

Tuesday, October 18 2005

The Board met at its offices at the Portola Plaza Hotel, Two Portola Plaza, Monterey, at 1:40 p.m., with Mr. Chiang, Chair, Mr. Parrish, Vice Chair, Ms. Yee and Mr. Leonard present, Ms. Mandel present on behalf of Mr. Westly in accordance with Government Code section 7.9.

ANNUAL BOARD MEETING WITH COUNTY ASSESSORS

John Chiang opened the annual meeting of the Board and county assessors required under section 15607 of the Government Code to discuss administrative issues related to assessment and taxation laws and to promote uniformity and tax procedural matters throughout the state. Mr. Chiang welcomed the county assessors to the meeting on behalf of the Board.

Greetings and Introductory Remarks by Each Board Member

Mr. Chiang commented on the extraordinary progress made by the Board and county assessors during the last eight years, in which he had the good fortune of serving as the Acting Board Member and now the Chair of the Board. Mr. Chiang conveyed pride in his colleagues for attending this meeting and expressed his hope that this is a great sign of the progress made between both the California Assessors' Association and the State Board of Equalization. He stated that the Board looks forward today to meet with the county assessors as a group and individually. Mr. Chiang expressed that he deeply cares about the assessors' concerns, issues and current projects. Mr. Chiang stated that this meeting gives the Board an opportunity to detail recent and proposed administrative changes at the Board; to address current legal issues and to describe the projects that will be coming forward. One of the accomplishments of this past year, which the Board is pleased to announce, is that the Assessment Policy and Standards Division held a training session on the local assessment appeals process. In addition, the Assessment Policy and Standards Division implemented a self-study training session on basic agricultural properties. Both training sessions are available on the Board's website for all county assessors' staffs. Mr. Chiang extended his gratitude to R. Glenn Barnes for his extraordinary leadership of the association this past year. He commented that he has had a wonderful working relationship on a personal level with Glenn's incoming President, Rick Auerbach.

Claude Parrish commented that he was honored to be at the Board / Assessors' meeting. Mr. Parrish thanked the Board Members for the progress made during the year, and in particular John Chiang, the Chair, for his support. Mr. Parrish remarked that it was important that elected bodies and elected officials work together. Mr. Parrish conveyed that he carefully examines both sides of each issue with the ultimate goal of creating bright lines for business and industry, big and small, and he believes that this is the goal in the heart of every assessor. Mr. Parrish expressed that he has enjoyed the progress made and acknowledged that there have been many valid concerns. Mr. Parrish extended his thanks to Mr. Chiang for allowing him to be on the Property Tax Committee.

Bill Leonard echoed the comments of the chair and vice-chair, mentioning that it is good to be at the meeting. He added that he is pleased the scheduling of this meeting is now coordinated with the annual county assessors' conference. Mr. Leonard noted that the meeting is

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a good place for Members and county assessors to interact with each other and focus on the issues before them. He expressed that he looked forward to today's meeting to share with the assessors what the Board is doing.

Betty T. Yee commented that it was a pleasure to be at the meeting and extended a personal note of thanks to the assessors in the counties in her district. She stated that she is approaching her first year anniversary of assuming office and expressed her deep appreciation for the guidance and orientation that many of the assessors have provided her. Ms. Yee introduced Phil Ting, newest county assessor to the Association. She also acknowledged the service of two retiring assessors in the first district who have made tremendous contributions in their field, Skip Thomson in Solano County, and Eeve Lewis in Sonoma County. Ms. Yee stated that she considers it a great compliment on behalf of the Chair, John Chiang, and her colleagues on the Board to hear from many of the assessors that this is the best-composed Board in a long time. She relayed that the Members want to be accessible during the challenges ahead.

Marcy Jo Mandel commented that it was nice to see everyone again. Ms. Mandel represents the State Controller and is glad that these meetings are joint meetings with the assessors' conference again. She indicated that a joint meeting is very helpful for relationship building and improves communication for resolving issues. Ms. Mandel requested that the assessors call her when there are issues coming before the Board that interest them. She expressed the importance of attending all of the interested parties meetings on property tax matters and stated that she finds that it is of great assistance in trying to convey to the State Controller all sides of an issue. Ms. Mandel reiterated that letters are great but sometimes a conversation can really help advance the understanding of the issue--the underlying problem that you see--and also whether there might be some sort of third way.

Opening Remarks by California Assessors' Association

R. Glenn Barnes, President, California Assessors' Association, offered some opening remarks. Mr. Barnes was proud to say the association has repaired their injured relationship with the Board and staff and that he appreciates that Mr. Chiang agrees. He also noted that meeting face-to-face with the Members rather than writing letters or making phone calls was a great starting place.

Rick Auerbach, President Elect, California Assessors' Association, commented that the association's repaired relationship with the Board and staff is reflected in the efforts of John Chiang and Glenn Barnes and that as incoming president he will continue that relationship. Mr. Auerbach discussed: low-income housing rules; county assessors' ideas and suggested legislation for improving the legal entity ownership program; collaboration on a cable television manual; and, the loss of the Property Tax Administration Grant program. He stated that he plans to meet with each Member to further discuss these specific issues and any issues the Members may have concerning the county assessors.

Mr. Chiang stated for the record that he sent letters in support of the county assessors regarding the lost funding and expressed the Board's support of that issue.

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LEGAL DEPARTMENT PRESENTATION

David Gau, Deputy Director, Property and Special Taxes Department, expressed that it was his pleasure and honor to be at the meeting. Mr. Gau commented on the changes that have taken place in the Legal Department and introduced Selvi Stanislaus, Acting Assistant Chief Counsel, Tax and Fee Programs Division.

Reorganization of the Board of Equalization Legal Department

Selvi Stanislaus, Acting Chief Counsel of the Tax and Fee Programs Division, Legal Department, discussed the reorganization of the Legal Department, stating that the reorganization was approved on April 12, 2005 by the Board to further its mission to serve the public through fair, effective and efficient tax and fee administration. Ms. Stanislaus outlined the department's six divisions: Tax and Fee Programs Division; Legal Affairs Division; Appeals Division; Investigation Division; Settlement Division; and, Board Proceedings Division. Ms. Stanislaus acknowledged some positive results of the reorganization: flexibility in cross-training attorneys; improved legal opinions; increased production numbers; and, Appeals Division's independent review of property tax petitions. Ms. Stanislaus concluded that the main objective of the reorganization is to help the Board to work with the assessors and she encouraged the assessors to call or e-mail her.

Proposed Board of Equalization Rules for California Administration and Appellate Review

Sophia Chung, Tax Counsel, Tax and Fee Division, Legal Department, reported that staff is currently preparing the Board of Equalization's proposed rules for California Tax Administration and Appellate Review. These proposed rules will replace the Board's current Rules of Practice and will include the Board's procedures with respect to every tax and fee program administered by the Board. She commented that the ultimate goal of these proposed rules is to better serve the public by having detailed comprehensive procedures set forth in one source in a simple and coherent manner for taxpayers, practitioners, counties and all interested parties. Ms. Chung noted that in accordance with a new procedure, the Appeals Division reviews property tax petitions when there are contested issues, acting as neutral advisors to the Board. Ms. Chung expressed that the staff looks forward to receiving the assessors' comments and working with them in drafting these rules.

Domestic Partners Legislation and Court Cases

Mariam Baxley, Tax Counsel, Tax and Fee Division, Legal Department, reported that the Legislature recently enacted SB 565 which adds subdivision P to section 62 of the Revenue and Taxation Code. This legislation creates a registered domestic partner exclusion which is similar in scope to the inter-spousal exclusion. She further explained the importance of noting that this legislation does not confer spousal status to registered domestic partners. This newly added subdivision P applies to all property transfers that occur on or after January 1, 2006 between domestic partners who are registered with the California Secretary of State. Ms. Baxley

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discussed the Board's current litigation with several counties regarding its addition of subdivision K to Property Tax Rule 462.240. A *Letter to Assessors* will be published soon regarding the Board's position on this topic.

Possessory Interest – Indian Gaming / Residential Income Property on Government Land

Michael Lebeau, Tax Counsel, Legal Department, discussed potential possessory interest in Indian casinos, specifically, whether the assessors have authority to request information from tribes and the ability to compel tribes to produce that information, and whether or not individual possessors have a possessory interest in the Indian casino properties themselves. Mr. Lebeau also discussed the residential income property and the residential income housing on government land.

PROPERTY AND SPECIAL TAXES DEPARTMENT PRESENTATION

Budget Change Proposal for Biopharmaceutical and Hi-tech Industry Equipment and Fixtures

Dean Kinnee, Chief, Policy Planning and Standards Division, Property and Special Taxes Department, reported that the Board approved a Budget Change Proposal for the Department of Finance that seeks additional funding for staff to revisit the issue of lifing tables for biopharmaceutical equipment and fixtures, non-production computer and semiconductor manufacturing equipment. Mr. Kinnee mentioned that *Assessors' Handbook Section 581* is published annually with information to assist in the appraisal of business property and that it is time to revisit those factors, to determine if they are still valid.

Ms. Yee commented that she had asked staff to develop this proposal in response to several Bay Area legislators, as well as some of the biopharmaceutical industry representatives, to produce clear lifing tables that could be applied uniformly by county assessors throughout the State.

Assessment Practices Survey Program

Mickie Stuckey, Chief, County Property Tax Division, Property and Special Taxes Department, discussed plans for changes in the Assessment Practices Survey Program, which ensures that the local assessments are in full compliance with the laws. At staff's request, the California Assessors' Association provided an ad hoc committee consisting of Bruce Dear, Placer County Assessor, Rick Auerbach, Los Angeles County Assessor, and Tom Kidwell, Madera County Assessor, to aid in revamping the program. Ms. Stuckey also discussed plans to issue an annual *Letter to Assessors* summarizing the best county assessment practices discovered during the year's sampling in order to share that knowledge. The survey report format will also be revised, making it more reader friendly. Ms. Stuckey noted that a long-term goal is to examine and improve the efficiency and effectiveness of the sampling program.

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TAXPAYERS' RIGHTS ADVOCATE'S OFFICE

Todd Gilman, Chief, Taxpayers' Rights and Equal Employment Opportunity Division, thanked the Board Members and county assessors for inviting him to speak at the Board/Assessors' meeting. Mr. Gilman introduced Mark Sutter and announced that Mark replaced Bob Reinhard, who took a position in the County Property Tax Division. Mr. Gilman personally thanked the county assessors for working with him and his staff and commented that both he and Mark look forward to working with them in the future to resolve taxpayer problems and issues.

The Board adjourned at 3:00 p.m.

The foregoing minutes are adopted by the Board on May 17, 2006.

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