

# CALAVERAS COUNTY ASSESSMENT PRACTICES SURVEY

**DECEMBER 2005**

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No. 2005/075

December 21, 2005

TO COUNTY ASSESSORS:

CALAVERAS COUNTY  
ASSESSMENT PRACTICES SURVEY

A copy of the Calaveras 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 Grant W. Metzger, Jr., Calaveras 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 Calaveras County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey was performed by the BOE's County Property Tax Division from September 2004 through February 2005. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Mr. Metzger 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.

These survey reports give government officials in California charged with property tax administration the opportunity to exchange ideas for the mutual benefit of all participants and stakeholders. We encourage you to share with us your questions, comments, and suggestions for improvement.

Sincerely,

/s/ David J. Gau

David J. Gau  
Deputy Director  
Property and Special Taxes Department

DJG:jm  
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 comes from the fact that more than one-half of all property tax revenue is used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

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 of (surveys) every county assessor's office. This report reflects the BOE's findings in its current survey of the Calaveras County Assessor.

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, the Senate and Assembly, and the Calaveras County 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 Calaveras County Assessor, Honorable Grant W. Metzger, Jr., elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendices.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas, but they also contain information required by law (see *Scope of Assessment Practices Surveys*) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

## SCOPE OF ASSESSMENT PRACTICES SURVEYS

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.

In addition, pursuant to Revenue and Taxation Code<sup>1</sup> section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll or by a determination by the survey team-based on objective standards defined in regulation—that there are no significant assessment problems in the county. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix C.

Our survey of the Calaveras County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with other public agencies in Calaveras County that provided information relevant to the property tax assessment program. This survey also included an assessment sample of the 2004-05 assessment roll to determine the average level (ratio) of assessment for all properties and the disparity among assessments within the sample. The ideal assessment ratio is 100 percent, and the minimum acceptable ratio is 95 percent. Disparity among assessments is measured by the sum of absolute differences found in the sample; the ideal sum of absolute differences is 0 percent and the maximum acceptable number is 7.5 percent. If the assessment roll meets the minimum standards for ratio and disparity, the county is eligible to continue to recover the administrative cost of processing supplemental assessments. The sampling program is described in detail in Appendix B.

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.

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

## EXECUTIVE SUMMARY

As stated in the Introduction, this report emphasizes problem areas we found in the operations of the assessor's office. However, it also identifies program elements that we found particularly effective and describes areas of improvement since our last assessment practices survey.

In our 2001 Calaveras County Assessment Practices Survey, we made 41 recommendations to address problems in the assessor's assessment policies and procedures. The assessor fully implemented 36 of the recommended changes. Three recommendations no longer apply, one because of a change in the law and the other two because we found no instances where property escaped assessment due to the assessor's practice. The remaining recommendations that were not implemented are repeated in this report.

We found many strengths in the assessor's program:

- The assessor began electronic scanning of *Preliminary Change of Ownership Reports*, transfer deeds, parcel maps, subdivision maps, and records of survey.
- The assessor purchased an electronic building floor plan sketch program and trained the appraisal staff in its use.
- The assessor developed a new departmental procedures manual.
- The assessor received authorization to reclassify his auditor-appraiser position from half-time to full-time.
- The assessor revised and expanded the property use code classifications and instituted a revised county community code system.
- The assessor placed assessment forms and parcel maps on the county's website for easy downloading and printing by the public.

In the area of administration, the assessor has participated in the State-County Property Tax Administration Program annually since 1996 and has effective programs for appraiser certification, assessment appeals, disaster relief, assessment roll changes, low-value property exemption, and exemptions.

We noted the following area where improvement is recommended:

- The assessor is using a number of outdated BOE-prescribed forms.

In the area of real property assessment, the assessor has effective programs for the enrollment of changes in ownership, new construction, supplemental assessments, California Land Conservation Act property, timberland production zone property, and timeshares. However, we identified the following deficiencies:

- The assessor does not value construction in progress at market value on each lien date.
- The assessor does not annually review all decline-in-value assessments.
- The assessor does not correctly determine the restricted value for taxable government-owned lands and does not correctly calculate the 1975 base year value for taxable government-owned lands acquired before 1975.
- The assessor does not assess all taxable possessory interests and does not determine the market value of a possessory interest based on the stated term of possession as required by Rule 21.<sup>2</sup>
- The assessor does not properly classify structural improvements assessed on the unsecured roll and does not review reported costs to determine if costs are for assessable new construction or non-assessable remodeling.
- The assessor is not assessing the one regulated water company in the county.

The assessor has an effective audit program and effective programs for the processing of business property statements and the assessment of leased equipment, vessels, and aircraft.

Despite the problems noted above, we found that most properties and property types are assessed correctly.

The Calaveras County assessment roll meets the requirements for assessment quality established by section 75.60. Our sample of the 2004-05 assessment roll indicated an average assessment ratio of 99.66 percent, and the sum of the absolute differences from the required assessment level was 0.62 percent. Accordingly, the BOE certifies that Calaveras County is eligible to continue receiving reimbursement of costs associated with administering supplemental assessments.

The following is a summary of the formal recommendations contained in this report, arrayed in the order that they appear in the text:

<b>RECOMMENDATION 1:</b>	Use the current version of BOE-prescribed forms. ....	20
<b>RECOMMENDATION 2:</b>	Value construction in progress at market value on each lien date.....	26
<b>RECOMMENDATION 3:</b>	Annually review all decline-in-value assessments. ....	28
<b>RECOMMENDATION 4:</b>	Improve the taxable government-owned land assessment program by: (1) correctly determining the restricted values for taxable government-owned lands, and (2) correctly calculating the 1975 base year value for taxable government-owned lands acquired before 1975.....	31

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<sup>2</sup> All Rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

**RECOMMENDATION 5:** Improve the possessory interest program by: (1) assessing all taxable possessory interests, and (2) determining the market value of a possessory interest based on the stated term of possession as required by Rule 21.....34

**RECOMMENDATION 6:** Improve the assessment of leasehold improvements by: (1) properly classifying structural improvements assessed on the unsecured roll, and (2) reviewing reported costs to determine if costs are for assessable new construction or non-assessable remodeling. ....36

**RECOMMENDATION 7:** Assess the regulated water company. ....38

## RESULTS OF 2001 SURVEY

### ***Computer System***

We recommended that the assessor develop a formal disaster recovery plan for the computer system. The assessor has implemented this recommendation; files are now backed up nightly and are stored in a secure off-site location.

### ***Assessment Roll Changes***

We recommended that the assessor notify the auditor-controller to apply the section 506 interest and to cite the proper Revenue and Taxation Code section when processing escape assessments. The assessor has implemented both of these recommendations. We also recommended that the assessor enroll escaped assessments in the manner prescribed by section 533. Due to a recent legislative change to section 533, the assessor is no longer required to provide this notation.

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

We recommended that the assessor improve appraisal record documentation, comply with section 110(b) when valuing properties subject to improvement bonds, and report section 69.5 claims to the BOE on a quarterly basis. The assessor has implemented all three recommendations.

### ***New Construction***

We recommended that the assessor obtain building permits from all issuing agencies and record all permit information on the appraisal record. The assessor has implemented both of these recommendations.

### ***Supplemental Assessments***

We recommended that the assessor process all supplemental assessments in a timely manner. The assessor has implemented this recommendation and is processing all supplemental assessments in a timely manner.

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

We recommended that the assessor annually review all decline-in-value assessments, use the correct appraisal unit when determining a decline-in-value, and document value estimates on the appraisal records. The assessor now uses the correct appraisal unit when determining a decline-in-value and documents value estimates on the appraisal records, but does not annually review all decline-in-value assessments. This recommendation is repeated in this report.

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

We recommended that the assessor capitalize the appropriate income when valuing a taxable possessory interest. The assessor has implemented this recommendation.

### ***Taxable Government-Owned Property***

We recommended that the assessor review the status of all government-owned properties to discover taxable government-owned properties and correctly determine the restricted value for such properties. The assessor now reviews the status of all government-owned properties to discover taxable government-owned properties; however, the assessor still does not correctly determine the restricted value for such properties and that recommendation is repeated.

### ***California Land Conservation Act (CLCA) Properties***

We recommended that the assessor value homesites as separate appraisal units, enroll water wells as land, regularly survey all CLCA property owners to solicit data on income, expenses, production, and compatible uses, establish base year values for trees and vines, automate the living improvement valuation program, include income from compatible uses in the income stream for restricted properties, and use the appropriate risk component in the CLCA capitalization rate. The assessor has implemented all of these recommendations.

### ***Water Company Property***

We recommended that the assessor review the listings of water companies inspected by various public agencies to discover taxable water company properties and obtain additional information from mutual water companies. The assessor has implemented the first recommendation but has not implemented the second. We did not find any mutual water companies that had escaped assessment; therefore, we do not repeat the recommendation.

### ***Timberland Production Zone Property***

We recommended that the assessor send periodic questionnaires to timberland owners to discover existing, compatible nonexclusive uses and to annually adjust the base year values of homesites and structures by the inflation factor. We did not discover any compatible use properties that were escaping assessment; therefore, we do not repeat this recommendation. The assessor has implemented the second recommendation.

### ***Leasehold Improvements***

We recommended that the assessor coordinate the assessment of tenant improvements between the real property and business property staff. The assessor has implemented this recommendation.

### **Timeshares**

We recommended that the assessor determine base year values for timeshare properties. The assessor has implemented this recommendation.

### **Property Statement Processing**

We recommended that the assessor improve the business property discovery program, use only BOE-prescribed property statements as required by law, and audit or visit all taxpayers who fail to file business property statements for three or more consecutive years. The assessor has implemented all of these recommendations.

### **Audit Program**

We recommended that the assessor bring the mandatory audit program to a current status and obtain a signed waiver of the statute of limitations when an audit will not be completed timely. The assessor is now in compliance with both of these recommendations.

### **Leased Equipment**

We recommended that the assessor annually review Form BOE-600-B, *Schedule of Leased Equipment*, to discover taxable leased equipment and cross-reference leased equipment reportings. The assessor has implemented both of these recommendations.

### **Apartment Personal Property**

We recommended that the assessor properly classify and assess apartment personal property. The assessor has implemented this recommendation.

### **Aircraft**

We recommended that the assessor use the *Aircraft Bluebook-Price Digest* to value aircraft. The assessor has implemented this recommendation.

### **Vessels**

We recommended that the assessor modify the depreciation analysis for the vessel valuation program to more accurately determine the appropriate trending factors. The assessor has implemented this recommendation.

### **Manufactured Homes**

We recommended that the assessor review manufactured homes for declines in value and ensure that the correct edition of the manufactured home valuation guide is used. The assessor has implemented both of these recommendations.

## OVERVIEW OF CALAVERAS COUNTY

Calaveras County is one of the 27 original counties in California created in 1850. The town of San Andreas has been the county seat since 1866. There is only one incorporated city, the City of Angels, known locally as Angels Camp.

Calaveras County is located in the heart of California's Gold Rush country in the Sierra Nevada foothills between Lake Tahoe and Yosemite National Park and is bordered by the counties of Amador to the north, Tuolumne to the south, Alpine to the east, and Stanislaus and San Joaquin to the west. As of January 2002, the population of Calaveras County was 42,250. The county encompasses an area of 663,550 surface acres, of which 652,800 acres is land area and 10,750 acres is water area.

The assessor produced a local assessment roll for 2004-05 consisting of 46,910 assessments (43,302 on the secured roll and 3,608 on the unsecured roll). The following table shows the distribution of property types assessed on the secured roll in the current and prior years:

ROLL YEAR	NUMBER OF SECURED ROLL UNITS			
	RESIDENTIAL	COMMERCIAL/ INDUSTRIAL	AGRICULTURAL	SPECIAL USE
2004-05	32,598	1,253	6,075	3,376
2003-04	32,336	1,211	6,032	3,350
2002-03	32,057	1,183	5,971	3,329
2001-02	32,550	1,191	6,197	3,297
2000-01	31,859	1,176	5,854	3,289

The 2004-05 assessment roll had a gross taxable value of \$4,662,989,402, which was an increase of 11.29 percent over the 2003-04 roll total of \$4,189,977,242. The next table illustrates the growth in assessed values during the past several years:

ROLL YEAR	SECURED ROLL VALUES	UNSECURED ROLL VALUES	TOTAL ROLL VALUES	INCREASE
2004-05	\$4,567,138,950	\$95,850,452	\$4,662,989,402	11.29%
2003-04	\$4,098,293,764	\$91,683,478	\$4,189,977,242	11.18%
2002-03	\$3,690,963,137	\$77,639,112	\$3,768,602,249	9.00%
2001-02	\$3,385,552,350	\$71,840,907	\$3,457,393,257	9.25%
2000-01	\$3,097,134,809	\$67,524,812	\$3,164,659,621	

The 2004-05 assessment roll workload included 1,797 roll corrections made to the 2003-04 roll and the resolution of 35 assessment appeals filed on assessments for the 2003-04 roll.

The 2004-05 real property workload consisted of 3,963 appraisable transfers and 1,541 new construction assessments. The roll includes approximately 363 manufactured homes, 262 taxable possessory interests, 1,658 decline-in-value assessments, and 1,087 California Land Conservation Act parcels. The assessor also completed a business property workload that included 16 completed audit and assessments of 2,217 vessels, 95 general aircraft, and 71 improvements on land owned by others.

## ADMINISTRATION

This section of the survey report focuses on administrative policies and procedures of the assessor's office that affect both the real property and business property assessment programs. Subjects addressed include the assessor's budget and staffing, the State-County Property Tax Administration Program (PTAP), appraiser certification, assessment appeals, disaster relief, assessment roll changes, low-value property exemption, exemptions, and assessment forms.

### **Budget and Staffing**

To enable the assessor to perform his duties, the county board of supervisors annually funds the assessor's office through the county's general fund. The allotted funds are provided so that the assessor can produce a timely assessment roll, administer legally permissible exemptions, develop and maintain a set of current maps delineating property ownership, defend assessments as required before an appellate body, and provide information and service to the public as needed. The following table shows the assessors' budget for the last five years. PTAP funds received by the assessor each year are included in the net budget figures.

YEAR	NET BUDGET	PERCENT CHANGE	PERMANENT STAFF	PTAP FUNDS	PTAP STAFF
2004-05	\$1,341,533	16.7%	17	\$109,897	4
2003-04	\$1,149,733	7.4%	17	\$109,897	4
2002-03	\$1,070,724	-1.2%	17	\$109,897	4
2001-02	\$1,084,319	6.0%	17	\$109,897	4
2000-01	\$1,023,220		17	\$109,897	4

The assessor's office has 17 budgeted full-time positions, including the assessor, excluding positions funded by the Property Tax Administration Program (PTAP). Positions funded by PTAP include one full-time real property appraiser, one full-time cadastral specialist I, one assessment specialist (limited to 960 hours per calendar year), and one assessment specialist (limited to 1,000 hours per fiscal year). PTAP funds are also used to employ three contract auditor-appraisers to assist the assessor in performing his scheduled mandatory and nonmandatory audits.

The following table shows the staff positions, including PTAP funded positions, and the number of employees in each classification (some positions, although budgeted, were not filled at the time of our fieldwork):

CLASSIFICATION	NO.	CLASSIFICATION	NO.
Assessor	1	Assessment Standards Analyst	1
Assistant Assessor	1	Assessment Cadastral Analyst	1
Chief Appraiser	1	Cadastral Specialist III	1
Real Property Supervising Appraiser	1	Cadastral Specialist I	1
Appraiser III	1	Senior Assessment Specialist	2
Appraiser II	2	Assessment Specialist III	1
Appraiser I	1	Assessment Specialist I	5
Auditor-Appraiser II	1		

**State-County Property Tax Administration Program**

In 1995, the Legislature established the State-County Property Tax Administration Program (PTAP). This program, which was later entitled the State-County Property Tax Administration Loan Program, provided state-funded loans to eligible counties for the improvement of property tax administration.<sup>3</sup> This program expired June 30, 2001 and was replaced with the Property Tax Administration Grant Program, which is available to counties for fiscal years 2002-03 through 2006-07. The grant program operates in essentially the same manner as the loan program except that if a county fails to meet its contractual performance criteria, the county will not be obligated to repay the grant but will be ineligible to continue to receive a grant.

If an eligible county elected to participate, the county and the State Department of Finance entered into a written contract, as described in section 95.35. A PTAP loan is considered repaid if the county satisfies agreed-on performance criteria set forth in the contract. The contract provides that the county must agree to maintain a base funding and staffing level in the assessor's office equal to the funding and staffing levels for the 1994-95 fiscal year. This requirement prevents a county from using PTAP funds to supplant the assessor's existing funding.

For most counties, the contract provides that verification of performance is provided to the State Department of Finance by the county auditor-controller.

Calaveras County first participated in the PTAP in fiscal year 1996-97 and is currently contracted to continue participation in the PTAP through March 31, 2005. The county's required base funding and staffing levels for the assessor's office is set at the 1993-94 fiscal year with a gross appropriation of \$695,431. The base year staffing level is set at 15.5 positions. For the 2003-04 fiscal year, Calaveras County received a grant in the amount of \$109,897 from the State Department of Finance. Funds from the grant have been used to finance two full-time positions,

<sup>3</sup> Chapter 914, Statutes of 1995, in effect October 16, 1995. The Property Tax Administration Loan Program expired June 30, 2001.

two part-time positions, provide financing for contract audits, computer hardware and software, and staff training.

In order to maintain eligibility to receive the grant, a county must show that the increase in tax revenue exceeds the grant amount. The Calaveras County Auditor-Controller provided the State Department of Finance a letter verifying that the assessor has fulfilled the contract requirements for repayment of the grant.

### ***Appraiser Certification***

Section 670 provides that no person shall perform the duties of an appraiser for property tax purposes unless he or she holds a valid certificate issued by the BOE. The assessor and his appraisal staff all possess the required appraiser's certificate with six holding advanced certificates. The assessor's auditor-appraiser performing mandatory audits also meets the additional requirements of section 670(d). There are currently no employees who possess a temporary appraiser's certification.

The assessor's office uses the services of three contract auditor-appraisers to assist in the completion of scheduled audits for the year. The contract personnel are also employed as full-time auditor-appraisers with the San Joaquin County Assessor's Office. All of the contract personnel possess the necessary certification and all are current with their training hour requirements.

### ***Assessment Appeals***

The assessment appeals function is prescribed by article XIII, section 16 of the California Constitution. Sections 1601 through 1641.2 are the statutory provisions governing the conduct and procedures of assessment appeals boards and the manner of their creation. As authorized by Government Code section 15606, the BOE has adopted Rules 301 through 326 to regulate the assessment appeal process.

In Calaveras County, the board of supervisors sits as the local board of equalization. The appeals board clerk schedules assessment appeal board hearings. Hearings are scheduled once per quarter.

The appeals board hears applications for reductions in value affecting individual properties on the unsecured and secured rolls. Taxpayers requesting a hearing before the board must file an application with the board clerk between July 2 and November 30 of the assessment year in question. For supplemental assessments and other assessments made outside the regular assessment period, section 1605 requires that the application be filed with the clerk no later than 60 days after the date on which the assessee was notified of the assessment.

A copy of the application received by the clerk of the assessment appeals board is sent to the assessor for review and validation. Any problems concerning the application are sent back to the assessment appeals clerk to contact the applicant for correction.

When the assessor's office receives an appeal application, it is routed to an appraiser (not necessarily the appraiser that did the original appraisal) after review by the supervisor, chief appraiser, assistant assessor, and the assessor. The appraiser will review the original appraisal to determine if he/she agrees with the initial appraisal and makes a recommendation to the assessor. With the assessor's approval, the appraiser then contacts the taxpayer and explains why the assessor agrees or disagrees with their claim.

If the assessor determines that the assessed value is incorrect due to a clerical error, the assessor will recommend that the assessed value be corrected. If the taxpayer agrees, the assessor sends a *Request For Withdrawal* to the taxpayer to withdraw their appeal.

If the assessor cannot resolve the appeal with the taxpayer, the appeal process continues and a hearing is scheduled. Appeals that involve a difference in the opinion of value between the assessor and applicant, unless withdrawn by the applicant, are scheduled for hearing before the assessment appeals board. The assessment standards analyst represents the assessor's office at all board hearings.

The following table illustrates the appeal workload over the last five years:

	2003-04	2002-03	2001-02	2000-01	1999-00
<b>Total Appeals:</b>					
Applications Received	39	42	27	19	7
Carried Over	13	5	7	4	10
<b>Total</b>	<b>52</b>	<b>47</b>	<b>34</b>	<b>23</b>	<b>17</b>
<b>Resolution:</b>					
Hearing-reduced	4	2	2	0	0
Hearing-increased	0	0	0	0	0
Hearing-upheld	2	1	4	3	0
Invalid	0	0	0	0	0
Stipulation	0	0	0	0	10
Withdrawn	28	26	21	13	3
Other	1	5	2	0	0
<b>Total</b>	<b>35</b>	<b>34</b>	<b>29</b>	<b>16</b>	<b>13</b>
<b>Carried over to next year</b>	<b>17</b>	<b>13</b>	<b>5</b>	<b>7</b>	<b>4</b>

No appeal in the last five years has gone unresolved for more than two years, unless the taxpayer agrees to a waiver of the statutory time limits.

We reviewed 11 appeal cases prepared by the assessor's staff and found them to be easily understood and well documented. The assessor's portion of the assessment appeal program is

well administered. We attended a hearing and noted that the staff handling appeals was experienced and well prepared.

**Disaster Relief**

Section 170 permits a county board of supervisors to adopt an ordinance that allows immediate property tax relief on qualifying property damaged or destroyed by misfortune or calamity. The property tax relief is available to the owner of any taxable property whose property suffers damage exceeding \$10,000 (without his or her fault) in a misfortune or calamity. In addition, section 170 provides procedures for calculating value reductions and restorations of value for the affected property.

To obtain relief under an ordinance, assesseees must make a written application to the assessor requesting reassessment. However, if the assessor is aware of any property that has suffered damage by misfortune or calamity, the assessor must either provide the last known assessee with an application for reassessment, or he or she may revalue the property on lien date.

Upon receipt of a properly completed application, the assessor shall reassess the property for tax relief purposes. If the sum of the full cash values of the land, improvements, and personal property before the damage or destruction exceeds the sum of the values after the damage by \$10,000 or more, the assessor shall then determine the percentage of value reductions and reduce the assessed values accordingly.

The Calaveras County Board of Supervisors adopted the county's disaster relief ordinance in 1978 (No. 1034) and revised it in 2004 (No. 2778). The revised ordinance grants the assessor the authority to initiate a reassessment without an application where the assessor determines that within the preceding 12 months taxable property was damaged or destroyed. With this authority, the assessor has taken a proactive stance and initiates a reassessment promptly upon the discovery of damaged property and notifies the taxpayer of the proposed reassessment. Along with the authority to initiate the reassessment, the assessor still uses the application process. The application form is available on the assessor's website and at the front counter in the assessor's office.

The following table shows the number of disaster relief claims filed per year from 2000-01 to 2004-05:

ASSESSMENT ROLL	CLAIMS FILED
2004-05	9
2003-04	16
2002-03	26
2001-02	19
2000-01	8

**Discovery**

The assessor discovers calamities through building permits issued for repairs, newspaper articles, taxpayer notification, and field investigation. The assessor's staff constantly reviews these sources to discover fire-damaged properties. The assessor also receives reports quarterly from the California Department of Forestry.

We reviewed 10 records of properties that had suffered a calamity. We found that the assessor noted the disaster information on the records, properly calculated the value reduction, and lowered the assessed values of properties that had been granted relief. The assessor promptly sent applications for disaster relief to property owners who requested them, handled each case properly, and processed mid-year tax relief for the property owners.

**Assessment Roll Changes**

The assessor must complete the local assessment roll and deliver it to the auditor by July 1 of each year. After delivery of the assessment roll to the auditor, if a correction is made that will decrease the amount of the unpaid taxes, the consent of the board of supervisors is necessary. All changes to the roll are authorized by specific statutes, and any roll change must be accompanied by the appropriate statutory reference.

Assessment roll changes fall under two general categories: escape assessments and corrections. An escape assessment is an assessment of property that was not assessed or was underassessed, for any reason, on the original roll. A correction is any type of authorized change to an existing assessment except for an underassessment caused by an error or omission of the assessee.

The following table shows the number of roll changes processed over a five-year period:

ASSESSMENT ROLL	TOTAL	SECURED	UNSECURED
2004-05	1,797	1,258	539
2003-04	1,606	1,301	305
2002-03	1,374	1,125	249
2001-02	1,117	895	222
2000-01	907	528	379

In our prior survey report, we recommended three changes in the assessor's program for processing roll corrections. We recommended that the assessor notify the auditor-controller to apply the section 506 interest. We found that the assessor is now in compliance with this recommendation and is using a roll correction form to notify the auditor-controller of the appropriate section 506 interest. The second recommendation was for the assessor to cite the proper Revenue and Taxation Code section when processing escape assessments. In our review, we verified that the assessor was citing the proper Revenue and Taxation Code section when processing escaped assessments. The final recommendation was for the assessor to enroll escaped assessments in the manner prescribed by section 533. Due to recent changes in

section 533, the assessor is no longer required to provide a specific notation on his assessment roll.

We reviewed the assessor's procedures and a number of roll changes. Roll corrections were made within the authorized period of time and *Notices of Proposed Escape Assessment* were mailed to taxpayers at least 10 days before the changes were entered on the roll.

In Letter To Assessors 2003/066, dated November 4, 2003, the BOE notified assessors of statutory changes to section 534 (effective January 1, 2004) to make notification forms BOE-approved rather than BOE-prescribed. The letter directs that the forms used by the assessor, such as a *Notice of Enrollment of Escape Assessment*, must be submitted to the BOE for approval. Section 534 provides that specific items must be included in this notice. The assessor's notice complies with the above requirements.

### ***Low-Value Property Exemption***

Section 155.20 authorizes a county board of supervisors to exempt all real property with a base year value, and personal property with a full value, so low that the total taxes, special assessments, and applicable subventions on the property would be less than the assessment and collection costs if the property were not exempt.

Section 155.20(b)(1) provides that a county board of supervisors may not exempt property with a total base year value or full value of more than \$5,000, or more than \$50,000 in the case of certain possessory interests. A board of supervisors must adopt a low-value property exemption before the lien date for the fiscal year to which the exemption is to apply. At the option of the board of supervisors, the exemption may continue in effect for succeeding fiscal years.

On February 19, 1991, the Calaveras County Board of Supervisors adopted Resolution 91-75, which exempted from taxation all real and personal property with a full value of \$2,000 or less. The resolution does not apply to new construction of \$2,000 or less unless the new base year value of the property, including the new construction, is \$2,000 or less. The county has not adopted a resolution exempting low-value supplemental assessments or low-value escaped assessments.

Our review of property eligible for this exemption included real property (including taxable possessory interests) and personal property. For the 2003-04 assessment roll, the assessor exempted 1,477 parcels on the secured roll with a value of \$1,225,719 and 70 accounts on the unsecured roll with a value of \$86,415. Each property we reviewed was properly valued, enrolled, and then exempted. We found no problems with the assessor's administration of the low-value property exemption.

**Exemptions**

**Church and Religious Exemptions**

The church exemption is authorized by article XIII, section 3(f), of the California Constitution. This constitutional provision implemented by section 206 of the Revenue and Taxation Code, exempts buildings, the land on which they are situated, and equipment used exclusively for religious worship, when such property is owned or leased by a church. Property that is reasonably and necessarily required for church parking also is exempt, under article XIII, section 4(d), provided that the property is not used for commercial purposes. The church parking exemption is available for owned or leased property meeting the requirements of section 206.1.

Article XIII, section 4(b), authorizes the Legislature to exempt property used exclusively for religious, hospital or charitable purposes and owned or held in trust by a corporation or other entity. The corporation or entity, however, must meet the following requirements: (1) it must be organized and operated for those purposes; (2) it must be non-profit; and (3) no part of its net earnings can inure to the benefit of any private shareholder or individual. The Legislature has implemented this constitutional authorization in section 207 of the Revenue and Taxation Code, which exempts property owned by a church and used exclusively for religious worship and school purposes.

County assessors administer the church and religious exemptions. The church exemption and the church parking exemption require an annual filing of the exemption claim. The religious exemption requires a one-time filing by the claimant. Once granted, this exemption remains in effect until terminated or until the property is no longer eligible for the exemption.

The Calaveras County Assessor's Office has one senior assessment specialist to process institutional exemptions (religious, church, and welfare). The assessment specialist is guided by Letters To Assessors, Assessors' Handbook Section 267, *Welfare, Church, and Religious Exemptions*, and an instructional manual provided at a BOE welfare exemption workshop.

The following table represents the number of religious and church exemptions and assessed values for the last five years:

ROLL YEAR	RELIGIOUS		CHURCH	
	NUMBER	EXEMPT VALUE	NUMBER	EXEMPT VALUE
2004-05	56	\$17,284,585	8	\$558,742
2003-04	64	\$15,466,417	6	\$738,914
2002-03	62	\$13,499,025	2	\$34,382
2001-02	62	\$12,666,807	5	\$195,546
2000-01	62	\$12,021,159	3	\$152,902

Our review of the assessor's religious exemption program found that the assessor adheres closely to statutory filing requirements. Once the religious exemption is granted, the assessor annually sends out Form BOE-267-SNT, *Religious Exemption Change In Eligibility Or Termination Notice*, to the claimant. If a claimant does not return the termination notice, the assessor continues to allow the exemption. If a claimant fails to return the annual termination notice for two years, the assessor contacts the claimant to determine whether or not to continue allowing the religious exemption or to adjust the exemption as necessary. We found the assessor's religious exemption program to be well documented and properly administered.

As required by sections 255 and 256, claimants for the church exemption are required to file an annual claim (Form BOE-262-AH *Church Exemption*). For late filed claims, the exemption amount is limited to 85 or 90 percent of any taxes, penalties, or interest up to a maximum penalty of \$250. As with the religious exemption program, we found the assessor's church exemption program to be well documented and properly administered.

**Welfare Exemption**

The welfare exemption from local property taxes is available for the property of organizations formed and operated exclusively for qualifying purposes (religious, hospital, scientific, or charitable), which use its property exclusively for those purposes. Both the organizational and property use requirements must be met for the exemption to be granted.

The welfare exemption is co-administered by the BOE and county assessors. Effective January 1, 2004, the BOE is responsible for determining whether an organization itself is eligible for the welfare exemption, and issues *Organizational Clearance Certificates* to qualified nonprofit organizations. The assessor is responsible for determining whether the use of a qualifying organization's property is eligible for exemption and approves or denies exemption claims without review by the BOE.

The assessor may not grant a welfare exemption on an organization's property unless the organization holds a valid *Organizational Clearance Certificate* issued by the BOE. The assessor may deny an exemption claim, based on non-qualifying use of the property, notwithstanding the claimant's *Organizational Clearance Certificate* issued by the BOE.

The following table summarizes welfare exemptions granted on the local roll for the last five years:

<b>ROLL YEAR</b>	<b>NUMBER OF EXEMPTIONS</b>	<b>EXEMPT VALUE</b>
2004-05	72	\$16,116,694
2003-04	63	\$10,992,449
2002-03	65	\$8,345,932
2001-02	56	\$6,920,657
2000-01	53	\$7,957,740

We reviewed a variety of welfare exemption claims on file at the assessor's office. We found that the assessor follows the correct procedures in applying this exemption and that the property uses were within the scope of the exemption. Where there were other users on the property, they too had filed valid claims and qualified in their own right before the assessor granted the exemption.

The assessor has a sound program for administering the welfare exemption. Every organization has a separate file folder that contains important documentation and correspondence. We found no problems with the assessor's welfare exemption program.

### **Assessment Forms**

Government Code section 15606 requires the BOE to prescribe the use of all forms for the assessment of property for taxation.<sup>4</sup> The BOE currently prescribes 75 forms for use by county assessors and one form for use by county assessment appeals boards. Generally, the assessor has the option to change the appearance (size, color, etc.) of a prescribed form but cannot modify, add to, or delete from the specific language on a prescribed form. The assessor may also rearrange information on a form provided that the assessor submits such a form to the BOE for review and approval. Assessors may also use locally developed forms to assist them in their assessment duties.

The BOE annually sends three forms checklists to assessors for (1) property statements, (2) exemption forms, and (3) miscellaneous forms. Assessors are asked to indicate on the checklists which forms they will use in the succeeding assessment year and to return the checklists to the BOE by October 15 in the case of property statements and miscellaneous forms and by December 1 in the case of exemption forms. By February 10, assessors are also required to submit to the BOE the final prints (versions) of all BOE prescribed forms they will use in the following year.

Of the 75 BOE-prescribed forms, the Calaveras County Assessor used 53 for the 2004-05 assessment year. The assessor did not rearrange any of the 53 forms. All checklists were received timely as were the final prints of the forms. The assessor's website includes 12 forms: 6 BOE-prescribed and 6 locally developed. We found one area of concern with the assessor's use of assessment forms.

**RECOMMENDATION 1:** Use the current version of BOE-prescribed forms.

Of the forms used by the assessor, three forms were outdated versions of the BOE-prescribed form. Two of the forms (Form BOE-231-AH, *Welfare Exemption/Section 231 Change in Eligibility of Termination Notice*, and Form BOE-571-F2, *Registered and Show Horses other than Racehorses*) are used in hard copy form by the assessor. The third form (Form BOE-60-AH, *Claim of Person(s) at Least 55 Years of Age for Transfer of Base-Year Value to Replacement Dwelling*) is found on the assessor's website.

Outdated BOE-prescribed forms should not be used, as they could provide incorrect information or be misleading to the taxpayer.

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<sup>4</sup> Also sections 480(b), 480.2(b), 480.4, and Rules 101 and 171.

## ASSESSMENT OF REAL PROPERTY

The assessor's program for assessing real property includes the following principal elements:

- Revaluation of properties that have changed ownership.
- Valuation of new construction.
- Annual review of properties that have experienced declines in value.
- Annual revaluation of certain properties subject to special assessment procedures, such as lands subject to California Land Conservation Act contracts, taxable government-owned lands, and lands in Timberland Production Zones.

Unless there is a change in ownership or new construction, article XIII A of the California Constitution provides that the taxable value of real property shall not exceed its 1975 full cash value factored at no more than 2 percent per year for inflation.

### ***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 change in ownership for property tax purposes. Section 110.1 requires the assessor to establish a base year value for real property upon a change in ownership, based on the property's fair market value on the date of change in ownership.

### **Document Processing**

The assessor receives a listing of all recorded documents from the recorder the first week of each month. An assessment specialist reviews the listing and highlights those documents that will require action by the assessor, such as deeds, leases, certificates of compliance, and notices of completion. The assessor can access all recorded documents from the recorder's office through a shared database named *Indexing Retrieval Imaging System (IRIS)*.

The assessment specialist prints documents directly from IRIS and forwards them to the transfer specialist who sorts the documents into assessor's parcel number (APN) order. The transfer specialist then confirms that the APN, legal description, and grantor names shown on the recorded document match the information on the assessor's computer database for that parcel. The transfer specialist reviews the recorded documents to determine if there is a change in ownership. The transfer specialist also determines the percentage of ownership, full or partial, transferred as well.

If it is determined that there is a reappraisable transfer, the transfer specialist will input into the computer system the document number, the recording date, document transfer tax amount, sales

price from the *Preliminary Change of Ownership Report* (PCOR) Form BOE-502-A, percent reappraisable, grantee name, and mailing address. An appraisal worksheet used to value the property subject to the transfer is generated by the computer system and a supplemental assessment number is assigned so the assessor can track the worksheet.

The following table shows the total number of documents recorded and the number of documents that generated a reappraisal for the last five years:

ROLL YEAR	RECORDED DOCUMENTS	TRANSFER DOCUMENTS	REAPPRAISABLE TRANSFER DOCUMENTS
2004-05	32,379	8,865	3,963
2003-04	26,505	8,635	4,165
2002-03	23,413	7,617	5,286
2001-02	18,705	7,652	3,933
2000-01	19,869	7,627	3,057

The recorder requires that a PCOR be submitted when a deed is recorded. PCORs are available at no charge from both the assessor and recorder. The recorder charges \$20 when a deed is recorded without a PCOR. The recorder sends submitted PCORs to the assessor daily. For recorded documents not accompanied by a PCOR, the assessor sends out Form BOE-502-AH, *Change of Ownership Statement* (COS). If the COS is not returned within the specified 45-day limit, the assessor applies the penalty as specified in section 482.

In our prior survey, three recommendations were made to improve the assessor's change in ownership program. They were: (1) improve appraisal record documentation, (2) comply with section 110(b) when valuing properties subject to improvement bonds, and (3) report section 69.5 claims to the BOE quarterly.

Regarding the first recommendation, in our prior survey, we discovered some inconsistencies in the assessor's documentation of value dates and recording dates, and found that base year and percent owned of partial transfers were not documented. Both of these issues have been addressed and corrected by the assessor. As previously stated, we found in our current survey that when a deed is determined to create an appraisable activity, the recording document number, recording date, and percent ownership being transferred is inputted into the computer system. The computer system generates an appraisal worksheet with the recording date listed as the event date, which is also to be used as the date of value.

To resolve the issue of tracking base year and percent owned of partial transfers, the assessor has created a *Partial Interest Transfer Tracking Sheet*. A copy of the tracking sheet is placed in the appraisal record and an electronic copy is maintained on the computer system.

Regarding the second recommendation from our prior survey, we found that whenever there was a sale with an outstanding improvement bond balance, the assessor would add the bond balance to the nominal sales price to arrive at the cash equivalent sales price. The assessor would then enroll the cash equivalent sales price as the assessed value. In our current survey, we found that

the assessor is still enrolling the cash equivalent sales price, including bonds, as the assessed value. According to section 110(b), in order to add the outstanding balance of the improvement bonds to the sales price, the assessor must overcome the presumption that the bond balance is already included in the nominal sales price.

The assessor has performed a study that compares the parcels that have sold with an outstanding bond balance with parcels that have sold with no outstanding bonds. The paired sale study shows that the nominal sales price of parcels with an outstanding bond balance is less than the market value of parcels without bonds. Once the bonds are added to the nominal sales price, the cash equivalent sales price of parcels with bonds is within the value range of those parcels that sold without bonds. With this study, the assessor has overcome the presumption of section 110(b). Therefore, this recommendation is not repeated in this report.

In our prior survey, we found that the assessor was sending reports to the BOE on an annual rather than quarterly basis as required by section 69.5. The assessor is now sending section 69.5 reports quarterly to the BOE even when no claims are filed during that quarter.

### Valuation of Changes in Ownership

When there is a change in ownership, the appraisal worksheet and the property file are forwarded to the appraisal staff to value the transferred property. Appraisers are assigned geographic areas of responsibility and process, verify, and value all transfers in their assigned areas. The appraiser reviews the information related to the transfer and determines if the parcel requires field review prior to valuation. Transfers that fall within the parameters of Rule 2 are not field reviewed. For these transfers, the cash equivalent sales price is enrolled as the assessed value. The supervising appraiser reviews all of the appraisals before they are forwarded to the data entry unit.

### 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 its subsidiaries. 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 corresponding change in ownership of the real property owned by the entity. Discovery of these types of change in ownership is difficult for assessors because ordinarily there is no recorded notice of the real property transfer.

To help assessors, the BOE's LEOP unit investigates and verifies changes in entity control and legal ownership reported by legal entities, transmitting to each county 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, many of the acquiring entities do not provide specific information about the real property involved—for example, the county of location, the assessor's parcel number, etc. Because of the limited data provided by many entities, LEOP advises assessors to independently research each entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

When the LEOP listing is received from the BOE, the transfer specialist reviews the list, identifies the parcels owned by the legal entity in the county, and updates the computer system, which automatically generates an appraisal worksheet. We found that the assessor processes LEOP notices properly and promptly revalues parcels that have undergone a change of ownership.

**Change in Ownership Exclusions**

Section 63.1 excludes from the definition of change in ownership the purchase or transfer (on or after November 6, 1986) of the principal residence and the first \$1 million of other real property between parents and children when a claim is filed timely. Subsequent amendments to section 63.1 also exclude certain transfers from grandparents to their grandchildren. Information regarding the provisions of section 63.1 is available at the public counter and on the assessor's website. The transfer staff also prepares the quarterly section 63.1 reports to the BOE. The following table shows the number of section 63.1 exclusions granted for the last five years:

<b>ROLL YEAR</b>	<b>SECTION 63.1 EXCLUSIONS</b>
2004-05	434
2003-04	417
2002-03	313
2001-02	258
2000-01	281

Section 69.5 allows the transfer of the base year value of a principal residence to another for a person over age 55 or disabled. Applications are available at the assessor's office and on the website. When applications are received, staff will verify that the original property and the replacement property are located in Calaveras County (Calaveras County does not have an ordinance to exempt intercounty transfers for persons over age 55). An assessment specialist will also check the application for completeness. The following table shows the number of section 69.5 claims granted over the last five years:

<b>ROLL YEAR</b>	<b>SECTION 69.5 CLAIMS</b>
2004-05	11
2003-04	9
2002-03	6
2001-02	6
2000-01	2

We found no problems with the assessor's base year value transfer program.

**New Construction**

Section 70 defines newly constructed property, or new construction, as (1) any addition to real property since the last lien date; or (2) any alteration of land or improvements since the last lien date that constitutes a major rehabilitation of the property or converts the property to a different use. Further, section 70 establishes that any rehabilitation, renovation, or modernization that converts an improvement to the substantial equivalent of a new improvement, constitutes a major rehabilitation of the improvement. Section 71 requires the assessor to determine the full cash value of newly constructed real property on each lien date while construction is in progress and on its date of completion, and provides that the full cash value of completed new construction becomes the new base year value of the newly constructed property.

Rules 463 and 463.500 clarify the statutory provisions of sections 70 and 71, and Assessors' Handbook Section 502, *Advanced Appraisal*, Chapter 6, provides guidance for the assessment of new construction.

There are several statutory exclusions from what constitutes new construction; sections 73 through 74.7 address these exclusions.

**Discovery**

Most new construction activity in Calaveras County is discovered from a review of issued building permits. The assessor receives building permits in two different ways. First, on a monthly basis, he downloads newly issued permits from the county building department's *Permits Plus* database. Secondly, each month the assessor receives building permits from the county environmental health department and the City of Angels. Other discovery methods include newspaper articles, business property statements, and field inspections.

The following table shows the number of permits received and the number of permits that generated a change in value for the last five years:

<b>ROLL YEAR</b>	<b>PERMITS RECEIVED</b>	<b>PERMITS GENERATING VALUE</b>
2004-05	3,104	1,541
2003-04	2,563	1,222
2002-03	2,351	1,254
2001-02	2,154	1,033
2000-01	1,177	901

In our prior survey, we made two recommendations to improve the assessor's program of assessing new construction. The first recommendation was for the assessor to obtain building permits from all issuing agencies. The assessor was not receiving permits for water wells and underground storage tanks issued by the county environmental health department. The assessor has implemented this recommendation. The environmental health department now forwards

permits for water wells to the assessor. The permits for underground storage tanks are now included in the county building department's *Permits Plus* database.

The second recommendation was that the assessor records all permit information on the appraisal record. The assessor now enters all permit information into the computer system. All of the appraisal staff has access to the screens of the computer system that contain information concerning permits. Since all permit information is now in the computer system, we do not repeat this recommendation.

## Processing

A permit specialist inputs the permit data into the computer system and arranges the permits in APN order. Each month, the permit specialist forwards a list of residential permits to the supervising appraiser and a list of all other permits to the chief appraiser. The supervising appraiser and the chief appraiser determine which permits are active or inactive. Inactive permits are considered to be permits that generate no change in value such as decks under \$5,000, re-roofs, electrical work, plumbing, mechanical work and other low-value permits. Active permits and valuation worksheets generated by the computer system are forwarded to the appraisers. Construction cost questionnaires for all active permits are printed at the same time as the valuation worksheets and mailed to the property owners.

## Valuation

The appropriate appraiser then field inspects and values the new construction. Field inspections help verify information received from the cost questionnaires and aid in the discovery of unpermitted new construction. Approximately 80 percent of the questionnaires are returned to the assessor. We reviewed 12 parcels that were valued for completed new construction and found that assessment records were properly documented both on the appraisal record and computer system. However, we found one area of concern in the assessor's program for the assessment of new construction.

**RECOMMENDATION 2:** Value construction in progress at market value on each lien date.

We found that the assessor correctly establishes a market value based on current cost for construction-in-progress on the initial lien date following the start of construction. However, for subsequent lien dates, instead of finding current market value, the assessor incorrectly continues to use the original cost factors for construction-in-progress that spans multiple lien dates. Upon completion of the new construction, the assessor correctly uses current cost factors to establish the property's base year value.

The assessor's procedure does not conform to statutory requirements. Section 71 requires the assessor to value construction in progress at its full value on each lien date. By using the original cost factors in subsequent assessment, the assessor is not determining current market value. Because construction costs increase annually, the unfinished new construction is underassessed.

**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 or its current full cash value, as defined in section 110. Thus, if a property's full cash value falls below its factored base year value 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 factored base year value, then the assessor must enroll the factored base year value. (Assessors' Handbook Section 501, *Basic Appraisal*, January 2002, page 140.)

Discovery of value declines in commercial, industrial, residential, and agricultural properties is accomplished by appraiser familiarity with their assigned geographic area and specific property type, as well as by taxpayers' requests for reviews of value and assessment appeals.

Properties in decline-in-value status are assigned a code of "800." The "800" code allows the assessor to track decline-in-value properties on the computer system to ensure that the annual inflation factor will not be applied. The "800" code also allows decline-in-value properties to be easily identified for annual review.

Due to the strength of the local real estate market, the number of properties experiencing a decline in value below their factored base year value has dropped. The following table shows the number of decline-in-value properties for the last five years.

<b>ROLL YEAR</b>	<b>DECLINE-IN-VALUE PROPERTIES</b>
2004-05	1,658
2003-04	1,763
2002-03	2,175
2001-02	2,297
2000-01	2,424

As of the 2004 lien date, all of the residential property records of those properties we reviewed with decline-in-value assessments have a comparable sales listing included in their folders. The appraisal files we reviewed were well documented and complete.

In our prior survey, we recommended that the assessor (1) use the correct appraisal unit when determining a decline in value, (2) document value estimates on the appraisal record, and (3) annually review all decline-in-value assessments.

The appraisal staff has been trained to use the correct appraisal unit when valuing property that may be subject to a decline in value; therefore, we will not repeat this recommendation. Declines-in-value are noted on the back of the appraisal record and a copy of the worksheet is in the appraisal record. The county does not document value estimates on the appraisal record because they enter the value estimates into their worksheet and thence into the computer system. The assessor has complied with our recommendation.

The third recommendation has not been completely implemented. The assessor only reviews 80 to 90 percent of the declines-in-value annually.

**RECOMMENDATION 3:** Annually review all decline-in-value assessments.

The assessor acknowledges that he only reviews about 80 to 90 percent of decline-in-value properties annually. We confirmed this in our sample review.

Section 51(e) provides that once the base year value is adjusted downward to reflect the current market value, the property must be reappraised annually until the current market value exceeds its factored base year value. In Letter To Assessors 96/52, dated August 21, 1996, the BOE provided guidelines clarifying section 51(e).

By not reviewing all decline-in-value properties annually, the assessor may be under or over assessing these properties.

### ***Supplemental Assessments***

Sections 75 and following require the assessor to appraise property at its full cash value upon change in ownership or completion of new construction and to issue a supplemental assessment based upon the change in ownership or new construction. A supplemental assessment is an assessment that reflects the increase or decrease in assessed value resulting from a change in ownership or completion of new construction for the fiscal year. If a change in ownership or completed new construction occurs between January 1 and May 31, two supplemental assessments result from the same event: one for the remainder of the current fiscal year, another for the entire next fiscal year. Clarification regarding supplemental assessments resulting from the completion of new construction is contained in Rule 463.500.

The assessor issues supplemental assessments whenever there is a change in ownership or completed new construction. Appraisers submit values for changes in ownership and completed new construction on valuation worksheets created by the computer system. Once a week, an assessment specialist reviews the worksheet to ensure that (1) the correct roll years are being supplementally assessed, (2) that the inflationary or adjusted base year is applied to the second supplemental assessment if the assessment falls within the dual supplemental period, and (3) there are no errors in the mathematical calculations. If there is an error in the mathematical calculations, the worksheet is returned to the appraiser for correction.

After the worksheets have been reviewed, the values are inputted into the computer system. Every Tuesday, supplemental notices are generated and mailed to the taxpayer. Sixty days after the issuance of the supplemental notices, the values are electronically forwarded to the auditor-controller for issuance of the tax bills. From the date the appraisal is made to issuance of the tax bill, the total supplemental assessment process takes approximately two to three months.

The following table shows the number of supplemental assessments processed by the assessor for the last five assessment years:

ROLL YEAR	SUPPLEMENTAL NOTICES MAILED
2004-05	5,432
2003-04	5,084
2002-03	4,711
2001-02	4,724
2000-01	3,669

The assessor enrolls all value changes, regardless of dollar amount, due to reassessments for changes in ownership and completed new construction. Supplemental assessments generated may be either positive, which will generate a bill, or negative, which will generate a refund. We found the assessor's supplemental assessment program to be current and reflect accurate value calculations.

In our prior report, we recommended that the assessor process supplemental assessments in a timely manner. The assessor is processing all supplemental assessments in a timely manner and is now in compliance with the prior recommendation.

### **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 ("Williamson Act") 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, e.g., hunting rights and communications facilities). Although such lands must be assessed at the lowest of restricted value, current market value, or factored base year value, the restricted value typically is the lowest.

Sections 421 through 430.5 prescribe the method of assessment for land subject to agricultural preserve contracts. Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521), provides BOE guidance for the appraisal of these properties.

On November 24, 1975, the Calaveras County Board of Supervisors adopted Resolution No. 75-489, establishing agricultural preserves in the county and implementing the California Land Conservation Act of 1965. For the 2004-05 assessment roll, Calaveras County had slightly more than 135,800 acres under CLCA contract, including 2,370 acres in nonrenewal status. The total restricted value of the land and about 600 acres of permanent plantings under CLCA contract was approximately \$24,854,000. Most of the land under contract is rated non-prime and used for grazing.

We reviewed the parcels that were in nonrenewal status on the 2004-05 roll. Nonrenewal status results when the county or the owner of land subject to contract has served a notice of withdrawal from the contract. This removal takes nine years to effect once notice has been given. CLCA properties in nonrenewal are being correctly assessed with all calculations and values listed on a single computerized spreadsheet.

In our prior survey, we made seven recommendations to improve the assessor's assessment of CLCA property. We recommended that the assessor value homesites as separate appraisal units. Homesites on CLCA properties were being assessed at the same base year per acre value as the total property. The assessor has implemented this recommendation.

We recommended that the assessor enroll water wells as land. The assessor was classifying wells as unrestricted improvements on CLCA properties. The assessor has implemented this recommendation. Wells are now classified as land and a charge for recapture is deducted when the wells contribute to the land/living improvement income.

We recommended that the assessor regularly survey all CLCA property owners to solicit data on income, expenses, production, and compatible uses. The assessor has implemented this recommendation. Questionnaires have been designed to solicit data for open space land and living improvements. Questionnaires are mailed every other year to both CLCA and non-CLCA agricultural property owners. The response rate has been about 78 percent.

We recommended that the assessor establish base year values for trees and vines. Base year values had not been consistently established for trees and vines once they became taxable. The assessor has implemented this recommendation.

We recommended that the assessor automate the living improvement valuation program. The valuation of living improvements has been fully automated on the computer system; in addition, the chief appraiser maintains a spreadsheet to track living improvements.

We recommended that the assessor include income from compatible uses in the income stream for restricted properties. We found that the assessor valued winery sites on restricted land separately at the lower of the factored base year or current market value. The assessor has implemented this recommendation. We reviewed the winery sites the assessor was incorrectly assessing and found that the sites are now being correctly assessed. The assessor obtains data on compatible use income for restricted properties from his agricultural questionnaire.

Finally, we recommended that the assessor use the appropriate risk rate component in the CLCA capitalization rate. The assessor has implemented this recommendation. The assessor derives the risk rate component he uses by surveying other county assessor's offices and interviewing agricultural fee appraisers.

In our current survey, we found no problems with the assessor's CLCA assessment program.

### **Taxable Government-Owned Property**

Article XIII, section 3, of the California Constitution exempts from property taxation any property owned by local governments, except as provided in article XIII, section 11. Section 11 provides that land and improvements thereon, located outside a local government's or local government agency's boundaries are taxable at a restricted value if the property was taxable at the time of acquisition. Improvements that were constructed to replace improvements that were taxable when acquired are also taxable. These lands and taxable improvements are commonly referred to as taxable government-owned properties.

Section 11 land must be assessed at the lowest of the current market value, factored base year value, or the restricted value. In addition, a base year value must be established for any improvement that was taxable when acquired by a local government outside its boundaries. Subsequently, the lower of the improvement's factored base year value or the current market value is enrolled. Improvements constructed following acquisition are exempt unless they replace taxable improvements. In that case, the taxable value of the replacement improvement cannot exceed the highest taxable value ever used on the replacement improvement.

In Calaveras County, there are 75 taxable government-owned parcels. The total value on the 2004-05 assessment roll for all 75 parcels is in excess of \$10,350,000. The assessment standards analyst is responsible for the assessment of all taxable government-owned lands.

In our prior survey report, we recommended that the assessor review the status of all government-owned properties. The assessor stated that reviewing government-owned properties is an on-going process. In our current review, we did not discover any taxable government-owned properties that were escaping assessment. Therefore, we are not repeating this recommendation.

We also recommended that the assessor correctly determine the restricted value for taxable government-owned land. In our prior survey, we found that the assessor was calculating the restricted value incorrectly. The assessor has not implemented this recommendation; therefore, we repeat the recommendation.

**RECOMMENDATION 4:** Improve the taxable government-owned land assessment program by: (1) correctly determining the restricted values for taxable government-owned lands, and (2) correctly calculating the 1975 base year value for taxable government-owned lands acquired before 1975.

#### **Correctly determine the restricted values for taxable government-owned lands.**

The assessor is calculating the restricted values for taxable government-owned land incorrectly. When calculating the restricted value for taxable government-owned land, the assessor is using the total 1967 assessed value of all taxable parcels owned by a government agency and dividing that figure by the total acreage owned to arrive at an average value per acre. This average value

per acre is multiplied by the factor that is supplied yearly by the BOE to establish the restricted value.

The correct method of calculating the restricted value for taxable government-owned land is to use the 1967 assessed value of the land for each parcel and multiply it by the BOE-announced factor. The method used by the assessor does not conform to Constitutional requirements. In addition, it may overstate or understate the taxable value of taxable government-owned land.

**Correctly calculate the 1975 base year value for taxable government-owned lands acquired before 1975.**

The assessor has incorrectly established the 1975 base year value for taxable government-owned lands acquired before 1975. In Calaveras County, for taxable government-owned lands acquired before 1975, the assessor established the 1975 base year value by multiplying the 1967 assessed value by the BOE-announced factor. The 1967 assessed value used by the assessor represents only 25 percent of the full cash value of the property. To correctly calculate the 1975 full cash value, the assessor should multiply his 1975 base year value by 4. The assessor's 1975 base year value for taxable government-owned land is not the full cash value as provided in article XIII A.

Section 110.1(a) defines "full cash value," under article XIII A, for real property to mean the fair market value as determined pursuant to section 110 for either the following:

- (1) The 1975 lien date; or
- (2) For property which is purchased, is newly constructed, or changes ownership after the 1975 lien date, either of the following:
  - (A) The date on which a purchase or change in ownership occurs; or
  - (B) The date on which new construction is completed, and if uncompleted, on the lien date.

In subsequent years, the base year value is to be adjusted for inflation by the California Consumer Price Index (CCPI), like property subject to article XIII A. Taxable government-owned land is annually assessed at the lowest of (1) the current fair market value, (2) the restricted value, or (3) the factored base year value. Factored base year values will generally be lower than either the current market value or the restricted value.

In Calaveras County, the assessor is annually assessing taxable government-owned lands at the factored base year value (1975 base year value times the CCPI), which is lowest of the three value indicators. However, the factored base year value is understated since it was calculated using the 1967 assessed value, which only represent 25 percent of the full cash value.

**Timberland Production Zone Property**

Lands zoned "Timberland Production Zone" (TPZ) are valued in accordance with special TPZ site classifications; the valuation of such lands excludes the value of any standing timber. The

annual value of a TPZ property ("TPZ value") is determined by its appropriate per-acre site value (section 434.5) plus the current market value of any compatible, nonexclusive uses of the property (section 435). Assuming that TPZ lands are not also under CLCA contract, the annual taxable value of TPZ lands is the lowest of (1) TPZ value, (2) current market value, or (3) factored base year value.

The special valuation methods for TPZ lands do not apply to structures on TPZ lands or to reasonable sites for such structures. In other words, structures and the sites directly related to those structures are assessed as all other real property.

Calaveras County has 321 parcels, consisting of approximately 77,200 acres, under TPZ zoning. For the 2004-05 assessment year, the total assessed value of TPZ land in Calaveras County was \$9,344,806. There are no TPZ parcels in rezoning status pursuant to Government Code section 51120.

In our prior survey, we made two recommendations to improve the assessor's program for valuing TPZ properties. The first recommendation was that the assessor periodically send questionnaires to timberland owners to discover existing, compatible nonexclusive uses. The assessor relied on field inspections and permits issued for new buildings, grading and wells to discover compatible uses on TPZ properties. In our current review, we did not discover any compatible uses on TPZ properties that had escaped assessment. Therefore, we are not repeating this recommendation.

The second recommendation made in the prior survey was for the assessor to annually adjust base year values of homesites and improvements by the inflation factor. The assessor is now in compliance with this recommendation. The assessor has automated his TPZ valuation program to automatically apply the correct inflation factor each year to compatible nonexclusive uses on TPZ properties.

Our review of the computerized TPZ valuation spreadsheets shows that the assessor properly follows the BOE's schedule of per-acre values for different site classes of TPZ land. The assessor has an effective program for the valuation of TPZ land.

### ***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.

The Calaveras County Assessor's program for discovering possessory interests includes annually polling government entities owning property in the county to request information on agreements with private parties. Each year the assessor contacts 55 public agencies by letter or in person to request information on new or changes in tenancies or rents. There are currently 262 taxable possessory interests with a total value of \$7,171,912 being assessed in Calaveras County.

Included in these figures are 74 possessory interests on taxable government-owned property. The assessment standards analyst is responsible for appraising all possessory interests. Possessory interests are assessed on the secured roll.

In our prior survey, we recommended that the assessor capitalize the appropriate income when valuing a taxable possessory interest. In many instances, the appraiser was deducting the contract rent from the estimated economic rent to arrive at a net income to capitalize into a value indicator. We found that this practice has been discontinued and the appropriate methods of estimating net income are now used. Therefore, we do not repeat this recommendation.

However, we discovered two problems with the assessor's current program for the valuation of possessory interests.

**RECOMMENDATION 5:** Improve the possessory interest program by: (1) assessing all taxable possessory interests, and (2) determining the market value of a possessory interest based on the stated term of possession as required by Rule 21.

**Assess all taxable possessory interests.**

We discovered that not all possessory interests were being assessed. Two governmental entities, the State Department of Transportation and the County of Calaveras, reported leases creating four assessable possessory interests that were not being assessed. The leases creating these possessory interests were executed in the years 2000, 2001, and 2002. The creation of a taxable possessory interest is a change in ownership that must result in a new assessment as provided in section 61(b). Not doing so may allow property to escape assessment.

**Determine the market value of a possessory interest based on the stated term of possession as required by Rule 21.**

We found the assessor does not use the stated term of possession when determining the market value of a possessory interest for each lien date. It is the assessor's practice not to re-compute the market value of a possessory interest using a declining term of possession premise. Possessory interests are revalued at the expiration of the contract term of possession or when there is a change in ownership.

Rule 21 provides that a contract term of possession is presumed to be the reasonably anticipated term of possession unless there is clear and convincing evidence that the lessor and the lessee anticipate that a different term is appropriate. Rule 21 also provides that the stated term of possession for a taxable possessory interest is the remaining period of possession. Thus, the stated term of possession of a possessory interest declines on each lien date, which may have a material effect on the market value of the possessory interest. For this reason, the appraiser should periodically estimate the market value of a possessory interest on the lien date (based on the remaining term of the contract), compare this value with the factored base year value, and enroll the lesser of the two.

Failing to use a declining term when valuing possessory interests may overstate the taxable value of the possessory interest.

### ***Leasehold Improvements***

Leasehold improvements are all improvements or additions to leased property that have been made by the tenant or lessee. Such improvements can be secured to the real property or assessed to the lessee on the unsecured assessment roll.

Commercial, industrial, and other types of income-producing properties require regular monitoring by the assessor because, as tenants change over a period of time, they may add and remove improvements that may result in a changed use of the property. These changes must, by law, be reflected in the property's assessment if they qualify as new construction.

When real property is reported on the *Business Property Statement* (BPS), coordination between the real property and business property staff of the assessor's office is important. The reported cost should be examined by both an appraiser and an auditor-appraiser. The appraisers should determine the proper classification of the property to ensure appropriate assessment and avoid escapes and double assessments. The assessor must determine whether costs are for repair and maintenance and are, therefore, not assessable, whether additions are properly classified as structural improvements or fixtures, and/or if additions are properly enrolled.

In our prior survey, we found that, because the real property and business property staff lacked a formal system of communication there were a number of discrepancies in the allocation of tenant improvements. We recommended that the assessor coordinate the assessment of tenant improvements between the real property and business property staff. To address this problem, the assessor has developed a *Business Property – Real Property Communication Form* to coordinate the assessment of leasehold improvements and to facilitate interaction between the real property and business property staff. Either staff can initiate the memo.

The most common methods of discovery for leasehold improvements are the BPS and building permits. Schedule B of the BPS is specifically for reporting real property installed by the tenant. Such taxpayers are annually required to list additions or deletions of real property.

In Calaveras County, the business property staff receives and reviews the BPS. If the business property staff determines that the tenant or lessee expended funds for the new property reported on Schedule B of the BPS, the business property staff will assess the property and enroll it on the unsecured roll. The business property staff uses the *Business Property – Real Property Communication Form* to inform the real property staff about costs reported on the BPS, the amount of those costs to be assessed on the unsecured roll, and any improvements that the business property staff believes could be assessed on the secured roll.

The chief appraiser in the real property staff determines if any of the reported property is to be assessed on the secured roll and will reply to the business property staff. Property installed by the lessee is generally enrolled by the business property staff on the unsecured roll and assessed to the lessee. Property installed by the landlord or lessor is enrolled by the real property staff on the secured roll and assessed to the lessor.

The assessor has a good program in place for identifying leasehold improvements and for exchanging information between the business and real property staff. We also reviewed the county's assessment of foreign improvements and found no problems.

We did, however, discover two problems with the assessor's valuation of leasehold improvements.

**RECOMMENDATION 6:** Improve the assessment of leasehold improvements by:  
(1) properly classifying structural improvements assessed on the unsecured roll, and (2) reviewing reported costs to determine if costs are for assessable new construction or non-assessable remodeling.

**Properly classify structural improvements assessed on the unsecured roll.**

In Calaveras County, the assessor is enrolling property for costs reported on column 1 of Schedule B of the BPS as fixtures rather than structural improvements. Costs reported on column 1 of Schedule B are for structural improvements made by the tenant or lessee. Structural improvements, whether paid for by the tenant or the landlord, should be assessed in the same manner as real property. A base year value should be established and for subsequent roll years, these costs should be treated the same as improvements that are assessed on the secured roll, that is, they should be treated as part of the land and building appraisal unit.

As fixtures, they have a base year value established. However, for subsequent years their value is based on a service life shorter than the building shell. By valuing these reported properties as fixtures rather than structural improvements, the assessor is underassessing tenant-installed structural improvements.

**Review reported costs to determine if costs are for assessable new construction or remodeling.**

We found several BPS's that had costs reported under Schedule B that were for remodel or repair of existing improvements and, therefore, not assessable as new construction.

Costs reported on column 1 of Schedule B of the BPS are typically for structural improvements made by the tenant to existing building or space. Costs can represent either the installation of new tenant improvements or repair or maintenance of existing improvements. As provided in Rule 463, the installation of new tenant improvements is an assessable activity, while repairs and maintenance are excluded.

By enrolling and assessing costs expended for maintenance or repairs, the assessor is overassessing these properties.

**Timeshares**

A timeshare estate is a right of occupancy in a timeshare project that is coupled with an estate in real property. A timeshare project is one in which a purchaser receives a right to the recurrent,

exclusive use or occupancy of a unit of real property for a specified time interval that has been or will be allotted from the occupancy or use periods into which the project has been divided. When purchased, a timeshare typically includes nonassessable personal property (furniture, linens, kitchenware, and household items) and nonassessable nonreal property items (considered non-taxable). Examples of nonreal property items include vacation exchange rights, club memberships, selling and promotional expenses, and prepaid expenses such as maintenance fees.

There is one timeshare project in Calaveras County comprised of 31 units with 5 different models. There are 1,581 intervals marketed by the developer. For the 2004-05 assessment roll, the net assessed value for these intervals was \$3,636,547. Each interval is marketed as a timeshare estate and represents a one-week interest in a specific unit. Each interval is assigned its own assessor's parcel number. The assessment standards analyst is responsible for the valuation of all timeshares in the county.

The timeshare project has two distinct seasons identified as the "gold" or "silver" season. The silver season includes 15 weeks and the gold season includes 36 weeks. One week is reserved for repairs and maintenance. Each legal description identifies the unit number and season. The silver season, also referred to as the "low" season, includes the least desirable weeks; while the gold season, also referred to as the "high" season, includes the more desirable weeks.

The assessor currently tracks individual timeshare ownership by both computer spreadsheet and individual records for each timeshare. The assessor also maintains a record of transfers for each timeshare project that includes parcel numbers, unit types, season sold, reported and adjusted sales prices, transfer date, and other data.

For each lien date, the assessor conducts a current market value study of all timeshare intervals. The current market value is compared with the factored base year value and the lower of the two is enrolled as the assessed value for the current roll.

In our prior survey, we recommended that the assessor determine base year values for all timeshare properties. We found that the assessor conducted a market value study of timeshares as of lien date. The indicated market value was then enrolled as the assessed value of the timeshare interval. The assessor had not established base year values for the timeshare intervals to compare with their market value to determine which was lower. The assessor now establishes base year values for each timeshare interval. Each year the assessor enrolls the lower of the factored base year value or the current market value. Therefore, we do not repeat this recommendation.

### ***Water Company Property***

Taxable water company property may include the property of private water companies, mutual water companies, and some property of government-owned water systems. Each type of water company property presents different assessment issues.

In our prior survey report, we made two recommendations to improve the assessor's program for the assessment of water company property. The first recommendation was for the assessor to review the listings of water companies inspected by various public agencies to discover taxable water company property. The assessor has implemented this recommendation. After reviewing

the listings, the assessor identified one regulated water company and five mutual water companies.

The second recommendation was for the assessor to obtain additional information, such as articles of incorporation, from mutual water companies to discover assessable property. This recommendation has not been implemented and is not repeated in this report because we did not find property that escaped assessment or that was overvalued.

However, we found one area of concern in the assessor program for the assessment of water companies.

**RECOMMENDATION 7:** Assess the regulated water company.

In Calaveras County, the assessor has identified one privately owned water company in business to earn a profit from the sale of water. This water company is regulated by the California Public Utilities Commission (CPUC) and is required to file annual reports with the CPUC. The assessor has obtained a copy of the report and a completed property statement from the regulated water company. These items contain data that are critical to the proper assessment of the property. However, the assessor has not assessed the property owned by this water company.

Section 201 provides that all property in this State, not exempt under the laws of the United States or of this State, is subject to taxation.

As a consequence of the assessor's failure to assess the property, non-exempt property is escaping taxation.

### ***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, and are specific to mineral properties only.

There are four quarries producing rock, sand, and gravel located in the county. The chief appraiser is responsible for the assessment of all the mining properties in the county. We reviewed the assessor's records and procedures and found that the assessor was properly assessing these properties.

## ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The assessor's program for assessing personal property and fixtures includes the following major elements:

- Discovery and classification of taxable personal property and fixtures.
- Mailing and processing of annual property statements and questionnaires.
- Annual revaluation of taxable personal property and fixtures.
- Auditing taxpayers whose assessments are based on information provided in property statements.

In this section of the survey report, we reviewed the assessor's audit, business property statement processing, business property valuation, and leased equipment discovery and assessment programs, and the assessment of manufactured homes, aircraft, vessels, and animals.

### **Audit Program**

A comprehensive audit program is essential to the successful administration of any tax program that relies on information supplied by taxpayers. A good audit program discourages deliberate underreporting, helps educate those property owners who unintentionally misreport, and provides the assessor with additional information to make fair and accurate assessments.

The business property staff is composed of one full-time auditor-appraiser. The assessor also uses the services of three contract auditor-appraisers to perform audits.

The following table shows the total number of audits completed over the last five years by the assessor:

ROLL YEAR	MANDATORY AUDITS	NONMANDATORY AUDITS	NET VALUE CHANGE
2004-05	7	9	(\$2,061,764)
2003-04	3	5	0
2002-03	8	13	\$7,321,609
2001-02	12	6	\$705,449
2000-01	3	0	(\$53,033)

In our prior survey, we recommended that the assessor bring the mandatory audit program to current status. The assessor is now current on his mandatory audit workload.

We also recommended that the assessor obtain a signed waiver of the statute of limitations when an audit will not be completed timely. The assessor now obtains waivers whenever an audit will not be completed timely. Therefore, we do not repeat the recommendation.

### **Mandatory Audits**

Pursuant to section 469, audits are mandatory for taxpayers reporting business tangible personal property and trade fixtures valued at \$400,000 or more.

The assessor has approximately 29 total accounts subject to the mandatory audit requirement. Each year, the assessor generates a computer listing of all accounts attaining \$400,000 or more in value for four consecutive years, which forms the basis of the mandatory audit list. To remain current, the assessor must audit approximately seven accounts each year.

### **Statute of Limitations**

Section 532 provides that when the assessor discovers through an audit that property has escaped assessment, an assessment of such property must be enrolled within four years after July 1 of the assessment year during which the property escaped assessment. If the assessor cannot complete an audit within the prescribed time, the assessor may request, pursuant to section 532.1, a waiver of the statute of limitations from the taxpayer to extend the time for making an assessment.

The assessor is current on his mandatory audit workload. In the past, the assessor would request waivers of the statute of limitations from taxpayers when an audit could not be completed in a timely manner. However, if the taxpayer refused to sign a waiver, the assessor would estimate the value of the property pursuant to section 501 and enroll an escaped assessment for the earliest year of the audit period. Once the audit is completed, based upon the audit results, the assessor corrects the escaped assessment if warranted.

### **Nonmandatory Audits**

A nonmandatory audit program serves several purposes in the assessment of personal property. Besides helping to mitigate taxpayer-reporting errors, a nonmandatory program also allows for the investigation and resolution of special problems uncovered during the processing of property statements.

The assessor understands the importance of auditing these nonmandatory accounts. In the last five years, the assessor has completed a total of 33 nonmandatory audits including nine in fiscal year 2004-05. As with the mandatory audits we found the quality of these audits to be in order and well documented. The audits included a comprehensive checklist defining areas of investigation.

### ***Business Property Statement Program***

Section 441 requires each person owning taxable personal property (other than a manufactured home) having an aggregate cost of \$100,000 or more to annually file a property statement with the assessor; other persons must file a property statement if requested by the assessor. Property

statements form the backbone of the business property assessment program. Several variants of the property statement address a variety of property types, including commercial, industrial, and agricultural property, vessels, and certificated aircraft.

In our review of several business property accounts, we found that the assessor applies valuation factors and service lives correctly and consistently.

In our prior survey, we recommended that the assessor use only BOE-prescribed property statements as required by law. Since that time the assessor has used only BOE-prescribed forms. Therefore, we do not repeat the recommendation.

We also recommended that the assessor audit or visit all taxpayers that fail to file business property statements for three or more consecutive years. The assessor has implemented this recommendation. The assessor has developed a list of taxpayers that failed to file a business property statement. These taxpayers are then scheduled for an on-site inspection to determine if an audit is necessary.

### ***Business Equipment Valuation***

#### **Commercial, Industrial, and Agricultural Equipment**

Assessors value most machinery and equipment using business property value factors. Value factors are derived by combining price index factors (trend factors) with percent-good factors. A value indicator is for the property obtained by multiplying a property's historical (acquisition) cost by an appropriate value factor.

Section 401.5 provides that the BOE shall issue information that promotes uniformity in appraisal practices and assessed values. Pursuant to that mandate, the BOE annually publishes Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581).

In our prior survey report, we recommended that the assessor properly classify and assess apartment personal property. We found that the assessor is now in compliance with this recommendation and correctly classifies apartment personal property. Thus, we do not repeat the recommendation.

#### ***Leased Equipment***

The business property division is responsible for the discovery, valuation, and assessment of leased equipment. This type of property is one of the more difficult to assess correctly. Common problems include difficulty in establishing taxability and taxable situs, reporting errors by lessees and lessors, valuation (whether the value of the equipment should be the lessor's cost or the cost for the consumer to purchase), and double or escape assessments resulting from lessor and lessee reporting. These issues are discussed in detail in Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*.

Taxpayers are required to report all leased equipment, i.e. taxable property in their possession but belonging to others, on the annual business property statement. On the statement, the

assessor requests the name and address of the owner, the month and year of property acquisition, the acquisition cost, the location, and other relevant information.

When property is leased, both lessors and lessees should report such property on their annual property statements. At the end of such a lease, the lessee may acquire the equipment or return it to the lessor. Procedures should be in place to identify the disposition of leased equipment upon termination of a lease.

When a lessee obtains ownership and retains possession of equipment at the end of the lease, the assessor should confirm that the lessee reports the property. A crosscheck of information reported by lessors and lessees verifies the accuracy of reported information. The assessor has developed a leased equipment database to assist in tracking ownership of equipment at the end of the lease.

In our prior survey, we recommended two changes in the assessor's program for assessing leased equipment. We recommended that the assessor annually review Form BOE-600-B, *Schedule of Leased Equipment*, to discover taxable leased equipment. Since that time, we have determined that the assessor has reviewed the Form BOE-600-B and discovered no significant assessable value.

We also recommended that the assessor cross-reference leased equipment reporting. We found that the assessor now cross-references lessor and lessee business property statements as a method of discovering leased equipment. The assessor has developed a leased equipment database to assist in the verification of reporting consistency. Thus, we do not repeat these recommendations.

### ***Manufactured Homes***

A "manufactured home" is defined in Health and Safety Code sections 18007 and 18008, 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.

In Calaveras County, manufactured homes are classified as personal property and enrolled on the secured assessment roll. The assessor is notified of assessable manufactured homes by information from the California Department of Housing and Community Development, dealer reports of sale, tax collector tax clearance certificates, and building permits.

The following table shows the number and assessed value for manufactured homes located in mobilehome parks in Calaveras County for the last five assessment years:

ROLL YEAR	NUMBER IN PARKS	ASSESSED VALUE
2004-05	363	\$9,471,147
2003-04	358	\$9,708,858
2002-03	352	\$9,698,462
2001-02	338	\$9,190,366
2000-01	327	\$8,411,837

Section 5803(b) requires the assessor, when determining the full cash value of a manufactured home on rented or leased land, to take into consideration sales prices listed in recognized value guides for manufactured homes. Recognized value guides include, but are not limited to, Kelley Blue Book's *Manufactured Housing Used Value Guide* and the National Automobile Dealers Association's *Manufactured Housing Appraisal Guide* (NADA).

In Calaveras County, the chief appraiser has the responsibility of appraising all the manufactured homes in the county's 15 mobilehome parks. The appraisal of manufactured homes not located in mobilehome parks is the responsibility of the appraiser assigned to that geographical area.

The assessor uses the NADA automated valuation system to value manufactured homes. The assessor includes the value of accessories such as awnings, porches, and skirting, as well as general overall condition of the manufactured home when estimating the NADA value.

We reviewed a number of manufactured home assessments, including transfers and new installations of manufactured homes. The assessor has an effective program for the discovery and assessment of manufactured homes.

In our prior survey, we made two recommendations to improve the assessor's manufactured home valuation program. The first recommendation was for the assessor to review manufactured homes for declines in value. The assessor has implemented this recommendation. The current market value of manufactured homes is compared to the factored base year value and the lower of the two is enrolled each year.

The second recommendation was for the assessor to ensure that the correct edition of the manufactured home valuation guide is being used. The assessor has implemented this recommendation. The assessor now uses the correct edition of NADA to determine market value.

**Aircraft**

**General Aircraft**

General aircraft are privately owned aircraft that are used for pleasure or business but that are not authorized to carry passengers, mail, or freight on a commercial basis (general aircraft

contrast with certificated aircraft, discussed below). Section 5363 requires the assessor to determine the market value of all aircraft according to standards and guidelines prescribed by the BOE.

Section 5364 requires the BOE to establish such standards. On January 10, 1997, the BOE approved the *Aircraft Bluebook-Price Digest (Bluebook)* as the primary guide for valuing aircraft, with the *Vref Aircraft Value Reference (Vref)* as an alternative guide for aircraft not listed in the *Bluebook*.

The assessor annually mails an *Aircraft Property Statement* to all listed aircraft owners. This statement requests information regarding the type of aircraft, purchase price, number of engine hours, air hours, extra equipment, and the physical location of the aircraft. Using some of this information, the staff determines the appropriate figure from the *Bluebook* as the starting point in valuing the aircraft. Adjustments are then made for engine and airframe hours above or below the typical and optional equipment added by the taxpayer. Information as to the condition of the aircraft is not specifically requested, but may be provided by the taxpayer under the "Remarks" column on the questionnaire.

We found that the assessor effectively discovers aircraft by using listings from the Federal Aviation Agency and airport manager reporting on Form BOE-577-B, *List of Aircraft*.

For the 2004-05 roll year, the assessor assessed 95 general aircraft valued at \$4,738,080. There are no certificated aircraft used for transporting passengers and cargo being valued in the county.

In our prior report, we recommended that the assessor use the *Bluebook* to value aircraft. The assessor has implemented this recommendation. The assessor is now using the recommended *Bluebook* as the primary guide for valuing general aviation aircraft.

### Historical Aircraft

Aircraft of historical significance can be exempted from taxation if they meet certain requirements. Section 220.5 defines "aircraft of historical significance" as (1) an aircraft that is an original, restored, or replica of a heavier than air, powered aircraft 35 years or older; or (2) any aircraft of a type or model of which there are fewer than five such aircraft known to exist worldwide.

The historical aircraft exemption is not automatic. Each year, the owner of a historical aircraft must submit an affidavit on or before 5:00 p.m., February 15, paying a filing fee of \$35 upon the initial application for exemption. Along with these requirements, aircraft of historical significance are exempt only if the following conditions are met: (1) the assessee is an individual owner who does not hold the aircraft primarily for purposes of sale; (2) the assessee does not use the aircraft for commercial purposes or general transportation; and, (3) the aircraft was available for display to the public at least 12 days during the 12-month period immediately preceding the lien date for the year for which exemption is claimed.

There are three historical aircraft located in Calaveras County. The assessor verifies the 12 days of public display required for the historical aircraft exemption and collects the one-time \$35 application fee with the initial filing.

We found that the assessor has an effective program for the administration of the historical aircraft exemption.

**Vessels**

Assessors must annually appraise all vessels at market value. The primary sources used for the discovery of assessable vessels include Department of Motor Vehicles (DMV) reports, referrals from other counties, and information provided by the vessel owners themselves.

Assessors in California are required to annually appraise all vessels at market value, except as provided in section 228 (no more than one vessel owned, claimed, possessed, or controlled by an assessee on the lien date, not used for commercial purposes, and having a market value of \$400 or less, shall be free from taxation) and section 155.20 (low-value property exemption).

For the 2004-05 assessment roll, the Calaveras County Assessor enrolled 2,217 vessels with a total assessed value of \$24,509,146.

The assessor continues to have an effective discovery program for vessels. Vessels are discovered through reports from marinas and the DMV, and referrals from other counties of boat owners moving their vessels to Calaveras County.

The following table shows the assessor's vessel data for the last five years:

ROLL YEAR	PLEASURE VESSELS	
	NUMBER	ASSESSED VALUE
2004-05	2,217	\$24,509,146
2003-04	2,085	\$21,905,870
2002-03	2,262	\$20,642,840
2001-02	1,818	\$15,353,877
2000-01	1,689	\$12,492,609

The assessor appraises vessels initially based on the current year's NADA *Marine Appraisal Guide*. In certain instances, other sources may be used, such as Internet resources and classified ads. If the reported purchase price falls within the value range indicated by the value guide, it is enrolled. If it doesn't fall within the value range, the appropriate value from the current value guide is used. Sales tax is correctly added to the book value of the vessels. Subsequent assessments are based on the prior year's roll values adjusted by a factor taken from a staff-developed depreciation table updated annually.

Our review of a representative sample of vessels indicates that the assessor appears to value vessels properly.

In our prior survey, we recommended that the assessor develop a more market-oriented approach for the valuation of vessels. At that time, staff was using an average fixed percent to depreciate all vessels. In our current survey, we found that vessels are now categorized into groups by type, such as sailboat, inboard, outboard, personal watercraft, and jet skis. Within each group, a value adjustment is developed using trends based on market values derived from the January-April edition of the *NADA Marine Appraisal Guide*. The assessor is now in compliance with our recommendation.

## APPENDICES

### ***A. County Property Tax Division Survey Group***

#### ***Calaveras County Assessment Practices Survey***

##### ***Chief, County Property Tax Division***

Mickie Stuckey

##### ***Survey Program Director:***

Benjamin Tang

Principal Property Appraiser

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

Arnold Fong

Principal Property Appraiser

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

Ronald Louie

Senior Specialist Property Appraiser

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

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Robert Curry

Associate Property Appraiser

Tom McClaskey

Associate Property Appraiser

Robert Rossi

Associate Property Appraiser

Lloyd Allred

Associate Property Auditor-Appraiser

Pam Bowens

Associate Property Auditor-Appraiser

Delia Garcia

Tax Technician II

## **B. Assessment Sampling Program**

The need for compliance with the laws, rules, and regulations governing the property tax system and related assessing<sup>5</sup> activities is very important in today's fiscally stringent times. The importance of compliance is twofold. First, the statewide maximum tax rate is set at one percent of taxable value. Therefore, a reduction of local revenues occurs in direct proportion to any undervaluation of property. (It is not legally allowable to raise the tax rate to compensate for increased revenue needs.) Secondly, with a major portion of every property tax dollar statewide going to public schools, a reduction in available local property tax revenues has a direct impact on the State's General Fund, which must backfill any property tax shortfall.

The BOE, in order to meet its constitutional and statutory obligations, focuses the assessment sampling program on a determination of the full value of locally taxable property and eventually its assessment level. The purpose of the BOE's assessment sampling program is to review a representative sampling of the assessments making up the local assessment rolls, both secured and unsecured, to determine how effectively the assessor is identifying those properties subject to revaluation and how well he/she is performing the valuation function.

The BOE's County Property Tax Division (CPTD) conducts the assessment sampling program on a five-year cycle for the 11 largest counties and cities and counties and on either a random or as needed basis for the other 47 counties. This sampling program is described as follows:

A representative random sampling is drawn from both the secured and unsecured local assessment rolls for the counties to be surveyed.

These assessments are stratified into 18 value strata (nine secured and nine unsecured.)<sup>6</sup>

From each stratum a random sampling is drawn for field investigation, sufficient in size to reflect the assessment level within the county.

For purposes of analysis, after the sample is drawn, the items are identified and placed into one of the five categories listed below:

**Base year properties.** Those properties the county assessor has not reappraised for either an ownership change or new construction during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

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<sup>5</sup> The term "assessing" as used here includes the actions of local assessment appeals boards, the boards of supervisors when acting as boards of equalization, and local officials who are directed by law to provide assessment-related information.

<sup>6</sup> The nine value strata are \$1 to \$99,999; \$100,000 to \$199,999; \$200,000 to \$499,999; \$500,000 to \$999,999; \$1,000,000 to \$1,999,999; \$2,000,000 to \$19,999,999; \$20,000,000 to \$99,999,999; \$100,000,000 to \$249,999,999; and \$250,000,000 and over.

**Transferred properties.** Those properties last reappraised because of an ownership change that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

**New construction.** Those properties last reappraised to reflect new construction that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

**Non-Proposition 13 properties.** Those properties not subject to the value restrictions of article XIII A, or those properties that have a unique treatment. Such properties include mineral-producing property, open-space property, timber preserve property, and taxable government-owned property.

**Unsecured properties.** Those properties on the unsecured roll.

From the assessment universe in each of these 18 value strata (nine strata on both secured and unsecured local rolls), a simple random sampling is drawn for field investigation that is sufficient in size to reflect the assessment practices within the county. A simple nonstratified random sampling would cause the sample items to be concentrated in those areas with the largest number of properties and might not adequately represent all assessments of various types and values. Because a separate sample is drawn from each stratum, the number of sample items from each category is not in the same proportion to the number of assessments in each category. This method of sample selection causes the raw sample, i.e., the "unexpanded" sample, to overrepresent some assessment types and underrepresent others. "Expanding" the sample data eliminates this apparent distortion in the raw sampling; that is, the sample data in each stratum are multiplied by the ratio of the number of assessments in the particular stratum to the number of sample items selected from the stratum. Once the raw sampling data are expanded, the findings are proportional to the actual assessments on the assessment roll. Without this adjustment, the raw sampling would represent a distorted picture of the assessment practices. This expansion further converts the sampling results into a magnitude representative of the total assessed value in the county.

The field investigation objectives are somewhat different in each category, for example:

**Base year properties** -- for those properties not reappraised during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: was the value properly factored forward (for the allowed inflation adjustment) to the roll being sampled? was there a change in ownership? was there new construction? or was there a decline in value?

**Transferred properties** -- for those properties where a change in ownership was the most recent assessment activity during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that a reappraisal was needed? do we concur with the county assessor's new value? was the base year value trended forward (for the allowed inflation adjustment)? was there a subsequent ownership change? was there subsequent new construction? was there a decline in value?

**New construction** -- for those properties where the most recent assessment activity was new construction added during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that the construction caused a reappraisal? do we concur with the value enrolled? was the base year amount trended forward properly (for the allowed inflation adjustment)? was there subsequent new construction? or was there a decline in value?

**Non-Prop 13 properties** -- for properties not covered by the value restrictions of article XIII A, or those properties that have a unique treatment do we concur with the amount enrolled?

**Unsecured properties** -- for assessments enrolled on the unsecured roll, do we concur with the amount enrolled?

The results of the field investigations are reported to the county assessor, and conferences are held to review individual sample items whenever the county assessor disagrees with the conclusions.

The results of the sample are then expanded as described above. The expanded results are summarized according to the five assessment categories and by property type and are made available to the assessment practices survey team prior to the commencement of the survey.

The primary use of the assessment sampling is to determine an assessor's eligibility for the cost reimbursement authorized by section 75.60. During the course of the sampling activity, the assessment practices survey team may also discover recurring causes for the differences in the opinion of taxable value that arise between the assessor and the County Property Tax Division. These discoveries may lead to recommendations in the survey report that would not have otherwise been made.

### **C. Relevant Statutes and Regulations**

#### **Government Code**

##### **15640. Survey by board of county assessment procedures.**

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

##### **15641. Audit of Records; Appraisal Data Not Public.**

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

**15642. Research by board employees.**

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

**15643. When surveys to be made.**

- (a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.
- (d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

**15644. Recommendations by board.**

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

**15645. Survey report; final survey report; assessor's report.**

- (a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the

assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.

(b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.

(c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

**15646. Copies of final survey reports to be filed with local officials.**

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

**Revenue and Taxation Code****75.60. Allocation for administration.**

(a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6(commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.

(b) For purposes of this section:

- (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
- (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
  - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
  - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
- (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.

**Title 18, California Code of Regulations**

**Rule 370. Random selection of counties for representative sampling.**

(a) **SURVEY CYCLE.** The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.

(b) **RANDOM SELECTION FOR ASSESSMENT SAMPLING.** The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.

(1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.

(2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.

(3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.

(c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.

(d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

**Rule 371. Significant assessment problems.**

(a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, "significant assessment problems" means procedure(s) in one or more areas of an assessor's assessment

operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:

- (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
- (2) the sum of all the differences between the board's appraisals and the assessor's values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor's entire roll, exceeds 7.5 percent of the assessment level required by statute.

(b) For purposes of this regulation, "areas of an assessor's assessment operation" means, but is not limited to, an assessor's programs for:

- (1) Uniformity of treatment for all classes of property.
- (2) Discovering and assessing newly constructed property.
- (3) Discovering and assessing real property that has undergone a change in ownership.
- (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
- (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
- (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
- (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
- (8) Discovering and assessing property that has suffered a decline in value.
- (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.

(c) A finding of "significant assessment problems," as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor's practices.

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

Section 15645 of the Government Code provides that the assessor may file with the BOE a response to the findings and recommendation 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 Calaveras County Assessor's response begins on the next page. The BOE has no comments on the response.

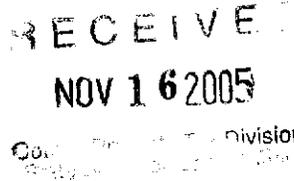


**GRANT W. METZGER, JR.**

**ASSESSOR**

CALAVERAS COUNTY GOVERNMENT CENTER  
891 MOUNTAIN RANCH RD.  
SAN ANDREAS, CALIFORNIA 95249-9709  
(209) 754-6356  
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Ms. Mickie Stuckey, Chief  
County Property Division  
State Board of Equalization  
P.O. Box 942879  
Sacramento, CA 94279-0062



November 14, 2005

Dear Ms. Stuckey:

I appreciate the opportunity to respond to the recommendations of the recent State Board of Equalization Assessment Practices Survey Report for Calaveras County. Pursuant to Section 15645 of the California Government Code, I have prepared this response to the survey and request that it be included in your final version of the survey report.

I want to thank Arnold Fong and his survey team for the courtesy and professionalism that they displayed during the survey.

I also want to thank the staff of the Calaveras County Assessor's Office for their dedication, professionalism and commitment to serving the citizens of Calaveras County.

I would like to take this opportunity to share my concern over the recent suspension of the Property Tax Administration Program (PTAP). In Calaveras County, the PTAP funds 12 % of our staff and our entire extra hire and computer related support. The loss of this funding will have a significant detrimental effect on our ability to produce a timely and accurate assessment roll in the future. It is imperative that reasonable funding be made available to Assessor's offices from the State in order to insure compliance with State requirements and to allow for the timely submission of an accurate and complete assessment roll.

Sincerely,

Grant W. Metzger, Jr  
Calaveras County Assessor