December 29, 2015

TO COUNTY ASSESSORS:

ALPINE COUNTY
ASSESSMENT PRACTICES SURVEY

A copy of the Alpine 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 Donald O'Connor, Alpine County Assessor/Recorder, 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 Alpine County Board of Supervisors and Grand Jury.

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

The former Alpine County Assessor/Recorder, Mr. David Peets, and his staff gave their complete cooperation during the survey fieldwork. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee
Deputy Director
Property Tax Department

DRK:dcl
Enclosure
# TABLE OF CONTENTS

INTRODUCTION......................................................................................................................... 1
OBJECTIVE ................................................................................................................................... 2
SCOPE AND METHODOLOGY ................................................................................................. 2
EXECUTIVE SUMMARY .......................................................................................................... 4
OVERVIEW OF ALPINE COUNTY......................................................................................... 5
FINDINGS AND RECOMMENDATIONS ............................................................................... 6
ASSESSMENT OF REAL PROPERTY .................................................................................... 8
  CHANGE IN OWNERSHIP ............................................................................................................... 8
  DECLINES IN VALUE .................................................................................................................. 11
  CALIFORNIA LAND CONSERVATION ACT PROPERTY......................................................... 12
  TAXABLE POSSESSION INTERESTS .......................................................................................... 14
ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES ......................................... 17
  AUDIT PROGRAM ....................................................................................................................... 17
  BUSINESS PROPERTY STATEMENT PROGRAM................................................................. 18
  BUSINESS EQUIPMENT VALUATION ....................................................................................... 18
  MANUFACTURED HOMES ........................................................................................................... 19
APPENDIX A: STATISTICAL DATA .................................................................................... 22
  TABLE 1: ASSESSMENT ROLL ...................................................................................................... 22
  TABLE 2: CHANGE IN ASSESSED VALUES ..................................................................................... 22
  TABLE 3: GROSS BUDGET AND STAFFING ............................................................................... 23
  TABLE 4: ASSESSMENT APPEALS ................................................................................................. 23
  TABLE 5: EXEMPTIONS – WELFARE .......................................................................................... 24
  TABLE 6: NEW CONSTRUCTION ................................................................................................... 24
APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP ...... 25
APPENDIX C: RELEVANT STATUTES AND REGULATIONS ....................................... 26
ASSESSOR'S RESPONSE TO BOE'S FINDINGS ................................................................. 27
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 Alpine County Assessor/Recorder's Office.¹

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 Alpine County Board of Supervisors and Grand Jury. 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 Donald O'Connor, Alpine County Assessor/Recorder, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendixes.

¹ This review covers only the assessment functions of the office.
OBJECTIVE

The survey shall "…show the extent to which assessment practices are consistent with or differ from state law and regulations." 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\(^3\) 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 Alpine 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 Alpine County Assessor/Recorder'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 Alpine 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 \(\text{http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf}\). Additionally, detailed

\(^2\) Government Code section 15642.

\(^3\) 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.
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, and certain properties subject to special assessment procedures, such as California Land Conservation Act (CLCA) property, taxable possessory interests, and water company 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 Alpine 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, workload, assessment appeals, exemptions, and staff property and activities.

In the area of real property assessment, the assessor has effective programs for the enrollment of new construction and water company property. However, we made recommendations for improvement in the change in ownership, declines in value, CLCA property, and taxable possessory interest assessment programs.

In the area of personal property and fixtures assessment, we made recommendations for improvement in the audit, business property statement, business equipment valuation, and manufactured home 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 Alpine 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, Alpine County continues to be eligible for recovery of costs associated with administering supplemental assessments.
OVERVIEW OF ALPINE COUNTY

Alpine County is located in eastern California, has 738.33 square miles of land area, and a population estimate of 1,159. Alpine County is bounded on the north by Douglas County (Nevada), northwest by El Dorado County, west by Amador County, southwest by Calaveras County, on the south by Tuolumne County, and on the east by Mono County.

Alpine County was founded in 1864, has a history that parallels the exploration of the West, and played an important role in the settlement of both California and Nevada. Despite earlier explorers, it was John Fremont and Kit Carson, in their famous midwinter trip across Alpine County and the Sierra Nevada in 1844, who brought attention to possible travel routes across the range. There are no incorporated cities in Alpine County; most of the county's population is concentrated around a few mountain communities: Alpine Village, Bear Valley, Kirkwood, Markleeville (county seat), and Mesa Vista.
FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the Alpine 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:** Properly document nonreappraisable transfers.........................8

**RECOMMENDATION 2:** Correctly implement the penalty process in accordance with section 482(a)........................................................................9

**RECOMMENDATION 3:** 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.............10

**RECOMMENDATION 4:** Follow proper enrollment procedures for escape assessments..............................................................11

**RECOMMENDATION 5:** Improve the decline-in-value program by sending value notices to property owners as required by section 619..............12

**RECOMMENDATION 6:** Improve the CLCA assessment program by: (1) sending CLCA questionnaires to property owners and (2) deducting operating expenses from gross income........................................13

**RECOMMENDATION 7:** Improve the taxable possessory interest program by: (1) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value; (2) properly calculating supplemental assessments on newly created taxable possessory interests, and (3) adding the present worth of unpaid future contract rents to the sale price of a taxable possessory interest..................................................15

**RECOMMENDATION 8:** Establish an audit program and audit the books and records of professions, trades, or businesses, pursuant to section 469....17

**RECOMMENDATION 9:** Improve the BPS program by conducting an audit or a field review when property owners fail to file a BPS for three or more consecutive years..............................................................18

**RECOMMENDATION 10:** Improve the business equipment valuation program by correctly classifying machinery and equipment reported on business property statements..........................................................19
RECOMMENDATION 11: Improve the assessment program for manufactured homes by: (1) enrolling supplemental assessments for changes in ownership and (2) properly assessing manufactured homes for declines in value.
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.4

Document Processing

We examined several recorded documents and found the assessor conducts a proper and thorough review for reappraisable events. However, we found one area in need of improvement when processing nonreappraisable transfers.

RECOMMENDATION 1: Properly document nonreappraisable transfers.

We found in some cases, the assessor's records did not adequately detail the parties, individuals, or interests involved in nonreappraisable transfers. We discovered the assessor enters the recorded document number into the computer and inconsistently updates the names and percentages of the parties holding title in accordance with the recorded document. For example, we found instances where the assessor's records did not indicate the members of LLCs and the respective percentages of ownership for each member to be able to determine whether a transfer was reappraisable or not. Other records did not indicate the beneficiaries and the percentages of ownership for each trust beneficiary. Additional records showed transfers involving parent-child exclusions and interspousal exclusions that were not documented with enough detail to provide the complete identification of the interested parties.

A transfer is a reappraisable event unless an exclusion from reassessment applies. The assessor must obtain the proper documentation as defined by statute for a transfer to qualify for the exclusion. Transfers lacking proper documentation are subject to reappraisal. The assessor should fully document and track all nonreappraisable transfers so a complete chain of title is available for the proper analysis of subsequent transfers. Failure to document these transfer events adequately may result in incorrect ownership records and may cause incorrect or escaped assessments.

---

4 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. 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.
Penalties

Upon deed recordation, if a PCOR is not filed with the recorded document or if the PCOR is incomplete, the assessment office specialist (AOS) sends BOE-502-AH, Change in Ownership Statement (COS), to the property owner. If the COS is not returned, the assessor sends a second COS along with a cover letter indicating penalties will be applied if the form is not returned timely. Penalties are not applied if the property owner does not return the COS within 90 days of the assessor's request. Alpine County has not adopted an ordinance pursuant to section 483(b) that allows the assessor to abate penalties automatically.

**RECOMMENDATION 2:** Correctly implement the penalty process in accordance with section 482(a).

It is the assessor's practice not to apply penalties when a property owner fails to return a COS or fails to return a COS timely. In addition, the assessor does not have an effective tracking system in place to monitor whether a COS has been filed timely.

Section 482(a) provides that if a person or legal entity is required to file a statement described in section 480 fails to do so within 90 days from the date of a written request by the assessor, a specific penalty shall be applied. When the property owner fails to return a COS, or return the COS timely, the assessor should notify the property owner of the penalty being applied and inform them of the abatement process as described in section 483(a). The assessor should allow the property owner only 90 days to return a completed COS and then promptly apply the penalties if the property owner fails to do so within the 90-day time frame permitted by section 482(a).

The information contained in a properly completed COS assists the assessor in making an accurate assessment. By not applying penalties when the property owner fails to file the COS within the permitted time, the assessor is not in compliance with the statute. The assessor should also put a tracking system in place to monitor whether a COS is filed timely.

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 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.

Very few transfers in Alpine County involve ownership interests in a legal entity. The assessor's main source of discovery for changes in control or ownership of legal entities is reviewing monthly LEOP reports from the BOE. The monthly LEOP reports are reviewed by the assessor to determine if any property in Alpine County is owned by a legal entity having undergone a change in control or ownership. We found one area in need of improvement.

**RECOMMENDATION 3:** 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.

The BOE advised the assessor of two entities subject to penalty for late filing; however, the assessor did not apply a penalty.

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 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 by the BOE, whichever occurs earlier, 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.

**Valuation**

In general, we found the assessor is following proper procedures for valuation and has an adequate valuation program in place when reappraising due to changes in ownership, including foreclosures. However, we found areas in need of improvement regarding escape assessments.
RECOMMENDATION 4: Follow proper enrollment procedures for escape assessments.

The assessor does not properly notify taxpayers of the enrollment of an escape assessment and fails to allow the statutorily required minimum of ten days to elapse between notifying the assesseee of the proposed escape assessment and the enrollment of the assessment. The assessor has modified BOE-66-A, Notice of Enrollment of Escape Assessment, and is using this form as his Notice of Proposed Escape Assessment. This is the only notice taxpayers receive from the assessor related to escape assessments. Taxpayers do not receive a Notice of Enrollment of Escape Assessment.

Pursuant to section 531.8, no escape assessment shall be enrolled before ten days after the assessor has mailed or otherwise delivered to the affected taxpayer a Notice of Proposed Escape Assessment. The notice must prominently display the heading "NOTICE OF PROPOSED ESCAPE ASSESSMENT," and the notice must contain the following: (1) the amount of the proposed escape assessment for each tax year involved, and (2) the telephone number of the assessor's office to allow the taxpayer to contact that office regarding the proposed escape assessment. It is also recommended, but not required, that the assessor include a statement that an appeal may not be filed based on receipt of this notice. To file a valid appeal, a taxpayer must receive the Notice of Enrollment of Escape Assessment.

Once ten days have passed since the mailing of the Notice of Proposed Escape Assessment, the assessor may enroll the escape assessment. However, section 534 states that no assessment shall be effective until the assesseee has been notified of the escape assessment personally or by mail. The notice must include the following: (1) the date of mailing, (2) information regarding the assesseee's right to an informal review and the right to appeal the assessment, and (3) that the assessment appeal must be filed within 60 days of the date of mailing printed on the notice or the postmark date, whichever is later. Section 534(d)(2) expressly provides that the Notice of Proposed Escape Assessment required by section 531.8 does not satisfy the notice requirements of section 534.

The assessor's practice of only sending a Notice of Proposed Escape Assessment and not following proper enrollment procedures for escape assessments eliminates the taxpayer's opportunity to contact the assessor in case of a disagreement prior to enrollment of the escape assessment.

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.5

Alpine County has experienced notable decreases in property values in recent years. Consequently, there has been a significant increase in the total number of properties eligible for a decline-in-value assessment. The increase in the number of decline-in-value assessments has resulted in a workload increase for the assessor and his staff. For the past few years, the assessor has been able to review all 2,400 parcels in Alpine County for potential decline-in-value assessment. For the 2013-14 assessment roll, there were 882 parcels in decline-in-value status in Alpine County.

In our review of the assessor's decline-in-value program, we recognized one area in need of improvement.

**RECOMMENDATION 5:** Improve the decline-in-value program by sending value notices to property owners as required by section 619.

In Alpine County, it is the assessor's practice to use the tax bill as notice to the property owners for decline-in-value properties that have been fully or partially restored to FBYVs. The property tax bills in Alpine County do not include a statement of the assessment appeals filing period, an explanation of the stipulation procedure, or the FBYV of the property when fair market value is enrolled.

Section 619(a) requires the assessor to inform each assessee of real property on the local secured roll whose property's full value has increased over its full value for the prior year of the higher assessed value as it shall appear on the completed local roll. In addition, section 619(b) requires the value notice to include a statement of the assessment appeals filing period and an explanation of the stipulation procedure. Section 619(c) requires the value notice to show the FBYV of the property for decline-in-value properties that have been fully or partially restored to the FBYVs.

The assessor's practice of using the tax bill as it is currently configured to notify property owners of decline-in-value properties that have been fully or partially restored to FBYVs is contrary to statute and leaves taxpayers uninformed as to the assessment appeals filing period, the stipulation procedure, and the FBYV of the property.

**California Land Conservation Act Property**

Pursuant to the California Land Conservation Act (CLCA) of 1965, agricultural preserves may be established by a city or county for the purpose of identifying areas within which the city or county will enter into agricultural preserve contracts with property owners.

Property owners who place their lands under contract agree to restrict the use of such lands to agriculture and other compatible uses; in exchange, the lands are assessed at a restricted value. Lands under contract are valued for property tax purposes by a method that is based upon agricultural income-producing ability (including income derived from compatible uses such as
Income and Expenses

The income to be capitalized is the economic net income attributable to the land determined, whenever possible, by the analysis of rents received in the area for similar lands in similar use. To determine net income, the appraiser must estimate the future gross income the land can be expected to produce, and subtract from that estimate the allowable cash expenses (except property taxes) necessary to maintain this income. The gross income is primarily from agricultural production, but it also includes income from any compatible uses actually occurring, such as lease payments for oil or gas exploration rights, communication facility sites, and recreational uses, such as hunting or fishing. There are no limits placed upon the income to be capitalized unless the contract contains a provision establishing a minimum annual income per acre.

Since the income to be capitalized in the valuation of open-space properties is the net income attributable to the land, the expenses necessary to maintain this income and the portion of the income attributable to improvements must be subtracted from the expected gross income prior to capitalization. The type of expenses deducted, and to some extent the amount of the deductions, will depend upon the composition of the gross income. For example, a gross income derived from cash rents will generally require fewer adjustments than a gross income derived from share rents, and, while a management charge is generally applicable to both income streams, this charge will normally be less in cash rental analysis. In addition to the expenses that are incurred for the creation and maintenance of the income, the property owner is entitled to a fair return on the value of the improvements that are necessary to produce the income and the return of (recapture) the value of such improvements.

In our review of the assessor's CLCA program, we noted several areas in need of improvement.

RECOMMENDATION 6: Improve the CLCA assessment program by: (1) sending CLCA questionnaires to property owners and (2) deducting operating expenses from gross income.

Send CLCA questionnaires to property owners.

We found the assessor does not send CLCA questionnaires to property owners to obtain rental and expense information.

Accurate assessment of lands under CLCA contracts depends on accurate estimates of income attributable to the land. Section 423(a)(1) provides that the annual income to be capitalized shall be determined, where sufficient rental information is available, by using the fair rent which can

---

be imputed to the land being valued based upon rent actually received for the land by the owner and upon typical rentals received in the area for similar land in similar use.

Additionally, without the questionnaire, the assessor may fail to discover valuable compatible uses of CLCA lands. To aid in the discovery of current rental and compatible use income, we recommend the assessor send questionnaires to the owners of CLCA property.

**Deduct operating expenses from gross income.**

The assessor does not deduct operating expenses from gross income when valuing CLCA property.

Since the income to be capitalized in the valuation of open-space properties is the net income attributable to the land, the expenses necessary to maintain this income and the portion of the income attributable to improvements must be subtracted from the expected gross income prior to capitalization. Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties*, provides that allowed expenses should be deducted from the estimated economic rent. All properties, including grazing lands, will incur some expenses. Such expenses may include repair of fencing, management, insurance, and veterinarian and supplemental feed expenses.

Failing to deduct allowable expenses from the gross income in the valuation of restricted properties may lead to overassessments.

**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.⁷

The assessor enrolled 111 taxable possessory interests on the 2013-14 roll with a total assessed value of $5,434,994. The majority of taxable possessory interests in Alpine County are privately owned cabins located on United States Forest Service (USFS) lands. Other types of taxable possessory interests include employee housing, ski resort areas, and grazing rights.

We reviewed a number of taxable possessory interest records and found areas in need of improvement.

---

⁷ 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](http://www.boe.ca.gov/proptaxes/apscont.htm).
RECOMMENDATION 7: Improve the taxable possessory interest program by:
(1) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value;
(2) properly calculating supplemental assessments on newly created taxable possessory interests, and (3) adding the present worth of unpaid future contract rents to the sale price of a taxable possessory interest.

Periodically review all taxable possessory interests with stated terms of possession for declines in value.

We reviewed several taxable possessory interest files indicating a stated term of possession. We found the taxable possessory interests are not reviewed periodically for declines in value. Instead, the assessor has enrolled the factored base year value (FBYV) over the years or the values have remained constant.

Rule 21(d)(1) provides the stated term of possession shall be deemed to be the reasonably anticipated term of possession unless it is demonstrated by clear and convincing evidence that the public lessor and private lessee have reached a mutual agreement or understanding. Our review found no documentation to support such an agreement or understanding. Rule 21(a)(6) defines the stated term of possession for a taxable possessory interest as the remaining period of possession as of a specific date as stated in the lease, agreement, or permit, including any options to renew or extend the specified period of possession. Therefore, the stated term of possession of a taxable possessory interest declines each year. This may have a material effect on the market value of the taxable possessory interest. Thus, absent clear and convincing evidence of a mutual agreement or understanding as to a longer term of possession, the assessor must estimate the market value of the taxable possessory interest on lien date based on the remaining term of possession, compare this value with the FBYV, and enroll the lower of the two values.

Although the assessor is not required to reappraise all properties each year, the assessor should develop a program to periodically review the assessments of all taxable possessory interests with stated terms of possession to ensure declines in value are consistently recognized. Failing to use a declining term when valuing taxable possessory interests with a stated term may result in overassessments.

Properly calculate supplemental assessments on newly created taxable possessory interests.

We discovered several taxable possessory interests where the assessor improperly calculated the supplemental assessment by offsetting the fair market value against the prior value on the regular 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. According to Assessors' Handbook Section 510, Assessment of Taxable Possessory Interests, when a supplemental assessment is issued due to a change in ownership, the supplemental assessment
amount for the newly created possessory interest should be based on its fair market value without offset for a prior value on the regular assessment roll.

The assessor's failure to calculate supplemental assessments properly results in a loss of revenue.

**Add the present worth of unpaid future contract rents to the sale price of a taxable possessory interest.**

Upon the sale of a USFS cabin, it is the assessor's practice to enroll the sale price of the cabin as market value, allocating the total between land and improvements. The assessor does not add to the reported sale price the present value of unpaid future contract rent for the term of possession.

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 taxable possessory 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.
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.8

Rule 192 prescribes the computation establishing minimum required audit production and provides the basis for the audit selection process. According to Letter to Assessors (LTA) 2009/049, the statute requires the assessor to complete one audit per year, alternating between assessments selected from the pool of largest business property owners and those from all other business property accounts.

In Alpine county, the assessor does not have an auditor-appraiser on staff. Section 670(d) cites specific qualifications that must be met before an employee of the assessor can perform the duties of an auditor-appraiser. However, the assessor has the authority under section 670(d) to perform audits.

RECOMMENDATION 8: Establish an audit program and audit the books and records of professions, trades, or businesses, pursuant to section 469.

No formal property tax audits have been performed by the assessor's office for a number of years.

An audit program is an essential component of an equitably administered assessment program. An effective audit program verifies the reporting of business property accounts and helps to prevent any potential errors or escape assessments. Furthermore, experience shows that when audits are not conducted timely, it is more difficult to obtain the records necessary to substantiate accurate reporting the further removed the audit is from the year being audited. Therefore, timeliness of the audit is an important factor in an effective audit program and ultimately a well-managed assessment program.

By failing to conduct the required number of audits, the assessor is out of compliance with the minimum audit workload requirements of section 469 and risks the possibility of allowing taxable property to escape assessment permanently.

---

8 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. 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.
**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.⁹

We reviewed all major aspects of the assessor's BPS processing program, including processing procedures, application of penalties, real property coordination, and record storage and retention. In addition, we reviewed several recently processed BPSs. We found that all BPSs accepted by the assessor evidenced the proper use of Board-prescribed forms, were completed in sufficient detail, and were properly signed.

Overall, we found the assessor's BPS processing program to be well administered. However, we found one area in need of improvement.

**RECOMMENDATION 9:** Improve the BPS program by conducting an audit or a 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 either visiting the location of the taxable property or conducting 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 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.

This practice can lead to inaccurate assessments and expiration of the authority to make escape assessments due to the statute of limitations provided for in section 532. Therefore, estimated assessments based on prior years reporting should be limited to three consecutive roll years.

**Business Equipment Valuation**

Assessors value most machinery and equipment using business property valuation factors. Some valuation factors are derived by combining price index factors with percent good factors, while other valuation factors result from valuation studies. Under this methodology, value for taxation

---

purposes is established by multiplying a property's historical cost by an appropriate valuation factor.\textsuperscript{10} 

We reviewed the assessor's valuation procedures, as well as the assessor's application of valuation factor tables to ensure that they were accurate and applied consistently, and found the assessor has an effective program for business equipment valuation. However, we found an area in need of improvement.

**RECOMMENDATION 10:** Improve the business equipment valuation program by correctly classifying machinery and equipment reported on business property statements.

We found the assessor is not prorating machinery and equipment costs between personal property and fixtures on the assessment roll. We observed a number of cases where all reported costs were enrolled as personal property.

Classification is an important element of the local assessment function for several reasons. Principally, it is important because property tax law requires the assessment roll to show separate values for land, improvements (including fixtures), and personal property. It is also significant because of the assessment differences between real property and personal property. Special assessments are levied only on real property, which includes fixtures, and personal property is appraised annually at market value and not governed by article XIII A of the California Constitution, while fixtures are subject to article XIII A of the California Constitution.

The assessor should make a concerted effort to prorate machinery and equipment costs reported on Schedule A of the BPS between personal property and fixtures, particularly when enrolling taxable property related to industries that are likely to mix fixtures and personal property in reported cost data. The assessor's current practice may lead to inaccurate allocations between fixtures and personal property in specific industry settings and cause incorrect assessments.

**Manufactured Homes**

A "manufactured home" is defined in Health and Safety Code section 18007, and statutes prescribing the method of assessing manufactured homes are contained in sections 5800 through 5842. A manufactured home is subject to local property taxation if sold new on or after July 1, 1980, or if its owner requests conversion from the vehicle license fee to local property taxation. Manufactured homes should be classified as personal property and enrolled on the secured roll.\textsuperscript{11}

\textsuperscript{10} For a detailed description of the scope of our review of this topic, please refer to the document entitled *Business Equipment Valuation*, available on the BOE's website at \url{http://www.boe.ca.gov/Assessors/pdf/businessequipval_general.pdf}. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at \url{http://www.boe.ca.gov/proptaxes/apscont.htm}.

\textsuperscript{11} For a detailed description of the scope of our review of this topic, please refer to the document entitled *Manufactured Homes*, available on the BOE's website at \url{http://www.boe.ca.gov/Assessors/pdf/mhomes_general.pdf}. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at \url{http://www.boe.ca.gov/proptaxes/apscont.htm}. 
The 2014-15 total assessed value of the seven taxable manufactured homes and related accessories in Alpine County is $36,036. Alpine County does not have a low-value property exemption ordinance. There is one mobile home park in Alpine County and all seven manufactured homes are located in this park. In compliance with sections 5801(b)(2) and 5830, the assessor enrolls manufactured homes as personal property on the secured roll.

We recognized two areas in need of improvement when assessing manufactured homes.

**RECOMMENDATION 11:** Improve the assessment program for manufactured homes by: (1) enrolling supplemental assessments for changes in ownership and (2) properly assessing manufactured homes for declines in value.

**Enroll supplemental assessments for changes in ownership.**

In accordance with section 5802, the assessor properly values and establishes a base year value for a manufactured home upon a change in ownership. However, we found that the assessor did not issue supplemental assessments for these events.

Manufactured homes are subject to supplemental assessments under section 75.5, which defines "property" for supplemental assessment purposes as real property, other than fixtures that are normally valued as a separate appraisal unit from a structure, and manufactured homes subject to taxation under Part 13 (commencing with section 5800). Therefore, section 75.5 specifically requires that the assessor enroll supplemental assessments on manufactured homes whenever there is a change in ownership or completed new construction.

The assessor's current practice of not enrolling supplemental assessments for manufactured homes, when appropriate, is contrary to statute and may incorrectly allow some taxpayers to avoid supplemental assessment, causing an unequal treatment of taxpayers.

**Properly assess manufactured homes for declines in value**

The assessor correctly establishes the base year value of a manufactured home upon a change in ownership or completed new construction. For the 2002 roll year, the assessor reviewed and revalued all seven of the manufactured homes using the *National Automobile Dealer Association (NADA)* cost guide. However, for subsequent lien dates, the assessor incorrectly depreciated the prior year's value and enrolled it as the assessed value.

Section 5813 states that for each lien date after the lien date for which the base year value is determined, the taxable value of a manufactured home shall be the lesser of its factored base year (FBYV) value or its full cash or market value as of the lien date. In determining the market value of a manufactured home, the cost approach is the preferred method because its use eliminates any site influence. Therefore, the proper method to estimate a manufactured home's current market value is to use a published cost guide, such as NADA or the Assessors' Handbook Section 531, *Residential Building Costs*. After determining cost, the assessor should apply the
appropriate percentage depreciation to arrive at an indicator of market value. The assessor should then compare the indicated current market value to the FBVY and enroll the lower of the two.

The assessor's current practice may result in the incorrect assessment of these properties.
APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following table displays information pertinent to the 2013-14 assessment roll:

<table>
<thead>
<tr>
<th>PROPERTY TYPE</th>
<th>ENROLLED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Secured Roll</strong></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$219,597,582</td>
</tr>
<tr>
<td>Improvements</td>
<td>$424,320,154</td>
</tr>
<tr>
<td>Personal Property</td>
<td>$1,307,971</td>
</tr>
<tr>
<td><strong>Total Secured</strong></td>
<td>$645,225,707</td>
</tr>
<tr>
<td><strong>Unsecured Roll</strong></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$8,602,388</td>
</tr>
<tr>
<td>Improvements</td>
<td>$19,315,624</td>
</tr>
<tr>
<td>Personal Property</td>
<td>$8,693,361</td>
</tr>
<tr>
<td><strong>Total Unsecured</strong></td>
<td>$36,611,373</td>
</tr>
<tr>
<td><strong>Exemptions</strong></td>
<td>($557,231)</td>
</tr>
<tr>
<td><strong>Total Assessment Roll</strong></td>
<td>$681,279,849</td>
</tr>
</tbody>
</table>

Table 2: Change in Assessed Values

The next table summarizes the change in assessed values over recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>TOTAL ROLL VALUE</th>
<th>CHANGE</th>
<th>STATEWIDE CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>$681,280,000</td>
<td>0.5%</td>
<td>4.3%</td>
</tr>
<tr>
<td>2012-13</td>
<td>$677,909,000</td>
<td>0.1%</td>
<td>1.4%</td>
</tr>
<tr>
<td>2011-12</td>
<td>$677,133,000</td>
<td>-4.6%</td>
<td>0.1%</td>
</tr>
<tr>
<td>2010-11</td>
<td>$709,444,000</td>
<td>-8.5%</td>
<td>-1.9%</td>
</tr>
<tr>
<td>2009-10</td>
<td>$775,264,000</td>
<td>3.9%</td>
<td>-2.4%</td>
</tr>
</tbody>
</table>

---

12 Roll values are from BOE 822 Report for 2013-14.
13 The value of the Homeowners' Exemption is excluded from the exemptions total.
14 Roll values and statewide changes are from the State Board of Equalization Annual Report, Table 7, years 2009-10 through 2013-14.
Table 3: Gross Budget and Staffing

The assessor's budget has decreased from $345,724 in 2012-13 to $304,454 in 2013-14.

As of the date of our survey, the assessor had three budgeted permanent staff. This included the assessor, one assessment office specialist, and one senior appraiser.

The following table shows the assessor's total expenses budget and staffing over recent years:\textsuperscript{15}

<table>
<thead>
<tr>
<th>BUDGET YEAR</th>
<th>GROSS BUDGET</th>
<th>PERCENT CHANGE</th>
<th>PERMANENT STAFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>$304,454</td>
<td>-11.9%</td>
<td>3</td>
</tr>
<tr>
<td>2012-13</td>
<td>$345,724</td>
<td>10.6%</td>
<td>3</td>
</tr>
<tr>
<td>2011-12</td>
<td>$312,726</td>
<td>10.7%</td>
<td>3</td>
</tr>
<tr>
<td>2010-11</td>
<td>$282,559</td>
<td>-3.5%</td>
<td>3</td>
</tr>
<tr>
<td>2009-10</td>
<td>$292,663</td>
<td>0.3%</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 4: Assessment Appeals

The following table shows the number of appeals filed in Alpine County for each of the past five years:\textsuperscript{16}

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ASSESSMENT APPEALS FILED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>10</td>
</tr>
<tr>
<td>2012-13</td>
<td>53</td>
</tr>
<tr>
<td>2011-12</td>
<td>23</td>
</tr>
<tr>
<td>2010-11</td>
<td>24</td>
</tr>
<tr>
<td>2009-10</td>
<td>16</td>
</tr>
</tbody>
</table>

\textsuperscript{15} The numbers listed were provided by the assessor.
\textsuperscript{16} Statistical data provided by the county clerk.
Table 5: Exemptions – Welfare

The following table shows welfare exemption data for recent years.\textsuperscript{17}

<table>
<thead>
<tr>
<th>YEAR</th>
<th>WELFARE EXEMPTIONS</th>
<th>EXEMPTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>1</td>
<td>$313,684</td>
</tr>
<tr>
<td>2012-13</td>
<td>1</td>
<td>$271,113</td>
</tr>
<tr>
<td>2011-12</td>
<td>3</td>
<td>$267,430</td>
</tr>
<tr>
<td>2010-11</td>
<td>3</td>
<td>$576,228</td>
</tr>
<tr>
<td>2009-10</td>
<td>2</td>
<td>$512,843</td>
</tr>
</tbody>
</table>

Table 6: New Construction

The following table shows the total number of new construction assessments processed in recent years.\textsuperscript{18}

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NEW CONSTRUCTION ASSESSMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>23</td>
</tr>
<tr>
<td>2012-13</td>
<td>17</td>
</tr>
<tr>
<td>2011-12</td>
<td>23</td>
</tr>
<tr>
<td>2010-11</td>
<td>24</td>
</tr>
<tr>
<td>2009-10</td>
<td>35</td>
</tr>
</tbody>
</table>

\textsuperscript{17} BOE-802, \textit{Report on Exemptions}, used for years 2009-2014.
\textsuperscript{18} Permit counts for permit issuing agencies obtained from the assessor.
APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION
SURVEY GROUP

Alpine County

Chief
David Yeung

Survey Team Supervisor:
Ronald Louie Supervisor, Property Tax

Survey Team Leader:
Tammy Aguiar Senior Specialist Property Appraiser

Survey Team:
Cheron Burns Associate Property Appraiser
Robert Marr Associate Property Appraiser
Jeff Arthur Associate Property Auditor-Appraiser
Cyrus Haze Ghazam Assistant Property Auditor-Appraiser
Dany Lunetta Associate Governmental Program Analyst
# Appendix C: Relevant Statutes and Regulations

<table>
<thead>
<tr>
<th>Reference</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government Code</strong></td>
<td></td>
</tr>
<tr>
<td>§15640</td>
<td>Survey by board of county assessment procedures.</td>
</tr>
<tr>
<td>§15641</td>
<td>Audit of records; appraisal data not public.</td>
</tr>
<tr>
<td>§15642</td>
<td>Research by board employees.</td>
</tr>
<tr>
<td>§15643</td>
<td>When surveys to be made.</td>
</tr>
<tr>
<td>§15644</td>
<td>Recommendations by board.</td>
</tr>
<tr>
<td>§15645</td>
<td>Survey report; final survey report; assessor's report.</td>
</tr>
<tr>
<td>§15646</td>
<td>Copies of final survey reports to be filed with local officials.</td>
</tr>
<tr>
<td><strong>Revenue and Taxation Code</strong></td>
<td></td>
</tr>
<tr>
<td>§75.60</td>
<td>Allocation for administration.</td>
</tr>
<tr>
<td><strong>Title 18, California Code of Regulations</strong></td>
<td></td>
</tr>
<tr>
<td>Rule 370</td>
<td>Random selection of counties for representative sampling.</td>
</tr>
<tr>
<td>Rule 371</td>
<td>Significant assessment problems.</td>
</tr>
</tbody>
</table>
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 Alpine County Assessor's response begins on the next page. The BOE has no comments on the response.
Dear Mr. Yeung,

Pursuant to Section 15645 of the California Government Code, the following constitutes the Assessor's response to the recommendations presented in this Assessment Practices Survey for Alpine County.

We see the survey as an excellent opportunity to measure our performance, exchange ideas and gain constructive input from your staff, whose experience throughout the state helps broaden our knowledge and perspective. On behalf of our office, I would like to thank the State Board of Equalization's Survey Team for their insight, professionalism and courtesy.

Your constructive recommendations provide us the opportunity to focus on current policies and procedures which allow us to complete our mission of providing accurate, timely and fair assessments, while providing the highest level of benefit to the people we serve.

The survey was performed in 2014 during the prior Assessor-Recorders term. As the current Assessor-Recorder, my goal is to make sure the Assessors office is in full compliance with all California rules and laws while assessing all property fair and equitably.

I'd like to express my appreciation to retired Assessor-Recorder, Mr. Peets and the staff in the Assessors office, whose competence and efficiency, in the maintenance and production of the assessment rolls is outstanding.

Sincerely,

Donald O'Connor
Alpine County Assessor-Recorder
Alpine County Assessor’s response to recommendations:

**Recommendation 1:** Properly document nonreappraisable transfers.

**Response:** The Assessor concurs and procedures for this recommendation have been implemented to better document the transfers of nonreappraisable documents.

**Recommendation 2:** Correctly implement the penalty process in accordance with section 482(a).

**Response:** The Assessor concurs and procedures for this recommendation have been implemented. We will apply appropriate penalties for Change in Ownership Reports as required by section 482(a).

**Recommendation 3:** 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.

**Response:** The Assessor concurs and procedures for this recommendation have been implemented. We will apply appropriate penalties as required by section 482(b).

**Recommendation 4:** Follow proper enrollment procedures for escape assessments.

**Response:** The Assessor concurs and a new form and procedure for this recommendation have been implemented.

**Recommendation 5:** Improve the decline-in-value program by sending value notices to property owners as required by section 619.

**Response:** The Assessor concurs and procedures for this recommendation have been implemented. We will comply with section 619, especially since it’s for the public’s best interest to be informed if their property’s full value increases.

**Recommendation 6:** Improve the CLCA assessment program by: (1) sending CLCA questionnaires to property owners and (2) deducting operating expenses from the gross income.

**Response:** The Assessor concurs and procedures for this recommendation have been implemented.
Recommendation 7: Improve the taxable possessory interest program by: (1) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, (2) properly calculating supplemental assessments on newly created taxable possessory interests, and (3) adding the present worth of unpaid future contract rents to the sale price of a taxable possessory interest.

Response: The Assessor concurs and I have already implemented new procedures to address these issues.

Recommendation 8: Establish an audit program and audit the books and records of professions, trades, or business, pursuant to section 469.

Response: The Assessor concurs and our office is implementing the recommendation.

Recommendation 9: Improve the BPS program by conducting an audit or a field review when property owners fail to file a BPS for three or more consecutive years.

Response: The Assessor concurs and our office is implementing the recommendation.

Recommendation 10: Improve the business equipment valuation program by correctly classifying machinery and equipment reported on business property statements.

Response: The Assessor concurs and new procedures for this recommendation have been implemented. We will review the 571 returns in more detail and correct as needed.

Recommendation 11: Improve the assessment program for manufactured homes by: (1) enrolling supplemental assessments for changes in ownership and (2) properly assessing manufactured homes for decline in value.

Response: The Assessor concurs. (1) After I took office, I implemented new procedures to address this issue. (2) New procedures for this recommendation have been implemented.