an unfair benefit over compliant exempt properties, as well as for-profit venues.

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<sup>3</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Exemptions*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/exemptions\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/exemptions_general.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>.

## ASSESSMENT OF REAL PROPERTY

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

Section 60 defines change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee simple interest. Sections 61 through 69.5 further clarify what is considered a change in ownership and what is excluded from the definition of a change in ownership for property tax purposes. Section 50 requires the assessor to enter a base year value on the roll for the lien date next succeeding the date of the change in ownership; a property's base year value is its fair market value on the date of the change in ownership.<sup>4</sup>

We examined several recorded documents and found that the assessor has an effective program for the discovery and determination of reappraisable events. In addition, we reviewed several property records having recently experienced a change in ownership and found that the assessor is following proper valuation procedures and has an efficient valuation program in place for reappraising properties having undergone a change in ownership. However, we found an area in need of improvement.

### **Legal Entity Ownership Program (LEOP)**

Section 64 provides that certain transfers of ownership interests in a legal entity constitute a change in ownership of all real property owned by the entity and any entities under its ownership control. Rule 462.180 interprets and clarifies section 64, providing examples of transactions that either do or do not constitute a change in entity control and, hence, either do or do not constitute a change in ownership of the real property owned by the entity. Discovery of these types of changes in ownership is difficult for assessors, because ordinarily there is no recorded document evidencing a transfer of an ownership interest in a legal entity.

To assist assessors, the BOE's LEOP section gathers and disseminates information regarding changes in control and ownership of legal entities that hold an interest in California real property. On a monthly basis, LEOP transmits to each county assessor a listing, with corresponding property schedules, of legal entities that have reported a change in control under section 64(c) or change in ownership under section 64(d). However, because the property affected is self-reported by the person or entity filing information with the BOE, LEOP advises assessors to independently research each entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

Sections 480.1, 480.2, and 482 set forth the filing requirements and penalty provisions for reporting of legal entity changes in control under section 64(c) and changes in ownership under section 64(d). A change in ownership statement must be filed with the BOE within 90 days of the

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<sup>4</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Change in Ownership*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/cio\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/cio_general.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>.

date of change in control or change in ownership; reporting is made on BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities*. Section 482(b) provides for application of a penalty if a person or legal entity required to file a statement under sections 480.1 and 480.2 does not do so within 90 days from the earlier of (1) the date of change in control or ownership or (2) the date of written request by the BOE. The BOE advises county assessors of entities that are subject to penalty so they can impose the applicable penalty to the entity's real property.

We reviewed several records involving legal entities having experienced a change in control or a change in ownership. We found an area in need of improvement.

**RECOMMENDATION 2:** Apply penalties as required by section 482(b).

We found the assessor is not applying the penalties when the legal entities fail to file a BOE-100-B timely.

Sections 480.1 and 480.2 require the filing of a signed BOE-100-B whenever a legal entity has undergone a change in control or ownership. Section 482(b) states that if a person or legal entity required to file a BOE-100-B fails to do so within 90 days from the earlier of (1) the date of the change in control or the change in ownership of the legal entity or (2) the date of a written request from the BOE, a specific penalty shall be applied.

The BOE provides the assessor with several reports, as well as copies of BOE-100-Bs, indicating whether a penalty applies. The assessor should review these reports and the BOE-100-Bs to identify entities with late-filings or failures to file and apply penalties accordingly. By failing to apply the required section 482(b) penalty, the assessor is not following statutory requirements and is not treating all taxpayers equitably.

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

Section 51 requires the assessor to enroll on the lien date an assessment that is the lesser of a property's factored base year value (FBYV) or its current full cash value, as defined in section 110. Thus, if a property's full cash value falls below its FBYV on any given lien date, the assessor must enroll that lower value. If, on a subsequent lien date, a property's full cash value rises above its FBYV, then the assessor must enroll the FBYV.<sup>5</sup>

We reviewed several property records having experienced a decline in value and found an area in need of improvement.

**RECOMMENDATION 3:** Annually review all decline in value properties pursuant to section 51(e).

We found the reviews of nonresidential properties are cursory. Our review revealed several commercial properties where the decline-in-value assessment remained the same for two to five

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<sup>5</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Declines in Value*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/declinesinvalue\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/declinesinvalue_general.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>.

years in a row. In addition, we found that manufactured homes located in a park or where the homeowner is different than the owner of the land are reviewed every four years. We reviewed the value history on several manufactured homes and found situations where the assessed value for the home remained unchanged for two to four years as well.

Section 51(e) provides that it is not necessary for the assessor to make an annual reappraisal of all assessable property to determine if it qualifies for a decline-in-value assessment. However, section 51(e) also provides that once the base year value of real property is lowered to reflect a decline in value, it must be annually reappraised until its market value exceeds its FBVY.

By not reappraising these assessments annually, the assessor is not in compliance with applicable statutes and may be enrolling incorrect assessments for the lien date.

### ***Taxable Possessory Interests***

A taxable possessory interest results from the possession, a right to possession, or a claim to a right to possession of publicly owned real property, in which the possession provides a private benefit to the possessor and is independent, durable, and exclusive of rights held by others. The assessment of a taxable possessory interest in tax-exempt publicly owned property is based on the value of the rights held by the possessor; the value of the rights retained by the public owner is almost always tax exempt.<sup>6</sup>

In Yuba County, the assessor enrolled 156 taxable possessory interests for the 2013-14 roll year, with a total value of \$18,898,221. The majority of taxable possessory interests being assessed in Yuba County are airport hangars at the Yuba County Airport. Other types of taxable possessory interests in Yuba County include video franchises, marinas, grazing leases, wireless communication tower sites, and office space.

We reviewed several taxable possessory interests. Overall, we found the assessor's taxable possessory interests program to be effective. However, we found an area in need of improvement.

**RECOMMENDATION 4:** Properly identifying the specific government agency controlling the use of the property.

We found parcels owned by government agencies were identified in a general way, but the specific government agency controlling the parcel was not identified. For example, some of the parcels on the roll were identified as being controlled by the "USA."

To identify private uses of such property that may warrant assessment as taxable possessory interests, the assessor must contact the specific federal, state, or county agency controlling the property. Therefore, it is important to identify the specific government agency controlling each parcel and its designated uses.

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<sup>6</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Taxable Possessory Interests*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/tpi\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/tpi_general.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>.

## Mineral Property

By statute and case law, mineral properties are taxable as real property. They are subject to the same laws and appraisal methodology as all real property in the state. However, there are three mineral-specific property tax rules that apply to the assessment of mineral properties. They are Rule 468, *Oil and Gas Producing Properties*, Rule 469, *Mining Properties*, and Rule 473, *Geothermal Properties*. These rules are interpretations of existing statutes and case law with respect to the assessment of mineral properties.<sup>7</sup>

### Unpatented Mining Claims

There are approximately 90 unpatented mining claim accounts on the tax roll in Yuba County. Some of these accounts represent multiple claims that meet the requirements to be treated as a single appraisal unit. After reviewing the assessor's unpatented mining claims, we have one recommendation.

**RECOMMENDATION 5:** Assess unpatented mining claims consistent with the reasonably anticipated term of possession established by the assessor and new fee structure.

The prior assessor indicated his anticipated term of possession for unpatented mining claims was five years but held that they were subject to annual renewal and therefore did not receive base year values. The current assessor has not taken any active position regarding unpatented mining claims and therefore values have not been reviewed since 2007. Since this time, there have been changes to the payment of the annual maintenance fee that will affect the valuation of the claims.

In 2012, new regulations were enacted that required the payment of an annual maintenance fee for each 20 acres or portion thereof claimed. The prior practice was that the annual maintenance fee was paid on a per claim basis, which meant that the fee was the same for claims from 20 to 160 acres. The valuation method most likely to be used for unpatented mining claims is that the present value of future maintenance fees is added to the comparable sale price of a claim. For large claims, the annual fee has therefore increased from \$140 to as much as \$1,120.

The BOE has long held that the requirement for either payment of the annual maintenance fee or proof of labor on the claim do not meet the criteria expressed in Section 61(b) regarding the creation, renewal, extension, or assignment of a taxable possessory interest. Unpatented mining claims have no stated term of possession and can be held for as long as the other requirements of the claim are met. The controlling factor then in valuing unpatented mining claims is the assessor's choice in the reasonably anticipated term of possession. Based on the prior assessor's five-year anticipated term of possession, these properties should have been reviewed in 2011. Discussion with the assessor and our examination of the records indicate that a review did not occur, which is contrary to BOE-recommended procedures.

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<sup>7</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Mineral Property*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/mineralprop\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/mineralprop_general.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>.

## Mining Property

There are several mining properties located in Yuba County. The primary product produced is sand and gravel; however, some gold extraction from tailings occurs. After reviewing the assessor's mining properties, we have one recommendation.

**RECOMMENDATION 6:** Measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469.

The assessor uses the royalty method to determine the value of the mineral rights and enroll a base year value. Annual adjustments are made to account for depletion of reserves. However, we found that there are no calculations made to determine the current market value each year. Current market values are needed to determine the value of reserves added to a property due to improved engineering and geologic information. They are also needed to evaluate any decline in the value of the appraisal unit per Rule 469(e)(2)(C). This section of the rule defines the appraisal unit as land, improvements including fixtures, and reserves. The adjusted base year value of land and reserves needs to be added to the adjusted base year value of improvements and fixtures. This total value is then compared to the current market value of land, reserves, and improvements, including fixtures, to determine which total value is lowest and enrolled as the taxable value of the property.

## ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

### **Audit Program**

County assessors are required to annually conduct a significant number of audits as specified in section 469. The significant number of audits required is at least 75 percent of the fiscal year average of the total number of mandatory audits the assessor was required to have conducted during the 2002-03 fiscal year to the 2005-06 fiscal year, with at least 50 percent of those to be selected from a pool of those taxpayers with the largest assessments.<sup>8</sup>

Rule 192 prescribes the computation establishing minimum required audit production and provides the basis for the audit selection process. According to Letter To Assessors No. 2009/049, the statute requires the assessor to complete a minimum of 16 significant audits per year, of which 8 audits are to be from the pool of taxpayers with the largest assessments and 8 audits are to be from the pool of all other taxpayers. The assessor completed 32 total audits for the 2010-11 fiscal year, 15 total audits for the 2011-12 fiscal year, 17 total audits for the 2012-13 fiscal year, and 16 total audits for the 2013-14 fiscal year. Given recent and current audit production levels, the assessor is anticipated to continue to meet the minimum number of significant audits required as defined by section 469.

### **Audit Quality**

An audit should follow a standard format so that the auditor-appraiser may easily determine whether the property owner has correctly reported all taxable property. Audit narratives and summaries should include adequate documentation, full value calculations, reconciliation of the fixed assets totals to the general ledger and financial statements, review of asset invoices, reconciliation between reported and audit amounts, an analysis of expense accounts, and an analysis of depreciation and obsolescence factors that may affect the value of the business property.

We reviewed audits for audit quality to ensure that the assessor performs change in control (ownership) reviews, verifies leased equipment, accounts for supplies, and properly classifies equipment during the audit process. We sampled several recently completed audits and found that in all cases audits were accurate, well documented, and included a comprehensive audit checklist. A standardized review process further enhances the assessor's audit quality because the assistant assessor reviews every audit completed. The assessor properly sends the property owner a *Notice of Enrollment of Escape Assessment*. Overall, the assessor's audit program is effectively managed. However, we found areas in need of improvement.

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<sup>8</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Audit Program*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/auditprogram\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/auditprogram_general.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>.



**RECOMMENDATION 7:** Improve the audit program by: (1) modifying the audit selection procedure to correctly develop the pool of largest audit accounts as defined by Rule 192 and (2) enrolling all escape assessments and overassessments discovered during the course of an audit.

**Modify the audit selection procedure to correctly develop the pool of largest audit accounts as defined by Rule 192.**

Audits from within the pool of the largest assessments are not being selected from the current year's largest assessments. The assessor adds up all four years of assessments and then sorts from the largest to the smallest assessment sum to develop the list of the largest assessments. From this list, the assessor selects his audits for the year.

Section 469 requires the assessor to rank all taxpayers annually in the county in descending order by their total locally assessed value of both trade fixtures and business tangible personal property. Rule 192(a)(6) states that the "taxpayers with largest assessments" means taxpayers that have the largest assessments of locally assessable trade fixtures and business tangible personal property in the county for the applicable year of audit selection.

The assessor cannot be in compliance with section 469 and Rule 192 without first accurately identifying the pool of largest audit accounts. By failing to comply with section 469 and Rule 192, the assessor may risk not auditing the largest assessments for the current year and may subsequently allow taxable property to escape assessment permanently.

**Enroll all escape assessments and overassessments discovered during the course of an audit.**

The assessor typically does not enroll escape assessments and overassessments if the amount of the assessment is less than \$5,000.

Section 531.9 allows a county board of supervisors, by ordinance, to prohibit the assessor from making escape assessments of appraisal units where the amount of taxes due is less than the cost of assessing and collecting the tax; however, the Yuba County Board of Supervisors has not adopted such an ordinance. While the assessor's practice may be expedient, the assessor does not have the authority to exempt low-value escaped property discovered by audit.

Furthermore, section 469(c)(3) provides that if the result of an audit for any year discloses property subject to escape assessment, the assessee is entitled to appeal the assessment of all the property at the location of the trade, profession, or business for that year. The assessor's failure to enroll escape assessments makes it very difficult for the assessee to exercise that right of appeal and conflicts with the intent of Rule 305.3.

The current unauthorized minimum audit enrollment policy fails to meet the assessor's obligation to assess all property subject to taxation.

### **Business Property Statement Program**

Section 441 requires that each person owning taxable personal property (other than a manufactured home) having an aggregate cost of \$100,000 or more annually file a business property statement (BPS) with the assessor; other persons must file a BPS if requested by the assessor. Property statements form the backbone of the business property assessment program.<sup>9</sup>

We reviewed all major aspects of the assessor's BPS program, including processing procedures, use of Board-prescribed forms, application of penalties, coordination with the real property division, and record storage and retention. In addition, we reviewed several recently processed BPSs. We found that in all cases observed, BPSs accepted by the assessor evidenced the proper usage of Board-prescribed forms, were completed in sufficient detail, and were properly signed. Overall, the assessor's BPS processing program is effectively managed. However, we found areas in need of improvement.

**RECOMMENDATION 8:** Improve the BPS program by: (1) conducting an audit or field review when property owners fail to file a BPS for three or more consecutive years and (2) mailing the BOE-576-D, *Vessel Property Statement*, annually to all owners of vessels costing \$100,000 or more in accordance with section 441.

#### **Conduct an audit or field review when property owners fail to file a BPS for three or more consecutive years.**

We found the assessor sets no formal limits on the number of consecutive years a business property owner may fail to file a BPS before the assessor either visits the location of the taxable property or conducts an audit.

Section 501 requires the assessor to estimate the value of business property belonging to anyone who does not comply with the reporting requirements. If a BPS was received during the previous year, it is usually reasonable to use the reported costs 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 practice can lead to inaccurate assessments and loss of tax revenue due to the expiration of the statute of limitations for possible escape assessments. Therefore, estimated assessments based on prior years' reporting should be limited to three consecutive roll years.

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<sup>9</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Business Property Statement Program*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/businesspropstatement\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/businesspropstatement_general.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>.

**Mail the BOE-576-D, *Vessel Property Statement*, annually to all owners of vessels costing \$100,000 or more in accordance with section 441.**

The assessor mails BOE-576-D, *Vessel Property Statement*, to owners of vessels costing over \$100,000 only when the vessel first becomes assessable in the county. The assessor does not require owners of these vessels to report annually.

Section 441 requires each person owning taxable personal property, other than a manufactured home, having an aggregate cost of \$100,000 or more for any assessment year to file a signed annual property statement with the assessor. Additionally, Rule 171(f) provides that the assessor shall furnish property statement forms and instructions to every person required by law or requested by the assessor to file a property statement. These provisions apply to vessels, including noncommercial vessels.

The information provided by taxpayers in the property statements provides the assessor with current and accurate data regarding replacement engines and new accessories. Failure to require owners of such vessels to file a property statement increases the risk of inaccurate assessments based on insufficient information and is contrary to statute.

## APPENDIX A: STATISTICAL DATA

**Table 1: Assessment Roll**

The following table displays information pertinent to the 2013-14 assessment roll:<sup>10</sup>

	PROPERTY TYPE	ENROLLED VALUE
<b>Secured Roll</b>	Land	\$1,440,862,170
	Improvements	\$2,884,621,546
	Personal Property	\$128,750,041
	Total Secured	\$4,454,233,757
<b>Unsecured Roll</b>	Land	\$13,675,873
	Improvements	\$191,453,391
	Personal Property	\$171,941,732
	Total Unsecured	\$377,070,996
<b>Exemptions<sup>11</sup></b>		(\$357,369,135)
	<b>Total Assessment Roll</b>	<b>\$4,473,935,618</b>

**Table 2: Change in Assessed Values**

The next table summarizes the change in assessed values over recent years:<sup>12</sup>

ROLL YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2013-14	\$4,473,936,000	1.5%	4.3%
2012-13	\$4,407,437,000	-2.1%	1.4%
2011-12	\$4,504,219,000	-2.1%	0.1%
2010-11	\$4,602,677,000	-4.6%	-1.9%
2009-10	\$4,823,586,000	-7.4%	-2.4%

<sup>10</sup> Statistics provided by BOE-822, *Report of Assessed Values By City*, 58 Yuba County for year 2013.

<sup>11</sup> The value of the Homeowners' Exemption is excluded from the exemptions total.

<sup>12</sup> State Board of Equalization Annual Report, Table 7.

**Table 3: Gross Budget and Staffing**

The assessor's budget has decreased from \$1,542,068 in 2009-10 to \$1,303,870 in 2013-14.

As of the date of our survey, the assessor had 15 budgeted permanent staff. This included the assessor, assistant assessor, 4 appraisers, 1 auditor-appraiser, 3 assessment specialists, 2 assessment assistants, 2 transfer analysts, and 1 cadastral drafting technician.

The following table identifies the assessor's budget and staffing over recent years:<sup>13</sup>

**Table 4: Assessment Appeals**

The following table shows the number of assessment appeals filed in recent years:<sup>14</sup>

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<sup>13</sup> Statistics provided by the assessor in the presurvey materials. Data was also verified at [www.co.yuba.ca.us/departments/CAO](http://www.co.yuba.ca.us/departments/CAO) for budget years 2009-10 through 2013-14.

<sup>14</sup> Statistics provided by the Clerk of the Board of Supervisors.

**Table 5: Exemptions – Welfare**

The following table shows welfare exemption data for recent years:<sup>15</sup>

YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2013-14	175	\$299,205,220
2012-13	169	\$232,732,739
2011-12	172	\$233,208,615
2010-11	175	\$233,092,730
2009-10	136	\$195,965,904

**Table 6: Change in Ownership**

The following table shows the total number of reappraisable transfers due to changes in ownership processed in recent years:<sup>16</sup>

YEAR	REAPPRAISABLE TRANSFERS
2013-14	1,884
2012-13	2,012
2011-12	1,982
2010-11	1,880
2009-10	2,355

<sup>15</sup> Statistics provided by BOE-802, *Report on Exemptions*, for year 2013. For years 2010 through 2012 the statistics were provided by the assessor.

<sup>16</sup> Statistics provided by the assessor.

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

### Yuba County

*Chief*

Benjamin Tang

*Survey Team Supervisor:*

Sally Boeck

Supervisor, Property Tax

*Survey Team Leader:*

Andrew Austin

Senior Specialist Property Appraiser

*Survey Team:*

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Gary Coates

Associate Property Appraiser

Jay Price

Associate Property Appraiser

Paula Montez

Associate Property Auditor-Appraiser

Nancy Le

Assistant Property Auditor-Appraiser

Dany Lunetta

Associate Governmental Program Analyst

## APPENDIX C: RELEVANT STATUTES AND REGULATIONS

Reference	
<i>Government Code</i>	
§15640	<b>Survey by board of county assessment procedures.</b>
§15641	<b>Audit of records; appraisal data not public.</b>
§15642	<b>Research by board employees.</b>
§15643	<b>When surveys to be made.</b>
§15644	<b>Recommendations by board.</b>
§15645	<b>Survey report; final survey report; assessor's report.</b>
§15646	<b>Copies of final survey reports to be filed with local officials.</b>
<i>Revenue and Taxation Code</i>	
§75.60	<b>Allocation for administration.</b>
<i>Title 18, California Code of Regulations</i>	
Rule 370	<b>Random selection of counties for representative sampling.</b>
Rule 371	<b>Significant assessment problems.</b>



## **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 on the assessor's response, if any, constitute the final survey report.

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



**THE COUNTY OF YUBA**  
**OFFICE OF THE COUNTY ASSESSOR**

**Bruce Stottlemeyer**  
Assessor

**Kimberly Heisch**  
Assistant Assessor

October 14, 2015

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

Subject: Assessor's Response to the September 2015, Yuba County Assessment Practices Survey

Dear Mr. Yeung:

Please see the attached assessor's response to the Board of Equalization's recommendations relating to the September 2015, Yuba County Assessment Practices Survey. As provided in Government Code §15645, please incorporate our response in the final survey report.

We value the opportunity to have the State review our practices and offer recommendations to enhance our procedures in the administration of property assessment in Yuba County. We also appreciate the professionalism and courtesy displayed by the survey team as led by Survey Team Supervisor, Sally Boeck and Survey Team Leader, Andrew Austin.

In our response, you will find that we agree with most recommendations and have already implemented several of them. Due to budget constraints, some recommendations will be implemented when resources and time permit. And finally, where we disagree we have provided you with our rationale and responded appropriately.

As you know, the Great Recession has left many California counties in dire financial straits. Yuba County is no exception. While we lost twenty-five percent of our assessment staff since 2009 through budget cuts, we nevertheless completed our statutory duties. We could not have done so without the tremendous effort of the talented men and women of the Yuba County Assessor's Office. It is to them that I offer my sincere appreciation for the excellent public service and quality assessment practices that they provide to the community.

Sincerely,

A handwritten signature in blue ink that reads "Bruce Stottlemeyer".

Bruce Stottlemeyer  
Yuba County Assessor

Enclosures

**Recommendation No. 1:**

Exempt only those areas of veterans' organization properties used exclusively for exempt purposes.

**Assessor's Response:**

We believe that our administration of the Veterans' Organization Exemption under California Revenue and Taxation Code §215.1<sup>1</sup> is lawfully supported and is in substantive compliance with the legislative declarations and findings in 1972 regarding the intent and enactment of §215.1

Apparently the State Board of Equalization continues to believe that the majority of veterans' organization property is ineligible for exemption because, in their view, another provision of law, §214(a)(5), disqualifies property if used for fraternal, lodge, or social purposes. But that's not what §214(a)(5) says; §214(a)(5) says that use of property for fraternal, lodge, or social purposes is a non-exempt use "...except where that use is clearly incidental to a primary religious, hospital, scientific, or charitable purpose."(Underlining added.)

In our view, the Veterans' Organization's primary objective is to achieve humanitarian goals for our veteran community. This is accomplished by providing a place where veterans can congregate to honor those who have fought and died in times of war, to support each other and celebrate their service to our nation, to form bonds with each other to strengthen camaraderie, and to provide support to surviving family members of deceased veterans. As such, in our view, this primary use constitutes a charitable purpose. Much of this is accomplished through programs and services as well as recreational and social functions. We further believe that these ancillary and incidental social and fraternal uses on the property are reasonable, necessary, and in furtherance of the primary use, and therefore qualify for the exception envisioned by the legislature in enactment of §214(a)(5). We believe also, that case law would allow some occasional uses such as baptisms, receptions, and weddings, which are negligible when compared to the overriding charitable use of the property, and would not provide grounds for denying or extinguishing the exemption.

The State Board of Equalization has remained steadfast in their position and have done so for over 40 years claiming that the only charitable use of Veterans' Organizations relate to offices used for counseling sessions; filing rooms, and related office areas. This view is contrary to the plain and unambiguous declaration of the legislature in enacting §215.1.<sup>2</sup>

**Recommendation No. 2:**

Apply penalties as required by Section 482(b).

**Assessor's Response:**

We agree and have already implemented this recommendation.

**Recommendation No 3:**

Annually review all decline in value properties pursuant to section 51(e).

**Assessor's Response:**

We agree and will implement this recommendation as staff resources and time allow. With a loss of 25 percent of our appraisal staff from 2009 levels we unequivocally do not currently have the resources to

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<sup>1</sup> Unless otherwise noted, all statutory references are to the California Revenue and Taxation Code.

<sup>2</sup> Section 215.1 was added by Assembly Bill 184 (Powers, Ch. 151, Stat. 1972)

perform in-depth reviews of nonresidential decline-in-value properties if a preliminary review indicates that the current assessed value is within acceptable tolerances.

**Recommendation No. 4:**

Properly identifying the specific government agency controlling the use of the property.

**Assessor's Response:**

We agree and will implement this recommendation as staff resources and time allow.

**Recommendation No. 5:**

Assess unpatented mining claims consistent with the reasonable anticipated term of possession established by the assessor and new fee structure.

**Assessor's Response:**

Going forward, we will implement and utilize a one year anticipated term of possession and add the new fee structure to the comparable sales price of a claim. This procedure will be performed annually and it is in-line with the Board of Equalization's position contained in Yuba County Assessment Practices Survey of September 2010, at page 24.

**Recommendation No. 6:**

Measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469.

**Assessor's Response:**

We agree that declines in value for mineral properties should be measured by use of the entire appraisal unit as required by Rule 469.

**Recommendation No. 7:**

Improve the audit program by: (1) modifying the audit selection procedure to correctly develop the pool of largest audit accounts as defined by Rule 192 and (2) enrolling all escape assessments and overassessments discovered during the course of an audit.

**Assessor's Response:**

- (1) We agree and have already implemented this procedure.
- (2) We will be asking our Board of Supervisors to adopt the provisions of §531.9 authorizing the assessor to exempt low value escape assessments.

**Recommendation No. 8:**

Improve the Business Property Statement (BPS) program by (1) conducting an audit or field review when property owners fail to file a BPS for three or more consecutive years and (2) mailing the BOE-576-D, Vessel Property Statement, annually to all owners of vessels costing \$100,000 or more in accordance with §441.

**Assessor's Response:**

- (1) We agree and will implement this recommendation as staff resources and time allow.
- (2) We agree and have already implemented this recommendation.