COLUSA COUNTY
ASSESSMENT PRACTICES SURVEY

SEPTEMBER 2015

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September 3, 2015

No. 2015/039

TO COUNTY ASSESSORS:

COLUSA COUNTY
ASSESSMENT PRACTICES SURVEY

A copy of the Colusa 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 Arnold Gross, Jr., Colusa 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 Colusa County Board of Supervisors and Grand Jury.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from November through December 2013. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Former Interim Assessor Chuck Niepoth and his staff gave their complete cooperation during the survey fieldwork. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee
Deputy Director
Property Tax Department

DRK:dcl
Enclosure

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INTRODUCTION

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

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

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

OBJECTIVE

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

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

SCOPE AND METHODOLOGY

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

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

This survey examined the assessment practices of the Colusa County Assessor's Office for the 2013-14 assessment roll. Since this survey did not include an assessment sampling pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.

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

[1] Government Code section 15642.
[2] Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code and all rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

For a detailed description of the scope of our review of county assessment practices, please refer to the document entitled *Scope of Assessment Practices Surveys*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf.

We conducted reviews of the following areas:

- Administration

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

- Assessment of Real Property

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

- Assessment of Personal Property and Fixtures

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

EXECUTIVE SUMMARY

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

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

In the area of real property assessment, we made recommendations for improvement in the change in ownership, new construction, declines in value, California Land Conservation Act (CLCA) property, taxable possessory interests, and mineral property programs.

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

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

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

OVERVIEW OF COLUSA COUNTY

Colusa County is located in northwest California. The county encompasses a total area of 1,157 square miles, consisting of 1,151 square miles of land area and 6 square miles of water area. Created in 1850, Colusa County is one of the original 27 California counties. Colusa County is bordered by Glenn County to the north, Butte and Sutter Counties to the east, Yolo County to the south, and Lake County to the west.

As of 2013, Colusa County had a population of 21,358. Colusa and Williams are the only incorporated cities in the county. The county seat is Colusa.

Agriculture is Colusa County's top producing industry. Rice is the most valuable crop in the county. The county's total production value of all agriculture in 2012 was more than $711,592,000.

FINDINGS AND RECOMMENDATIONS

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

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

RECOMMENDATION 1: Improve the administration of welfare exemptions by: (1) issuing finding sheets to claimants if a portion or all of the property is denied the welfare exemption, and (2) conducting field inspections on all first-time filing claims and ensuring field inspection reports are available for review. 8

RECOMMENDATION 2: Improve the change in ownership program by: (1) using the date of death as the date of change in ownership as required by Rule 462.260(c), and (2) correctly implementing the penalty process in accordance with section 482(a). 10

RECOMMENDATION 3: Improve the section 63.1 program by: (1) reporting the factored base year values for properties exceeding the $1,000,000 limit of real property other than the principal residence, and (2) timely reassessing those properties experiencing a change in ownership when the property owner has failed to provide a section 63.1 claim for exclusion as requested. 12

RECOMMENDATION 4: Improve the new construction program by: (1) substantiating discounts on swimming pools, and (2) properly documenting and valuing all domestic and irrigation wells as land. 13

RECOMMENDATION 5: Improve the decline-in-value program by: (1) documenting decline-in-value assessments on appraisal records, and (2) including all required information on the value change notice in accordance with section 619. 14

RECOMMENDATION 6: Improve the CLCA property program by: (1) including all potential income available to the property when determining the value, and (2) properly establishing a base year value for CLCA homesites. 16

RECOMMENDATION 7: Improve the taxable possessory interest program by: (1) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, (2) assessing taxable possessory interests based on the stated term of possession, (3) properly issuing supplemental assessments for taxable possessory interests upon a change in ownership or new construction, (4) reappraising all taxable possessory interests as required by section 61(b), (5) adding the present worth of unpaid future contract rents to the sale price of a taxable possessory interest, (6) using the Board-prescribed form to request information from government entities, and (7) recognizing lessor expenses when valuing taxable possessory interests by the income approach. 17

RECOMMENDATION 8: Recognize declines in petroleum property values for reasons other than depletion. 21

RECOMMENDATION 9: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469. 22

RECOMMENDATION 10: Improve the business equipment valuation program by applying the mobile agricultural percent good factors prescribed in Table 6 of AH 581 as intended. 23

ADMINISTRATION

Exemptions

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

Our review of the assessor's exemptions program included the church and religious, and welfare exemptions. We found no problems with the assessor's administration of church and religious exemptions. However, we have recommendations for the welfare exemption program.

Welfare Exemption

We reviewed all of the welfare exemption files in Colusa County and found that they were generally well administered. We found that the staff processing exemptions has a good understanding of the exemptions process and claims include original signatures as well as supplemental affidavits within the files. Although the welfare exemption program is generally well administered, we found areas in need of improvement.

RECOMMENDATION 1: Improve the administration of welfare exemptions by:
(1) issuing finding sheets to claimants if a portion or all of the property is denied the welfare exemption, and
(2) conducting field inspections on all first-time filing claims and ensuring field inspection reports are available for review.

Issue finding sheets to claimants if a portion or all of the property is denied the welfare exemption.

The assessor does not issue finding sheets to the claimant in instances where the property is granted only a partial welfare exemption or instances where the exemption is denied.

Section 254.5(c)(2) provides that if the assessor finds that the claimant's property is ineligible for the welfare exemption, the assessor must notify the claimant in writing of that finding. The notification must include information that the claimant may seek a refund of property taxes by filing a claim for refund with the county board of supervisors, and that if the claim for refund is denied, the organization may file a refund action in superior court.

[3] For a detailed description of the scope of our review of this topic, please refer to the document entitled *Exemptions*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/exemptions_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at http://www.boe.ca.gov/proptaxes/apscont.htm.

When the assessor does not issue a finding sheet to claimants when all or a portion of the property is denied the exemption, the assessor is not providing proper notification to the claimant.

Conduct field inspections on all first time filing claims and ensure field inspection reports are available for review.

The assessor does not consistently conduct field inspections on first-time filing claims nor ensure that a field inspection report is available for review in the claimant's file.

The prudent administration of property tax exemptions should include a physical inspection of real property for which the exemption is claimed. Notes should be incorporated on a field inspection report, the exemption claim, and any other documents that clarify the history of the exemption.

An onsite inspection of the property serves to verify the information provided on the claim. As part of the field inspection, the assessor should use a standardized form to accurately document the claimant's property use observed during the field inspection. The form may be one that is developed by the assessor or the suggested BOE-267-FIR, W*elfare Exemption Assessor's Field Inspection Report*. These reports and other supporting documentation should be readily available for review in case questions arise regarding the uses of the property qualifying it for the exemption.

Without access to the field inspection reports, it is not possible to determine if the assessor has correctly granted the exemption for all qualifying uses of the property. Subsequent field inspections should be conducted by the assessor if there is any question regarding the properties exempt status. Although the assessor is not required by statute to conduct a field inspection on all new exemption claims, the assessor's failure to conduct field inspections may result in an improper exemption of property.

ASSESSMENT OF REAL PROPERTY

Change in Ownership

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

We examined several recorded documents and found that the assessor conducts a proper and thorough review for identifying and processing changes in ownership. In addition, we found that the assessor has an efficient valuation program in place for reappraising properties having undergone a change in ownership. However, we found areas in need of improvement.

RECOMMENDATION 2: Improve the change in ownership program by: (1) using the date of death as the date of change in ownership as required by Rule 462.260(c), and (2) correctly implementing the penalty process in accordance with section 482(a).

Use the date of death as the date of change in ownership as required by Rule 462.260(c).

We found the assessor conducts a proper and thorough review for reappraisable events. However, we found instances where a date other than the date of death was used as the transfer date. Examples of dates erroneously substituted for the date of death were the date of deed recordation and the date of property distribution.

Rule 462.260(c) requires the assessor to use the date of death of the decedent as the date of change in ownership by will or intestate succession.

Correctly implement the penalty process in accordance with section 482(a).

It is the assessor's current practice not to apply penalties when a property owner fails to return a COS or fails to return the COS timely. The first letter requesting completion of the COS gives the property owner 90 days to file the completed COS. If the property owner is local, the assessor sends a second COS and gives the property owner an additional 15 days to file. It is office procedure to apply the penalty after 90 or 105 days from the date of request to respond, depending on whether the property owner is local or not. However, we could not find any examples of where a penalty had been applied. The Colusa County Board of Supervisors has not

[4] For a detailed description of the scope of our review of this topic in a document entitled *Change in Ownership* on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/cio_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at http://www.boe.ca.gov/proptaxes/apscont.htm.

adopted a resolution to abate penalties automatically without the need for the matter to go before the assessment appeals board.

Section 482(a) provides that if a person or legal entity required to file a statement described in section 480 fails to do so within 90 days (45 days prior to January 1, 2012) from the date of a written request by the assessor, a specific penalty is applied. When the property owner fails to return the COS timely, the assessor should notify the property owner of the penalty being applied and inform them of the abatement process as described in section 483(a).

The information contained in a properly completed COS is important because it assists the assessor in making an accurate assessment of a property. The assessor's current practice of not applying penalties to property owners who fail to file a COS or fail to file a COS by the deadline is contrary to statute and results in unequal treatment of taxpayers.

Change in Ownership Exclusions – Section 63.1

Section 63.1 generally excludes from the definition of "change in ownership" the purchase or transfer of principal residences and the first $1 million of other real property between parents and children. Section 63.1 also excludes qualifying purchases or transfers from grandparents to their grandchildren.

To enforce the $1 million limit for property other than principal residences, the BOE maintains a database that lists transfers of such property statewide. To further the state and local interests served by tracking these transfers, section 63.1 encourages county assessors to report such transfers to the BOE on a quarterly basis. The quarterly reporting, which was formerly mandatory, is now optional. However, if an assessor opts not to report quarterly to the BOE, the assessor must track such transfers internally to be in compliance with section 63.1.

The BOE uses the information received by assessors to generate quarterly reports notifying assessors of any transferors who have exceeded their $1 million limit. With this information, assessors are able to identify ineligible claims and, if necessary, take corrective action.

Overall we found the processing of section 63.1 exclusions to be well managed. However, we found areas in need of improvement.

RECOMMENDATION 3: Improve the section 63.1 program by: (1) reporting the factored base year values for properties exceeding the $1,000,000 limit of real property other than the principal residence, and (2) timely reassessing those properties experiencing a change in ownership when the property owner has failed to provide a section 63.1 claim for exclusion as requested.

Report the factored base year values for properties exceeding the $1,000,000 limit of real property other than the principal residence.

The assessor incorrectly reports restricted California Land Conservation Act (CLCA) values to the BOE rather than adjusted base year values for properties exceeding the $1,000,000 limit of real property other than the principal residence.

Section 63.1 states that a change in ownership shall not include the purchase or transfer of a principal residence of the first $1,000,000 of full cash value of all other real property of an eligible transferor in the case of a purchase or transfer between parents and their children. Full cash value is defined by section 110.1 as the fair market value as of the 1975 lien date, the date of change in ownership, or completion of new construction, whichever occurs last, plus inflationary factoring.

For purposes of section 63.1 quarterly reporting to the BOE, where the transferred property is restricted by CLCA, the excluded value is the adjusted base year value, not the restricted value. The county's practice of reporting restricted values rather than adjusted base year values on properties restricted by CLCA undervalues the properties for the $1,000,000 limit on the transfer of real property other than the principal residence.

Timely reassess those properties experiencing a change in ownership when the property owner has failed to provide a section 63.1 claim for exclusion as requested.

It is the assessor's practice to allow a property owner up to three years to file a section 63.1 claim for an exclusion from reassessment before reassessing the property.

According to the provisions of article XIII A of the California Constitution, a change in ownership constitutes a reassessment of the property to its fair market value, unless an exclusion applies. Section 63.1 allows for an exclusion from reassessment when the transfer is between parents and children. However, this exclusion is not automatic and the property owner must file a claim for exclusion and meet certain criteria before an exclusion may be granted.

As stated previously, when a change in ownership occurs, the property is subject to reassessment. For transfers involving parents and children, the assessor should allow the property owner time to provide a claim for exclusion. If the property owner fails to provide the claim within a reasonable timeframe, the assessor should reassess the property for a change in ownership. Allowing the property owner up to three years to file a claim for exclusion before reassessing the property may cause unequal treatment of taxpayers by allowing a delay in reassessment if the assessor does not timely enroll the supplemental assessment. Moreover, if a

timely claim is not filed, issuing multiple years of tax bills may cause a hardship for the taxpayer.

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.[5]

We reviewed several property record files involving recent new construction and found the assessor's program for discovering and assessing new construction to be generally well administered. The assessor's property records were fairly well documented and showed construction in progress assessed as of the lien date, completed new construction assessed as of the date of completion, and supplemental assessments issued as of the date of completion, when appropriate. However, we found areas in need of improvement.

RECOMMENDATION 4: Improve the new construction program by:
(1) substantiating discounts on swimming pools, and
(2) properly documenting and valuing all domestic and irrigation wells as land.

Substantiate discounts on swimming pools.

When valuing new construction for the completion of an in-ground swimming pool, the assessor determines the total estimated cost of the pool and then reduces this value by 50 percent to indicate the full market value of the newly constructed swimming pool. We found no evidence, such as a local market study, to justify this practice.

Adjustments to estimated total values of swimming pools should be supported by recent, documented local market evidence. Enrolling discounted new construction values for swimming pools without supporting documentation obtained from the local market may cause the assessor to enroll inaccurate assessments.

Properly document, value, and classify all domestic and irrigation wells as land.

The assessor does not always document the existence of domestic and irrigation wells and value them on the property record. In a number of the property records we reviewed there was a permit

[5] For a detailed description of the scope of our review of this topic, please refer to the document entitled *New Construction*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/newconstruction_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at http://www.boe.ca.gov/proptaxes/apscont.htm.

issued for the drilling of a well. However, we found no documentation on the property records of the existence of the well or well casing and no value added to the land. In one instance where the assessor did document the existence of a well it was incorrectly classified as part of the improvements.

Rule 124 provides that water wells are land for property tax purposes. Additionally, Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521), page I-58, advises assessors to classify wells, including well casings, gravel pack, and drilled holes, as land.

By not attributing any value to the land for value added by the new construction of domestic and irrigation water wells, the assessor is underassessing the land. In addition, classifying wells as improvements may result in incorrect special assessments.

Declines in Value

Section 51 requires the assessor to enroll on the lien date an assessment that is the lesser of a property's factored base year value (FBYV) or its current full cash value, as defined in section 110. Thus, if a property's full cash value falls below its FBYV on any given lien date, the assessor must enroll that lower value. If, on a subsequent lien date, a property's full cash value rises above its FBYV, then the assessor must enroll the FBYV.[6]

We reviewed several decline-in-value assessments and found that the initial value determinations were well supported and the property records were appropriately documented. However, we found areas in need of improvement.

RECOMMENDATION 5: Improve the decline-in-value program by: (1) documenting decline-in-value assessments on appraisal records, and (2) including all required information on the value change notice in accordance with section 619.

Document decline-in-value assessments on appraisal records.

The assessor annually reviews all properties with a decline-in-value assessment. However, the assessor does not adequately document the results of his review on the appraisal records. We reviewed several appraisal records that indicated the initial decline-in-value determination and contained supporting data for the initial value. However, for subsequent years the records were not documented annually to show any appropriate adjustments made to justify the appraiser's opinion of value. Values typically remained constant after the initial decline-in-value assessment which may be acceptable, but appraisal records were not documented by the appraiser to support these values.

[6] For a detailed description of the scope of our review of this topic, please refer to the document entitled *Declines in Value*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/declinesinvalue_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at http://www.boe.ca.gov/proptaxes/apscont.htm.

Section 51(e) provides that the assessor is not required to annually reappraise all assessable property to determine if the property qualifies for a decline-in-value reduction. However, for each lien date after the first lien date for which the taxable value of the property is reduced, the value of that property must be annually reappraised at its full cash value until its full cash value exceeds its FBYV. Annual documentation by the assessor for properties with a decline-in-value assessment supports that an annual review was completed in compliance with statute.

Include all required information on the value change notice in accordance with section 619.

Although the assessor's value notice sets forth the procedure for filing an appeal, the notice does not contain an explanation of the stipulation procedure.

Section 619(a) requires the assessor to inform each assessee of real property on the local secured roll whose property's full value has increased over its full value from the prior year as it shall appear on the completed local roll. Section 619(b) provides that the information given by the assessor to the assessee shall include a notification of hearings by the county board of equalization, which shall include the period during which assessment appeals will be accepted and the place where they may be filed. The information shall also include an explanation of the stipulation procedure set forth in section 1607. Section 619(c) provides that in the case of an increase in a property's full value over the property's full value determined for the prior year in accordance with section 51, the information shall also include the property's FBYV.

By not including all required information on the value change notice, the assessor is not in compliance with current statute and taxpayers are not being provided with all the information they are entitled to receive.

California Land Conservation Act Property

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

Property owners who place their lands under contract agree to restrict the use of such lands to agriculture and other compatible uses; in exchange, the lands are assessed at a restricted value. Lands under contract are valued for property tax purposes by a method that is based upon agricultural income-producing ability (including income derived from compatible uses, for example, hunting rights and communications facilities). Such lands must be assessed at the lowest of the restricted value, current market value, or factored base year value.[7]

For the 2013-14 roll year, Colusa County had 1,756 parcels encumbered by CLCA contracts encompassing approximately 318,918 acres. Of this total, 59,388 acres are designated as Farmland Security Zone. For the 2013-14 roll these 1,756 parcels had a total assessed value of

[7] For a detailed description of the scope of our review of this topic, please refer to the document entitled *California Land Conservation Act (CLCA) Property*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/clca_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at http://www.boe.ca.gov/proptaxes/apscont.htm.

$240,557,844. Also for the 2013-14 roll there was a total of 1,521 acres in nonrenewal status. No contracts have been cancelled since our last survey.

We reviewed several CLCA assessments and found that the assessor properly issues supplemental assessments on unrestricted portions of CLCA properties that undergo changes in ownership or have completed new construction. Pursuant to section 75.14 and section 52(a), supplemental assessments are not issued for restricted land or living improvements. In addition, the assessor properly values properties in nonrenewal status in accordance with section 426. However, we found areas in need of improvement.

RECOMMENDATION 6: Improve the CLCA property program by: (1) including all potential income available to the property when determining the value, and (2) properly establishing a base year value for CLCA homesites.

Include all potential income available to the property when determining the value.

In our review of property files of land under CLCA contract, we found that the assessor did not consistently include all potential income from compatible uses when determining the property's assessed value. In 2012 the assessor mailed a *Rural Property Income and Production Questionnaire* to all taxpayers owning lands under CLCA contract in Colusa County. Based on the information provided by the property owners the assessor updated his database of rents and expenses to be used in the valuation of lands under CLCA contract. One of the questions asked on the questionnaire is whether there is any income being generated from hunting or recreational use on land under CLCA contract. A number of returned questionnaires indicated additional annual income being generated from hunting and recreational uses that the assessor did not include in his determination of the property's assessed valuation.

Agricultural preserve property encumbered by a CLCA contract is assessed on the basis of its agricultural income producing ability, in addition to any compatible use income. In defining the income to be capitalized when valuing open-space properties subject to enforceable restrictions, section 423(a)(3) provides that revenue shall be the amount of money which the land can be expected to yield to an owner-operator. The income that can be generated and is attributable to the land must be capitalized in the manner specified for restricted properties.

By not including additional income in the valuation process, the assessor is undervaluing those properties subject to open-space restrictions that have additional income capabilities from approved uses.

Properly establish a base year value for CLCA homesites.

When there is a transfer of lands encumbered by a CLCA contract that involves a homesite, the assessor incorrectly enrolls the restricted land value as the assessed value of the homesite.

Section 428 provides that the restricted valuation for CLCA land does not apply to residences or the site of a residence. As explained in the AH 521, page II-51, since the residence and its site are not restricted, they must be valued as a separate appraisal unit. Even though it might be highly unlikely (or impossible where local zoning regulations forbid the separate parcelization

and/or sale of a homesite on an agricultural property) for the homesite to actually be bought and sold in the marketplace, the homesite must be valued as though it were a separate appraisal unit and traded in that manner. In estimating site value by the comparative sales method, the assessor should consider all the attributes of the subject site just as in the appraisal of a separate parcel.

The assessor's practice of applying the restricted land value to the homesite upon a change in ownership, rather than the fair market value, results in an underassessment of the homesite.

Taxable Possessory Interests

A taxable possessory interest results from the possession, a right to possession, or a claim to a right to possession of publicly-owned real property, in which the possession provides a private benefit to the possessor and is independent, durable, and exclusive of rights held by others. The assessment of a taxable possessory interest in tax-exempt publicly owned property is based on the value of the rights held by the possessor; the value of the rights retained by the public owner is almost always tax exempt.[8]

Colusa County has 74 taxable possessory interests on the 2013-14 roll with a total assessed value of $2,300,880. The majority of taxable possessory interests are private aircraft hangars at the Colusa County Airport. Other types of taxable possessory interests include private interests at the fairgrounds, cable television franchises, and cabins on United States Forest Service (USFS) lands.

We reviewed a number of taxable possessory interest records. Our review revealed several areas in need of improvement.

RECOMMENDATION 7: Improve the taxable possessory interest program by: (1) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, (2) assessing taxable possessory interests based on the stated term of possession, (3) properly issuing supplemental assessments for taxable possessory interests upon a change in ownership or new construction, (4) reappraising all taxable possessory interests as required by section 61(b), (5) adding the present worth of unpaid future contract rents to the sale price of a taxable possessory interest, (6) using the Board-prescribed form to request information from government entities, and (7) recognizing lessor expenses when valuing taxable possessory interests by the income approach.

[8] For a detailed description of the scope of our review of this topic, please refer to the document entitled *Taxable Possessory Interests*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/tpi_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at http://www.boe.ca.gov/proptaxes/apscont.htm.

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

We found, for lien dates subsequent to the establishment of the base year value, the assessor does not review taxable possessory interests with stated terms of possession for declines in value. Instead, he enrolls the factored base year value (FBYV) or the values remain constant.

Section 51(a) requires the assessor to value real property, including taxable possessory interests, at the lesser of the FBYV or the current fair market value, taking into consideration any reductions in value due to damage, depreciation, or any other factors causing a decline in value. Rule 21(d)(1) 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 lessee have reached a mutual understanding or agreement that calls for a different term. Rule 21(a)(6) also provides that the stated term of possession for taxable possessory interests is the remaining period of possession. Therefore, the stated term of possession declines on each lien date, which may have a material effect on the value of the interest. For this reason, the appraiser must estimate the current market value on the lien date, based on the stated term of possession, compare this value with the factored base year value, and enroll the lower of the two values.

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

Assess taxable possessory interests based on the stated term of possession.

In valuing some taxable possessory interests with a stated term of possession created by a contract, the assessor is using an anticipated term of possession, rather than the stated term of possession.

Rule 21(d)(1) provides the stated term of possession shall be deemed the reasonably anticipated term of possession used in valuing a taxable possessory interest unless it is demonstrated by clear and convincing evidence that the public owner and the private possessor have reached a mutual understanding or agreement, such that the reasonably anticipated term of possession is shorter or longer than the stated term of possession. We found no evidence of such an understanding or agreement.

Thus, the assessor's use of an anticipated term of possession different from the stated contract term of possession is contrary to Rule 21.

Properly issue supplemental assessments.

We discovered several taxable possessory interests where the assessor improperly calculated the supplemental assessment upon a change in ownership by offsetting the fair market value against the prior value on the roll and applying the difference.

Section 61(b) provides that the creation, renewal, extension, or assignment of a taxable possessory interest is a change in ownership. Section 75.11 provides that there shall be a

supplemental assessment following a change in ownership or completed new construction. According to Assessors' Handbook Section 510, *Assessment of Taxable Possessory Interests* (AH 510), page 59, when a supplemental assessment is issued due to a change in ownership, the supplemental assessment amount for the newly created taxable possessory interest should be based on its fair market value without offset for a prior value on the regular assessment roll when one taxable possessory interest is terminated during an assessment year and a second (but distinct) taxable possessory interest is created involving the same land and improvements during the same assessment year.

The assessor's practice is contrary to BOE guidance and results in incorrect supplemental assessments.

Reappraise all taxable possessory interests as required by section 61(b).

We found several taxable possessory interest files where the assessor failed to reappraise taxable possessory interests at the end of the anticipated term of possession for agreements which were renewed or extended, or as the result of an assignment of interest. We also confirmed with the USFS that all cabin permits expired on December 31, 2008. This fact has not been addressed in the assessor's records.

Section 61(b) provides that a change in ownership includes, but is not limited to, the creation, renewal, extension, or assignment of a taxable possessory interest in tax exempt real property. Section 61(b)(2) provides that any renewal or extension of a taxable possessory interest during the reasonably anticipated term of possession used to value that interest causes a change in ownership at the end of that term, at which time a new base year value, based on a new reasonably anticipated term of possession, shall be established for the taxable possessory interest.

To assist with the discovery of taxable possessory interests with expired terms, the BOE suggests that the assessor establish a tracking system to flag such occurrences as notification of when a possible reappraisal is required. By not revaluing taxable possessory interests at the end of the anticipated term of possession for a renewal or extension of an agreement or due to an assignment of an interest, the assessor is enrolling inaccurate assessments.

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

Upon the sale of some taxable possessory interests of privately owned cabins on USFS land, the assessor enrolled the sale price of the cabin as market value. The present value of unpaid future contract rent for the term of possession was not added to the reported sale price.

The direct method of the comparative sales approach is one of the generally accepted methods for valuing a taxable possessory interest and is described in Rule 21(e)(1)(A). In this method, an important adjustment to the reported sale price is the addition of the present value of the unpaid future contract rent over the remaining term of possession.

When determining the value of a taxable possessory interest, appraisers must include the total consideration paid for the taxable possessory interest. To reach that amount, the appraiser must include future sums the purchaser has an obligation to pay. If this adjustment is not made, the

value indicator will reflect only the buyer's equity in the taxable possessory interest and not the full value of the taxable possessory interest, resulting in an underassessment.

Use the Board-prescribed form to request information from government entities.

The assessor currently sends annual county-generated correspondence to state and local government entities requesting information identifying the holder of a taxable possessory interest, the property involved, and the terms and conditions of the agreement.

Subdivision (d) of Government Code section 15606 empowers the BOE to prescribe and enforce the use of all forms for the assessment of property for taxation. In addition, LTA 2004/049 dated September 7, 2004 advises that an assessor may not use locally developed forms if there is a Board-prescribed form available. County assessors are required to use form BOE-502-P, *Possessory Interests Annual Usage Report*, in place of county-created correspondence, although adding county-specific identifying information to the Board-prescribed form is permitted under Rule 171.

Recognize lessor expenses when valuing taxable possessory interests by the income approach.

The assessor typically determines the fair market value of a taxable possessory interest using the direct income approach. We found that the assessor is not consistent in making deductions from the gross rent for management and other operating expenses incurred by the public lessor.

Assessors' Handbook Section 510, *Assessment of Taxable Possessory Interests (AH 510)*, provides that allowed expenses paid by the public owner should be deducted from the estimated economic rent. Rule 21(e)(3)(c) provides that the income to be capitalized in the valuation of a taxable possessory interest is the "net return" (as defined in subsection (c) of Rule 8) attributable to the taxable possessory interest.

A public owner will incur at least some management expense with each taxable possessory interest. Some lease agreements may require the public owner to pay for insurance, maintenance, or utilities. By not recognizing these allowable expenses and subtracting them from the gross income to be capitalized, the assessor may be overstating the value of these taxable possessory interests.

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.[9]

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

Colusa County has several hundred natural gas wells, which produce about four percent of California's natural gas. There are no high temperature geothermal properties located in Colusa County. The mineral property appraisals are handled by the chief appraiser.

Petroleum Property

After reviewing the assessor's petroleum property program, we have the following recommendation:

RECOMMENDATION 8: Recognize declines in petroleum property values for reasons other than depletion.

We found that when a petroleum property has a decrease in reserves for reasons other than the prior year's production, the assessor recognizes the decrease in proved reserves, but not the corresponding decrease that should be reflected in the factored base year value of the mineral rights.

Changes to proved reserves can happen for many reasons. The assessor's mineral valuation properly accounts for depletion of reserves and the subsequent decrease in the factored base year value of the mineral right due to that reason. However, changes in well economics can also reduce reserves. For example, reduced product prices can lead to decreases in proved reserves, as can mechanical problems in a well. The assessor's current practice can be corrected by adjusting the mineral spreadsheet being used in the valuation process to allow a negative value for new reserves when there is a decrease in proved reserves.

By not properly recognizing a decline in the value of the mineral right for reasons other than depletion, the assessor may be enrolling incorrect assessments.

Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at http://www.boe.ca.gov/proptaxes/apscont.htm.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

Audit Program

County assessors are required to annually conduct a significant number of audits as specified in section 469. The significant number of audits required is at least 75 percent of the fiscal year average of the total number of mandatory audits the assessor was required to have conducted during the 2002-03 fiscal year to the 2005-06 fiscal year, with at least 50 percent of those to be selected from a pool of those taxpayers with the largest assessments.[10]

Rule 192 prescribes the computation establishing minimum required audit production and provides the basis for the audit selection process. According to Letter To Assessors (LTA) No. 2009/049, the statute requires the assessor to complete 13 audits per year. We found the assessor has only completed a total of one audit in the last three years. Given recent and current audit production levels, the assessor has failed to meet the minimum number of significant audits required, as defined by section 469.

RECOMMENDATION 9: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

We found that the assessor did not conduct the minimum number of audits required under the provisions of section 469 for each of the past three years.

An effective audit program verifies the reporting of various business property accounts, from small to large, and helps prevent potential errors or escape assessments. An audit program is an essential component of an equitably administered assessment program. A weak audit program can leave a business property assessment program with no means of verifying the accuracy of taxpayer reporting or correcting noncompliant reporting practices. Furthermore, experience shows that when audits are not conducted timely, it is more difficult to obtain the records necessary to substantiate accurate reporting the further removed the audit is from the year being audited. Therefore, timeliness of the audit is an important factor in an effective audit program and ultimately a well-managed assessment program.

By failing to conduct a significant number of audits in a timely manner each year, the assessor is not in compliance with section 469 for those years, and risks allowing taxable property to permanently escape assessment.

Business Equipment Valuation

Assessors value most machinery and equipment using business property valuation factors. Some valuation factors are derived by combining price index factors with percent good factors, while

[10] For a detailed description of the scope of our review of this topic, please refer to the document entitled *Audit Program*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/auditprogram_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at http://www.boe.ca.gov/proptaxes/apscont.htm.

other valuation factors result from valuation studies. A value indicator is obtained by multiplying a property's historical cost by an appropriate value factor.[11]

We reviewed the procedures and standardized valuation policies related to business equipment valuation and found them to be adequately compiled and sufficiently detailed. We also reviewed a number of valuation calculations and found no problems with either fixture allocations or classification determinations between fixtures and personal property upon enrollment. In addition, we reviewed the assessor's valuation tables and a number of processed business property statements. Observed valuation calculations enrolled by the assessor indicate the appropriate application of BOE-recommended valuation tables in most instances. We did, however, find an area in need of improvement.

RECOMMENDATION 10: Improve the business equipment valuation program by applying the mobile agricultural percent good factors prescribed in Table 6 of AH 581 as intended.

We found the assessor applies *Table 6: Agricultural Mobile Equipment Percent Good Factors* from Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581) to all movable agricultural related personal property. The Table 6 factors are intended for use in the valuation of vehicles considered to be self-propelled machinery and related implements used in the conduct of agricultural operations, and that are exempt from DMV registration and license fees. Therefore, by using these factors in the valuation of *non-mobile* agricultural equipment, such as bins, air compressors, irrigation pipes and risers, welders, generators, etc., the assessor is incorrectly calculating current market value estimates of non-mobile agricultural equipment. To ensure an accurate value indicator, the assessor should determine whether reported machinery and equipment is mobile in nature, and then apply the appropriate factor table indicated in AH 581.

We also observed a number of instances where the assessor applied the non-harvester percent good factors from Table 6 of AH 581 to harvesters. Therefore, the assessor is incorrectly calculating current market value estimates of harvesters. AH 581 includes separate percent good factors for harvesters and non-harvesters within Table 6. The percent good factors indicated in AH 581 are based upon a unique set of market parameters. Accurate assessments depend on the correct application of these factors. Harvesters typically depreciate at a faster rate than non-harvester agricultural mobile equipment.

Improper application of the percent good factors found within Table 6 leads to inaccurate value conclusions.

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

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following table displays information pertinent to the 2013-14 assessment roll:[12]

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	$1,073,745,138
	Improvements	$1,197,899,189
	Personal Property	$97,017,998
	Total Secured	$2,368,662,325
Unsecured Roll	Land	$4,293,190
	Improvements	$82,871,915
	Personal Property	$160,158,368
	Total Unsecured	$247,323,473
Exemptions[13]		($50,272,197)
	Total Assessment Roll	$2,565,713,601

Table 2: Change in Assessed Values

The next table summarizes the change in assessed values over recent years:[14]

ROLL YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2013-14	$2,565,714,000	1.9%	4.3%
2012-13	$2,518,863,000	3.1%	1.4%
2011-12	$2,444,140,000	0.7%	0.1%
2010-11	$2,428,189,000	-3.3%	-1.9%
2009-10	$2,510,230,000	0.5%	-2.4%

[12] Statistics provided by BOE-822, *Report of Assessed Values By City*, 6 Colusa County for year 2013.
[13] The value of the Homeowners' Exemption is excluded from the exemptions total.
[14] State Board of Equalization Annual Report, Table 7.

Table 3: Gross Budget and Staffing

The assessor's budget has increased from $901,256 in 2009-10 to $986,364 in 2013-14.

As of the date of our survey, the assessor had 11 budgeted permanent staff. This included the assessor, 1 assessment office manager, 1 chief appraiser, 2 appraisers, 1 auditor appraiser, 1 cadastral drafting/mapping technician, and 4 support staff.[15]

The following table identifies the assessor's budget and staffing over recent years:[16]

BUDGET YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2013-14	$986,364	-10.5%	11
2012-13	$1,102,199	6.2%	11
2011-12	$1,038,288	12.1%	11
2010-11	$925,865	2.7%	11
2009-10	$901,256	0.4%	11

Table 4: Assessment Appeals

The following table shows the number of assessment appeals filed in recent years:[17]

YEAR	ASSESSMENT APPEALS FILED
2013-14	4
2012-13	7
2011-12	7
2010-11	4
2009-10	11

[15] Information provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for the year 2013-14.
[16] Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2009-10 through 2013-14.
[17] Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2009-10 through 2013-14.

Table 5: Exemptions – Welfare

The following table shows welfare exemption data for recent years:[18]

YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2013-14	39	$39,207,655
2012-13	35	$36,869,955
2011-12	34	$33,461,538
2010-11	32	$29,803,499
2009-10	31	$25,080,887

Table 6: Change in Ownership

The following table shows the total number of reappraisable transfers due to changes in ownership processed in recent years:[19]

YEAR	REAPPRAISABLE TRANSFERS
2013-14	419
2012-13	631
2011-12	504
2010-11	599
2009-10	1,338

[18] Statistics provided by BOE-802, *Report on Exemptions*, for years 2009 through 2013.
[19] Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2009-10 through 2013-14.

Table 7: New Construction

The following table shows the total number of new construction assessments processed in recent years:[20]

YEAR	NEW CONSTRUCTION ASSESSMENTS
2013-14	100
2012-13	53
2011-12	110
2010-11	127
2009-10	77

Table 8: Declines In Value

The following table shows the total number of decline-in-value assessments in recent years:[21]

YEAR	DECLINE-IN-VALUE ASSESSMENTS
2013-14	1,413
2012-13	1,540
2011-12	1,529
2010-11	1,408
2009-10	1,460

[20] Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2009-10 through 2013-14.
[21] Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2009-10 through 2013-14.

APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

Colusa County

Chief

Benjamin Tang

Survey Team Supervisor:

Ronald Louie	Supervisor, Property Tax

Survey Team Leader:

Tammy Aguiar	Senior Specialist Property Appraiser

Survey Team:

James McCarthy	Senior Petroleum and Mining Appraisal Engineer
Julie Warren	Senior Specialist Property Appraiser
Robert Marr	Associate Property Appraiser
Cheron Burns	Assistant Property Appraiser
Jeff Arthur	Associate Property Auditor-Appraiser
Cyrus Haze Ghazam	Tax Auditor
Nancy Le	Tax Auditor

APPENDIX C: RELEVANT STATUTES AND REGULATIONS

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

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

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

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

Arnold Gross Jr.
Colusa County Assessor
547 Market Street, Suite 101
Colusa, CA 95932
Phone (530) 458-0450
Fax (530) 458-0436

July 9, 2015

State Board of Equalization
County Assessed Properties Division
Property Tax Department

Attn: Mr. Benjamin Tang, Acting Chief

Dear Mr. Tang:

Pursuant to Section 15645 of the California Government Code, I am providing our written response to the Assessment Practices Survey report. Please include my responses in your final Assessment Practices report.

I want to thank the Survey Team for the professional manner in which the survey was conducted.

In my responses we concur with and are implementing the recommendations at the present time.

I want to also thank my staff for their hard work and dedication in completing this report.

Sincerely,

Arnold Gross Jr.
Colusa County Assessor

Colusa County Assessor's Response

To

State Board of Equalization Assessment Practices Survey

June 2015

Recommendation 1: Improve the Welfare exemptions by: (1) Issuing finding sheets to claimants if a portion or all of the property is denied the welfare exemption, and (2) conducting field exemptions on all first-time filing claims and ensuring field inspection reports are available for review.

Response: We concur. (1) All claimants now receive in writing the BOE -267-F Welfare or Veterans Organization Exemption findings sheet on Qualification of property use and a copy is placed in the file. (2) All claimants now receive in writing the BOE 267-FIR field inspection report for first time filings on all Welfare and Veterans Organizations Exemptions claims. All new claims have a field inspection report completed and placed in the file.

Recommendation 2: Improve the change in ownership program by: (1) using the date of death as the date of change in ownership as required by rule 462.260(c) and (2) correctly implementing the penalty process in accordance with section 482(a).

Response: We concur and we are implementing these recommendations.

Recommendation 3: Improve the section 63.1 program by; (1) reporting the factored base year values for properties exceeding the $1,000,000 limit of real property other than the principal residence, and (2) timely reassessing those properties experiencing a change in ownership when the owner has failed to provide a section 63.1 claim for exclusion as requested.

Response: We concur and we are implementing this recommendation.

Recommendation 4: Improve the New construction program by: (1) substantiating discounts on swimming pools, and (2) properly documenting and valuing all domestic and irrigation wells as land.

Response (1) We have done a pool audit and have substantiated our discounts on pools. (2) We concur and we are in the process of implementing the recommendation.

Recommendation 5: Improve the decline in value program by: (1) documenting decline in value assessments on appraisal records, and (2) including all required information on the value change notice in accordance with section 619.

Response: (1) We concur and our new prop-8 system implements this recommendation. (2) We concur and have corrected this on our value change notice.

Recommendation 6: Improve the CLCA property program by: (1) Including potential income available to the property when determining the value, and (2) properly establishing a base year value for CLCA home sites.

Response: (1) We concur and are working to improve in this area. (2) We have implemented this recommendation.

Recommendation 7: Improve the taxable possessory interest program by: (1) periodically reviewing all taxable possessory interest with stated terms of possession for declines in value, (2) assessing taxable possessory interest based on the stated term of possession, (3) properly issuing supplemental assessments for taxable possessory interest upon a change in ownership or new construction, (4) reappraising all taxable possessory interest as required by section 61(b), (5) adding the present worth of unpaid future contract rents to the sale price of a taxable possessory interest, (6) using the Board-prescribed form to request information from government entities, and (7) recognizing lessor expenses when valuing taxable possessory interest by the income approach.

Response: We concur and we are working to improve in this area.

Recommendation 8: Recognize declines in petroleum property values for reasons other than depletion.

Response: We concur and are working to improve on this recommendation.

Recommendation 9: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

Response: We agree and we are working to improve in this area and we will be completing more audits moving forward.

Recommendation 10: Improve the business equipment valuation programs by applying the mobile agricultural percent good factors prescribed in Table 6 of AH 581 as intended.

Response: We concur with part of this recommendation but we do want to point out that a piece of equipment with the word harvester at the end of its name does not define it as a harvester when it comes to valuation. A row crop harvester requires three separate operations. The three operations are reaping, binding and threshing. Thus, the technology for a row crop is much more involved than a nut harvester and will depreciate at a faster rate.