

MADERA COUNTY ASSESSMENT PRACTICES SURVEY

NOVEMBER 2001

CALIFORNIA STATE BOARD OF EQUALIZATION

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November 29, 2001

TO COUNTY ASSESSORS:

MADERA COUNTY
ASSESSMENT PRACTICES SURVEY

No. 2001/082

A copy of the Madera 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 Thomas P. Kidwell, Madera 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 Madera 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 November through December 2000. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Mr. Kidwell 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 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 enormous impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest comes from the fact that one half or more 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 (surveys) every county assessor's office. This report reflects the BOE's findings in its current survey of the Madera County Assessor's Office.

Readers of previous assessment practices survey reports will note several distinct changes in the format of the report. Among other things, the previous reports commonly contained multi-part recommendations and formal suggestions. Each recommended change is now listed as a separate recommendation. Items that would have been formal suggestions under the previous format are now either recommendations or are stated informally within the text of the report. Both of these changes increase the number of recommendations in the survey reports.

The assessor is required to file with the board of supervisors a response that indicates 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, the Madera County Grand Jury, and the Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Thomas P. Kidwell, Madera County Assessor, 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, Revenue and Taxation Code¹ section 75.60 requires the BOE to certify whether the county assessment roll meets a minimum assessment level. This certification may be accomplished either by conducting an assessment sample or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.

Our survey of the Madera 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 Madera County that provided information relevant to the property tax assessment program. Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by rule 371.²

This survey report offers recommendations to help the assessor resolve the problems we have identified. The recommendations contained in this report are based on the results of our research into statutory violations, under- or overassessments, or unacceptable appraisal practices that may occur in specific areas.

An assessment practices survey is not an audit of the assessor's entire operation. We do not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment.

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

² All rule references are to Title 18, Public Revenues, California Code of Regulations.

EXECUTIVE SUMMARY

This report presents recommendations for improvement and also attempts to take note of those program elements that are particularly effective. It highlights areas of improvement since our last assessment practices survey and acknowledges the implementation of previous recommendations.

- In our 1995 Madera County Assessment Practices Survey, we made 23 recommendations to address problems we found in the assessor's assessment policies and procedures. The assessor fully implemented 17 of the recommended changes and partially implemented three. Two prior recommendations no longer apply, and one was not implemented.
- We found significant improvements in the assessor's office since our last assessment practices survey. Purchases of information technology hardware and software, and improvements in efficiency have greatly improved productivity and the assessor's interface with other county departments.
- In an effort to make his budget funds go as far as possible, the assessor worked with the Madera Adult School to provide free software training for his staff. Additionally, the assessor saved money and provided training for his staff by co-hosting California Assessors' Association (CAA) conferences, courses, and workshops.
- We found no problems in the assessor's administration of welfare, church, and religious exemptions, assessment appeals, the assessment of new construction, or the decline-in-value program. California Land Conservation Act properties, Timberland Production Zone properties, water companies, and computers are assessed correctly.
- We found that contracts for appraisal work do not include compensation terms that comply with section 674.
- The assessor uses outdated versions of BOE-prescribed forms, as well as unapproved rearranged forms, despite the fact that he informed the BOE that he would be using the BOE prototypes.
- The Madera County Board of Supervisors adopted Resolution No. 98-86, allowing the exemption of specified low-value taxable possessory interests.
- Two areas of the assessor's disaster relief program need improvement. The application for disaster relief and the notice of proposed reassessment used for this program are incomplete.
- The notice of proposed escape assessment does not include all of the information required by section 531.8. We also found that the assessment roll lacks the escape assessment caption required by statute.

- The assessor does not process all changes in ownership in a timely manner, nor does he apply the change in ownership statement non-filing penalty in a timely manner. Additionally, we found several changes in control that were processed incorrectly.
- We found the assessor does not issue supplemental assessments on taxable possessory interests. Some taxable possessory interests that had reached the end of their anticipated terms of possession were not revalued. Lastly, the assessor does not track or enroll taxable possessory interests held by non-profit organizations. The latter concern is repeated from our prior survey report.
- The assessment of taxable government-owned property is the subject of two recommendations. First, the assessor should improve his documentation of taxable government-owned property assessments. Secondly, the assessor should review the assessments of taxable government-owned properties to determine and enroll the lowest of the current fair market value, the factored base year value, or the Section 11 value for each property.
- During our research of rural properties, we found that the assessor improperly classifies wind machines as structures. Such improper classification can result in overassessments.
- We found newly constructed leasehold improvements were incorrectly classified and valued when enrolled on the unsecured roll. Additionally, we found that supplemental assessments were not issued for those leasehold improvements.
- We repeat our recommendation that the assessor adequately document his audits. Although the assessor has adopted a standard audit format since our last survey, we found that audits still lack the specific detail necessary to support audit conclusions.
- The assessor should discontinue the practice of limiting equipment valuation factors to an arbitrary minimum level.
- Except for aircraft of historical significance, we found no problems with the assessment of aircraft. The assessor grants the historical aircraft exemption without completion of the required affidavit.
- We recommend the assessor appraise all pleasure vessels annually at market value.
- We found that the assessor incorrectly classifies manufactured homes as real property.
- Despite the problems noted above, we found that most properties and property types are assessed correctly.
- We found no significant assessment problems as defined in rule 371. Accordingly, pursuant to section 75.60, Madera County continues to be eligible for recovery of costs associated with administering supplemental assessments.

Here is a list of the formal recommendations contained in this report, arrayed in the order that they appear in the text.

RECOMMENDATION 1: Amend appraisal work contracts to conform to the requirements of section 674.12

RECOMMENDATION 2: Use only those BOE-prescribed forms that have been approved by the BOE, as required by rule 171.13

RECOMMENDATION 3: Request the post-damage value on the disaster relief application pursuant to section 170.15

RECOMMENDATION 4: Include the assessment appeals information required by section 170 on the disaster relief notice.15

RECOMMENDATION 5: Revise the notice of proposed escape assessment to include all the information required by section 531.8.16

RECOMMENDATION 6: When enrolling escape assessments, include the caption required by section 533.16

RECOMMENDATION 7: Process all changes in ownership timely.18

RECOMMENDATION 8: Apply the change in ownership statement non-response penalty required by section 482 in a timely manner.19

RECOMMENDATION 9: Develop and implement new procedures for processing LEOP notices of changes in control.20

RECOMMENDATION 10: Issue supplemental assessments on long-term taxable possessory interests.21

RECOMMENDATION 11: Revalue taxable possessory interests at the end of their reasonably anticipated terms of possession, as required by section 61.22

RECOMMENDATION 12: Enroll taxable possessory interests held by nonprofit organizations if the value of those interests exceed the low-value property exemption.22

RECOMMENDATION 13: Improve assessment documentation of taxable government-owned properties.23

RECOMMENDATION 14: Annually enroll the lowest of the Section 11 value, current market value, or factored base year value for all taxable government-owned properties.23

RECOMMENDATION 15: Classify wind machines as personal property or fixtures.24

RECOMMENDATION 16: Ensure that structural leasehold improvements are properly classified and valued as real property.26

RECOMMENDATION 17: Issue supplemental assessments on all structural leasehold improvements.26

RECOMMENDATION 18: Include documentation in audit working papers to adequately support audit conclusions.28

RECOMMENDATION 19: Discontinue the practice of limiting equipment valuation factors to an arbitrary minimum level.28

RECOMMENDATION 20: Grant the historical aircraft exemption only upon receipt of an affidavit that meets the requirements of section 220.5.30

RECOMMENDATION 21: Document when manufactured homes are classified as real property pursuant to section 18551 of the Health and Safety Code.30

RESULTS OF 1995 SURVEY

Low-Value Property Exemption

We recommended the assessor request that the county board of supervisors adopt an ordinance officially exempting low-value property. For the 1999 lien, date the Madera County Board of Supervisors adopted Resolution No. 98-86 exempting certain low-value taxable possessory interests. We found that the assessor now enrolls other types of low-value property.

Supplemental Assessments

During our 1995 survey we found that the assessor was not processing low-value supplemental assessments. We recommended that he process supplemental assessments on all qualifying changes in ownership and new construction. Since that survey, the county adopted Ordinance No. 565, allowing the cancellation of any supplemental assessment of \$20 or less. Thus, our recommendation has been effectively addressed.

Escape Assessments

Our assessment sample found several properties that escaped assessment; we recommended the assessor enroll those properties. The assessor enrolled the escape assessments we reported.

Disaster Relief

We recommended the reassessment of all qualifying property that had been damaged or destroyed by a misfortune or calamity. We found the assessor has implemented our recommendation.

Assessment Roll Corrections

We recommended the assessor make only those roll corrections that are authorized by the Revenue and Taxation Code, and that he cite the proper code section authorizing the correction. The assessor has addressed this recommendation.

Assessment Forms

We recommended the assessor make timely submission of all BOE-prescribed forms to be used in his office. While the assessor has submitted such forms in a timely manner since then, we found that he made an incomplete submission. Although our original recommendation has been addressed, we make a new recommendation regarding assessment forms.

Change in Ownership

To ensure discovery of all changes in ownership, we recommended the assessor establish a control system to obtain a deceased-persons' list from the health department on a regular basis and that he expand his efforts to discover changes in ownership for real property owned by legal entities. These recommendations were adopted.

We recommended the assessor add the cash equivalent value of improvement bonds to the nominal sale prices. Due to statutory changes, this recommendation no longer applies.

We also recommended the assessor apply the statutory penalty for failure to file a change in ownership statement. We found the assessor has implemented this recommendation.

New Construction

We made a three-part recommendation for the assessor to revise the procedures for processing, valuing, and enrolling items of new construction. Our recommended revisions were adopted.

California Land Conservation Act Properties (CLCA)

We recommended five revisions to the CLCA program. We found the assessor has made significant improvements to this program and has implemented the recommended changes.

Taxable Possessory Interests

We recommended the assessor revise the possessory interest program by assessing all taxable possessory interests, recalculating improperly processed possessory interest value indicators, and consistently including options when estimating terms of possession. Although we repeat the first part of our earlier recommendation, we found the second and third parts were implemented.

Manufactured Housing

When assessing manufactured homes located on rented or leased land, we recommended the assessor exclude site influence from the assessed value of those homes. Subsequent revisions to the manufactured home assessment program have resolved this issue.

Taxable Government-Owned Property

We recommended the assessor identify and assess all taxable government-owned lands in accordance with article XIII, section 11 of the California Constitution. Although we found changes to the program, there are still areas of non-compliance.

Audit Program

We made three recommendations for the audit program. The recommendations to bring the mandatory audit program to current status and to obtain a signed waiver of the statute of limitations when a mandatory audit would not be completed on time were implemented. However, we found that the recommended adoption of minimum audit standards was not put into practice; we repeat this recommendation.

Equipment Index Factors

We recommended the assessor use the equipment index factors as instructed in Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors*. We found this recommendation was adopted.

Annual Racehorse Tax

We made a multi-part recommendation addressing the assessor's administration of the Annual Racehorse Tax. We found the assessor adopted this recommendation.

Situs

We recommended the assessor assess taxable personal property by situs. Due to a statutory change, this recommendation no longer applies.

Boats

We recommended the assessor assess all boats in a timely manner. This recommendation was implemented.

OVERVIEW OF MADERA COUNTY

Madera County lies at the geographical center of the state. The county encompasses 2,144 square miles and includes a combination of high, rugged country in the Sierra Nevada Mountains and level farming and industrial land on the valley floor. Madera County is bordered by the counties of Merced and Mariposa to the north, Tuolumne and Mono to the east, and Fresno to the south and west. This agricultural county was chartered in 1893 when lumber was its biggest industry. Currently Madera County has a population of almost 110,000 and two incorporated cities, Madera and Chowchilla.

During the late 1990's, the assessor's office has seen many improvements. The assessor has increased his staff from 32 in 1995 to 35 in 2000, and his budget has grown about 25 percent from the 1995-1996 to the 1999-2000 roll year.

The following chart displays information—provided by the assessor—pertinent to the 2000 assessment roll:

<u>Property Type</u>	<u>Number of Assessments</u>	<u>Enrolled Values</u>
Total Secured Roll	44,147	\$5,654,282,000
Total Unsecured Roll (personal property except manufactured homes)	<u>6,213</u>	<u>225,929,000</u>
Total Roll	<u>50,360</u>	<u>\$5,880,211,000</u>

ADMINISTRATION

This portion 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. We examined the assessor's budget and workload, appraiser certification, appraisal consultant contracts, the State and County Property Tax Administration Loan Program, forms, exemptions (church, religious, and low-value property), and disaster relief. We also reviewed how the assessor handles corrections and changes to the completed assessment roll, and how the assessor prepares for and presents assessment appeals.

Budget and Workload

The assessor's office has benefited from increased staffing and budget levels over the last five years. Staffing has increased from 32 in roll year 1995-1996 to 35 for the 2000-2001 roll year. The assessor's budget increased about 25 percent from \$1,196,458 in 1995-1996 to a requested budget of \$1,496,042 for 1999-2000. Almost one-third of the increase is attributable to the State-County Property Tax Administration Loan Program initiated in May 1996.

Assessed values have also increased recently. The total local assessment roll was \$5,554,932,000 for 1999 and \$5,880,211,000 for 2000. The 2000 assessment roll consists of about 50,000 units, including approximately 44,000 secured and 6,000 unsecured.

For the 1999-2000 roll year, the real property workload included 6,119 reassessments due to changes in ownership and 1,905 reassessments resulting from new construction. The workload for 2000-2001, as of mid-December 2000, included 853 reassessments due to new construction and 2,162 due to changes in ownership. In addition, the 2000-2001 workload included 490 declines in value and about 4,100 parcels restricted by California Land Conservation Act contracts. The business property division completed valuations on about 2,200 vessels and 130 general aircraft, and worked approximately 6,500 property statements and 36 mandatory audits.

Appraiser Certification

Section 670 provides that no person may perform the duties of an appraiser for property tax purposes unless he or she holds a valid certificate issued by the BOE. There are 19 certified appraiser positions in the assessor's office, including 15 property appraisers, three auditor-appraisers, and the assessor. Based on the most current BOE training and certification report, and updated information obtained from the assessor, we found that the assessor, his staff, and his contract appraisers possess the required certificates.

Appraisal Consultant Contracts

RECOMMENDATION 1: Amend appraisal work contracts to conform to the requirements of section 674.

We reviewed the assessor's contracts for the services of the two non-employee auditors. Both contracts included clauses addressing compensation, but we found that neither fully complied with section 674. This section provides, in part, that all compensation must be on either a fixed fee basis or on an hourly basis with a maximum dollar amount. Although both contracts provided for compensation based on an hourly rate, they contained no upper limits on compensation.

We recommend the assessor renegotiate existing contracts and write all future contracts to comply with section 674. Letter To Assessors (LTA) No. 2000/055 suggests language for compensation on both a fixed-fee basis and an hourly basis with a maximum dollar amount. Using the suggested or similar language would ensure compliance with section 674.

State-County Property Tax Administration Loan Program

Enactment of section 95.31 established the State-County Property Tax Administration Loan Program (PTAP). This program provides state-funded loans to eligible counties for the improvement of property tax administration.

If an eligible county elects to participate, the county and the State Department of Finance enter into a written contract, as described in section 95.31. 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.

Although performance in the BOE's survey program is one of the contractual performance criteria specified in section 95.31, the BOE has no direct role in determining whether a county has met its contractual performance measures for loan repayment. For most counties, the contract provides that verification of performance is provided to the State Department of Finance by the county auditor-controller.

Madera County has participated in the PTAP since April 1, 1996. For contract year 1999-2000, the assessor borrowed \$212,991. The county's required base funding and staffing levels for the assessor's office are \$1,170,349 and 31 positions, respectively. The Madera County Auditor-Controller has certified to the State Department of Finance that the county met the contractual requirements for loan repayment for every year under contract.

The assessor has effectively used PTAP funds to reduce backlogs of deeds, permits, mandatory and nonmandatory audits, appeals, and field reviews. Funds have also been used to purchase telephones, motorized file towers, and new information technology hardware, software, and related staff training. PTAP funds have also been used to improve the assessor's office interface

with the tax collector and auditor offices, and the planning and engineering departments. All expenditures are designed to increase the long-term productivity of the assessor's office and other county units that are part of the property tax system.

Assessment Forms

Subdivision (d) of Government Code section 15606 authorizes the BOE to prescribe and enforce the use of all forms for the assessment of property for taxation, including forms to be used for the application for reduction in assessment. The BOE annually publishes Assessors' Handbook Section 222, *Standard Form List (AH 222)*, that provides a listing of BOE-prescribed forms, as well as forms recommended by the BOE's Policy, Planning, and Standards Division. Generally, the assessor has the option to change the size, color, etc. of the forms, but cannot add to, change, or delete the specific language on the form. The assessor may also rearrange a form provided the assessor submits that form for BOE approval.

BOE-Prescribed Forms

Annually, the BOE mails checklists of BOE-prescribed forms to all assessors. The checklists list exemption claim forms, property statements, in-lieu, and miscellaneous forms. The assessors must mark the checklists to indicate which forms they will use, will not use, or will rearrange and send for approval, and return the checklists to the BOE by the designated date. Final prints of all forms used by assessors are to be submitted to the BOE by a subsequent statutory deadline.

RECOMMENDATION 2: Use only those BOE-prescribed forms that have been approved by the BOE, as required by rule 171.

We found that the assessor returned forms checklists timely and that he also submitted final prints timely. However, during our survey, we found that the assessor's staff was using unapproved, rearranged, and outdated forms.

The BOE's Policy, Planning, and Standards Division reviewed a sampling of the assessor's forms collected during our survey. Three forms in active use by the assessor were outdated versions of those forms. Three other forms had been rearranged, despite the fact that the assessor had indicated on the checklists that he would use the prototype form without changes. Such forms had been neither submitted to nor approved by the BOE.

Additionally, we found that the assessor is using a county-created form entitled *Business Property Statement Construction in Progress (AO-66)*. Section 452 provides that the BOE shall prescribe in detail the content of property statements, including the specific wording, to be used by all assessors. It is inappropriate to title a form as a "property statement" when it is not a BOE-prescribed form. The assessor should re-name or discontinue the use of form AO-66.

We recommend the assessor use only those BOE-prescribed forms approved by the BOE.

Exemptions

Church and Religious Exemptions

Article XIII, section 3(f), of the California Constitution exempts from property taxation buildings, land on which they are situated, and equipment used exclusively for religious worship.

Subdivision (b) of section 4 of article XIII also authorizes the Legislature to exempt property used exclusively for religious, hospital or charitable purposes and owned or held in trust by corporations or other entities that meet the following requirements: (1) are organized and operated for those purposes, (2) are non-profit, and (3) no part of whose net earnings inures to the benefit of any private shareholder or individual. The Legislature has acted upon such authorization by enacting the religious exemption at section 207.

Religious and church exemptions are administered directly by the assessor. Five church exemption claims and 176 religious exemption claims were processed for the 2000 assessment roll. Madera County has not received any exemption claims for parsonages. We found no problems with the assessor's administration of these exemptions.

Low-Value Property Exemption

Section 155.20 authorizes the county board of supervisors to exempt from property taxation all real property with a base year value, and personal property with a full value, so low that if not exempt, the total taxes, special assessments, and applicable subventions on the property would amount to less than the assessment and collection costs. Section 155.20(b)(1) provides that the county board of supervisors has no authority to 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. The board of supervisors must adopt any such 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.

The Madera County Board of Supervisors adopted Resolution No. 98-86, incorporating the provisions of section 155.20, commencing with the 1999 assessment roll. This resolution allows for the exemption of low-value taxable possessory interests of a temporary and transitory use held in a publicly owned fairground, fairground facility, convention facility, or cultural facility with a base year value of \$50,000 or less.

We found that the assessor has an effective low-value exemption program.

Disaster Relief

Section 170 authorizes a county board of supervisors to adopt an ordinance providing property tax relief to assesseees whose properties have been damaged or destroyed by a misfortune or calamity. The ordinance may apply to any misfortune or calamity, to a major misfortune or calamity within a region that has been declared to be in a state of disaster by the Governor, or to both. The Madera County Board of Supervisors adopted such an ordinance in 1986 and amended it in 1996.

Over the past three years, the assessor granted tax relief for 20 misfortunes or calamities. The discovery process for this program involves receipt of fire reports from the California Department of Forestry—the fire protection agency in Madera County, monitoring building permits, property owner applications, and local news media. The assessor has designed and created forms for the application and reassessment notification processes. We found that both the application and notice of reassessment forms are lacking information required by section 170.

RECOMMENDATION 3: Request the post-damage value on the disaster relief application pursuant to section 170.

The assessor's Disaster Relief Application form (AO-018) does not request the post-damage property value, if any, immediately after the damage or destruction. Section 170 requires that the written disaster relief application contain this request for information.

We recommend the assessor revise the disaster relief application to request all information required by section 170.

RECOMMENDATION 4: Include the assessment appeals information required by section 170 on the disaster relief notice.

Assessor's form AO-019, which notifies an applicant of the proposed disaster relief reassessment, does not include language informing applicants of their right to appeal the disaster relief value. Subdivision (c) of section 170 provides that the assessor shall notify the applicant in writing of the amount of the proposed reassessment, and that the notice shall state "The applicant may appeal the proposed reassessment to the local board of equalization within 14 days of the date of mailing the notice."

We recommend the assessor include the required information on the notice of proposed reassessment pursuant to section 170.

Assessment Roll Changes

The assessor has a duty to complete the local assessment roll and deliver it to the county auditor by July 1 of each year. After delivery to the auditor, most types of corrections to the roll require approval of the board of supervisors.

In our prior survey, we found numerous types of assessment roll change errors. We found, in this survey, that the assessor has corrected the deficiencies by making significant improvements to the procedures and process pertaining to assessment roll changes.

Escape Assessments

Escape assessments are assessments made after the assessor has certified that the local assessment roll was prepared pursuant to section 601. Upon discovery of property escaping assessment, the assessor must immediately add the escape assessment and any applicable penalty to the roll

(approval of the board of supervisors is not required). The assessor must also cite the section of the Revenue and Taxation Code that requires the escape assessment. This action notifies the auditor-controller and treasurer-tax collector whether additional interest is required on the unpaid tax, since interest is or is not applicable depending on the circumstances that caused the escape.

RECOMMENDATION 5: Revise the notice of proposed escape assessment to include all the information required by section 531.8.

We found that the assessor sends notices of proposed escape assessments in a timely manner, but those notices do not contain the correct heading or the name and telephone number of a contact person.

Section 531.8 provides that the notice shall: (1) prominently display the heading "NOTICE OF PROPOSED ESCAPE ASSESSMENT," (2) contain the amount of the escape assessment, and (3) contain the name and telephone number of a person at the assessor's office who may be contacted with any question with respect to the proposed assessment. Without the heading required by statute, a property owner may not be aware of the importance of the notice. And the lack of a contact name and telephone number makes it more difficult for the property owner to follow up on the notice.

We recommend the assessor revise his notice of proposed escape assessment to include all of the information required by section 531.8.

RECOMMENDATION 6: When enrolling escape assessments, include the caption required by section 533.

We found that neither the assessment roll, nor the assessor's *Roll Correction Status Report*, contains the required caption for escape assessments.

Section 533 provides for the specific language required to identify escape assessments on the assessment roll. If an escape assessment is entered on the current roll, which is not the roll for the assessment year in which the property escaped assessment, then that entry must be followed with the caption: "Escaped assessment for year 19__ pursuant to Sections _____ of the Revenue and Taxation Code." Both the secured and unsecured assessment rolls must include this caption.

We recommend the assessor include the proper caption on the assessment roll when enrolling escape assessments.

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 county assessment appeal boards in the appeals function. Subdivision (c) of Government Code section 15606 directs the BOE to prescribe rules and regulations to govern local boards of equalization; the BOE has adopted rules 301 through 326 to regulate assessment appeals.

The Madera County Board of Supervisors served as the local board of equalization until September 1, 2000. Effective on that date, five individuals appointed by the board of supervisors were installed to sit as a three-member appeals board. At the time of our survey, the new appeals board had processed stipulations and rescheduled some hearings, but it had not yet heard any cases.

The assessor tracks the progress of all assessment appeals. In part due to this tracking system, no appeal in the last five years has gone unresolved for more than two years, unless the taxpayer agreed to an extension. The assessor's records indicate an average of 108 appeals filed per year for the period from 1995-1996 through 1999-2000. Hearings were held for three appeals of assessments on the 1998 assessment roll, while no appeals of assessments on 1999 assessment roll resulted in formal hearings.

Our review of stipulations and board rulings resolving appeals of 1998 and 1999 values revealed that, in each instance, the appeal was filed timely and the assessor's opinions and value conclusions were reasonable and well documented. We found no problems with the assessor's assessment appeals program.

ASSESSMENT OF REAL PROPERTY

The assessor's programs for assessing real property include the following elements:

- Revaluation of properties that have changed ownership.
- Valuation of new construction.
- Annual revaluations of certain properties subject to special assessment procedures, such as land subject to California Land Conservation Act (CLCA) contracts and taxable government-owned land.
- Annual review of properties that have experienced declines in value.

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 50 requires the assessor to establish a base year value for real property upon a 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 for property tax purposes.

Document Processing

The assessor's primary means of discovering properties that have changed ownership is review of documents recorded at the county recorder's office. The recorder sends copies of all recorded deeds to the assessor. The number of documents received from the recorder has remained relatively stable over the last five years, averaging about 35,500 annually. About 20 percent of these documents result in reappraisals.

RECOMMENDATION 7: Process all changes in ownership timely.

We found there was some confusion among the staff as to how to handle a change in ownership when a property's value is under appeal. More particularly, there was a disparity between staff and management as to the policy addressing this situation.

Although we found only one instance where the staff had delayed revaluing a property because of a pending appeal, we believe the assessor should clarify his policy to prevent a reoccurrence. The assessor should inform his staff that reappraisals following changes in ownership or completion of new construction should be processed timely, regardless of any pending assessment appeals.

Section 532 authorizes the assessor to enroll most escape assessments within four years after July 1 of the assessment year in which the property escaped assessment. Should an assessment appeal remain unresolved beyond that statute of limitations, the change in ownership can permanently escape assessment for those years beyond the reach of the statute.

We recommend the assessor enroll all changes of ownership in a timely manner.

Change in Ownership Statement

Section 480 provides that when a change in ownership occurs the transferee shall file a signed change in ownership statement in the county where the transferred property is located. Subdivision (c) of section 480 requires the assessor to apply a penalty upon a failure to file a change in ownership statement after a written request by the assessor.

RECOMMENDATION 8: Apply the change in ownership statement non-response penalty required by section 482 in a timely manner.

In Madera County, an estimated 99 percent of the deeds reviewed are accompanied by a Preliminary Change in Ownership Report (PCOR). When a PCOR has not been submitted, the assessor requests the transferee to complete a Change in Ownership Statement (COS). If a transferee does not comply within 30 days, a second request is sent. For those transferees who do not respond to the second request within 30 days, a non-filing penalty is imposed where deeds resulted in reappraisable changes in ownership.

Section 482 requires that if a person fails to file a COS within 45 days after a written request by the assessor, the assessor shall add a penalty to the assessment made on the roll. We found the assessor allows 60 days before assessing the penalty. By not applying the penalty in a timely manner, the assessor is, in effect, extending the filing period without legal authorization.

We recommend the assessor apply the non-response penalty required by section 482 promptly upon expiration of the 45-day period.

Legal Entity Ownership Transfers (LEOP)

Subdivision (c) of section 64 provides that a change in control of any legal entity is a change in ownership of all real property owned by the legal entity, as of the date of change in control. Discovery of real property affected by a change in control can be difficult because ordinarily there is no recorded notice of changes in control of a legal entity. While such notices may appear as a matter of interest in newspapers, magazines, trade journals, and financial subscription services, they often do not appear in official county records.

The BOE's LEOP unit investigates and verifies changes in control reported by legal entities and transmits to each county a listing, with corresponding property schedules, of the entities that have reported a change in control. However, many of the acquiring entities do not provide detailed information pertaining to the counties in which they have property, the assessor's parcel number, or

how many parcels they own. Because of the varying accuracy of the data provided by the entities, LEOP has advised assessors to thoroughly research each named entity's holdings to determine that all affected parcels are identified and properly appraised.

RECOMMENDATION 9: Develop and implement new procedures for processing LEOP notices of changes in control.

We reviewed five of the seven changes in control reported to the assessor by the LEOP unit since 1995, and found several errors of varying magnitude. One change in control was completely overlooked. We found an incorrect event date attributed to another change of control. The last error, described in our recommendation under the "Document Processing" subheading above, involved a delay in processing a change in control because the property was under appeal.

We recommend the assessor develop and implement new procedures for processing LEOP notices of changes in control. Improved tracking and supervision of these changes in ownership should eliminate recurrences of the problems we discovered.

New Construction

Section 71 requires the assessor to determine new base year values for newly constructed real property upon the date of completion, or on each lien date while construction is in progress. Most new construction activity is discovered from building permits. Currently, the assessor receives an average of about 5,500 permits annually from five permit-issuing agencies. The agencies are the cities of Chowchilla and Madera, the Madera County Department of Environmental Health, Department of Planning, and Department of Engineering. Other discovery methods include business property statements and field canvassing. The value of new construction is estimated using recognized cost manuals and local construction costs. Overall, the assessor has a good system for processing, tracking, and assessing new construction. We found no areas of non-compliance.

Supplemental Assessments

Section 75.10 states that whenever a change in ownership occurs or new construction is completed, the assessor shall appraise the property at its full cash value as of the date of the change in ownership or completion of new construction. The increase or decrease in assessed value resulting from a change in ownership or new construction is reflected in a prorated assessment (the supplemental assessment) that covers the portion of the fiscal year remaining after the date of change in ownership or completed new construction.

Except for possessory interests, we found that supplemental assessments are issued in compliance with section 75.11.

RECOMMENDATION 10: Issue supplemental assessments on long-term taxable possessory interests.

We found that the assessor does not issue supplemental assessments on possessory interests. No supplemental assessments were issued for possessory interests during the 1998-1999 and 1999-2000 roll years.

While month-to-month possessory interests having full cash values less than \$50,000 are excluded from supplemental assessments pursuant to section 75.5, possessory interests with terms greater than one month are not.

We recommend the assessor issue supplemental assessments on all possessory interests having a contract term of possession greater than one month.

Decline in Value

Section 51 requires the assessor to enroll the lesser of either a property's factored base year value or its full cash value, as defined in section 110. When a property's current market value falls below its factored base year value on any given lien date, the assessor should enroll that lower value as the taxable value for that property. If, on a subsequent lien date, a property's market value rises above the factored base year value, then the assessor must enroll the factored base year value as the taxable value. The assessor currently monitors 490 parcels with decline-in-value assessments.

The assessor uses a form letter to request information from taxpayers who request reviews of their properties' assessed values. When requesting such a review, the assessor's form, AO-25, refers to section 2611(1)(1)—a code section that does not exist. We suggest that the assessor refer to section 2611.6(j)(1), which advises taxpayers of their right to an informal review by the assessor.

We found the assessor's decline-in-value program is well organized and effective. Files are organized and include supporting market data, as well as an analysis indicating how the taxable value was determined.

Taxable Possessory Interests

A taxable possessory interest is a private use of publicly owned real property. For property tax purposes, a taxable possessory interest includes either the possession, or the right to possession, of real property when a tax-exempt government agency holds the fee title of that property.

In Madera County, 187 taxable possessory interests were assessed on the 2000 assessment roll. The assessor created a spreadsheet to assist in tracking these assessments. The master spreadsheet displays the date the interest was created, the base year, the term of the initial lease and any option periods, and the date for the next revaluation. Valuation of taxable possessory interests is the responsibility of the appraiser in whose territory they are located. The appraisers rely on the master spreadsheet to determine when a revaluation is needed.

We discovered two problems that need to be addressed.

Valuation

RECOMMENDATION 11: Revalue taxable possessory interests at the end of their reasonably anticipated terms of possession, as required by section 61.

A number of taxable possessory interests that should have been reappraised during the 1998, 1999, or 2000 assessment years were not reappraised as of the 2000 assessment roll.

Subdivision (b)(2) of section 61 provides that, at the end of the reasonably anticipated term of possession used by the assessor to value a possessory interest, a new base year value shall be established for that possessory interest. The assessor's possessory interest spreadsheet, maintained in a computer file, clearly states the year in which every taxable possessory interest should be revalued.

We recommend the assessor reappraise every possessory interest at the end of the anticipated term of possession used to value that interest.

Nonprofit Organizations

In our prior survey, we found several taxable possessory interests that had escaped assessment. While the assessor expanded his taxable possessory interest discovery program since our last survey, we found a certain group of taxable possessory interests that continue to escape assessment.

RECOMMENDATION 12: Enroll taxable possessory interests held by nonprofit organizations if the value of those interests exceed the low-value property exemption.

We found that the assessor did not enroll several taxable possessory interests held by nonprofit organizations. Although the assessor received rental rolls describing those possessory interests and their actual rents, he did not determine the appropriate economic rent necessary to calculate the taxable values of these interests. As a result, 17 taxable possessory interests were not enrolled for the 2000 assessment roll.

Possessory interests held by nonprofit organizations are not automatically tax-exempt. Should some of these organizations and interests qualify for a welfare exemption, the assessor must first enroll the taxable possessory interest, then apply the exemption. Otherwise, taxable property is potentially escaping assessment. We recommend the assessor value and enroll all taxable possessory interests—that exceed the low-value property exemption—regardless of their ownership.

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 section 11. Section 11 of article XIII of the California Constitution provides that land, and the improvements thereon, located outside a local government agency's boundaries are taxable 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 "Section 11" properties.

In our prior survey, we recommended the assessor identify and assess all taxable government-owned lands in accordance with article XIII, section 11. We found that some Section 11 properties were being valued incorrectly and that others were incorrectly exempted from assessment. We found similar problems during our current survey and are restating parts of our prior recommendation.

RECOMMENDATION 13: Improve assessment documentation of taxable government-owned properties.

We reviewed four parcels acquired by the city of Madera during 1996 and 1997. These properties are located outside of the city's boundaries and were apparently taxable when acquired. However, the appraisal records for these parcels contained no documentation as to the assessed value of these parcels. We were unable to confirm whether the Section 11 value was calculated correctly, or whether the correct taxable value was enrolled.

We recommend the assessor document the assessments of all Section 11 properties.

Valuation

In *City and County of San Francisco v. County of San Mateo* (1995) 10 Cal.4th 554, the California Supreme Court held that the limitations of article XIII A of the California Constitution also apply to Section 11 properties. The Court's ruling means that such land must be assessed using the lowest of (1) the current fair market value, (2) the Section 11 value (the 1967 taxable value of land multiplied by the factor described in section 11), or (3) the factored base year value.

RECOMMENDATION 14: Annually enroll the lowest of the Section 11 value, current market value, or factored base year value for all taxable government-owned properties.

We found three instances where two or three years had lapsed since the assessor last made the required three-way value comparisons. In each instance the lowest value indicator, enrolled for 1997 or 1998, was the estimated current market value. Instead of annually reviewing those values, the assessor adjusted those values by the inflation factor described by article XIII A of the California Constitution to arrive at the assessed values for the 2000 assessment roll. Without an

annual review, it is likely those parcels were overassessed on the lien dates subsequent to the initial review.

We recommend the assessor annually review all Section 11 properties, enrolling the lowest of the Section 11 value, current market value, or factored base year value.

California Land Conservation Act Property

Agricultural preserves are established by a city or county pursuant to the California Land Conservation Act (CLCA) of 1965. Property owners in an agricultural preserve may choose to enter into a contract restricting the use of their lands. Lands under contract are valued for property tax purposes on the basis of agricultural income-producing ability, including compatible use income (e.g., hunting rights and communications facilities). They are assessed at the lowest of the restricted value, the current market value, or the factored base year value. Sections 421 through 430.5 prescribe the guidelines for assessing land subject to agricultural preserve contracts.

The county of Madera has approximately 530,540 acres under CLCA contract. A total of 107 parcels, or 13,424 acres, are in non-renewal status. In addition, the county has 486 parcels (approximately 51,295 acres) under Farmland Security Act (FSA) contracts.

We found that the assessor has an effective program for the assessment of CLCA properties.

Rural Property

RECOMMENDATION 15: Classify wind machines as personal property or fixtures.

We found that the assessor classifies wind machines as structures. Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*, and Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors*, provide, in part, that a fixture is an item (other than personal property) whose use or purpose directly applies to or augments the process or function of a trade, industry, or profession. In contrast, the use and purpose of a structure is for housing or accommodating personnel, personal property, or fixtures. Since wind machines are not used for housing or accommodating personnel, personal property, or fixtures, the assessor should not classify them as structures.

Rule 461 provides that fixtures constitute a separate appraisal unit for the purposes of a decline-in-value review. By classifying wind machines as structures, they are improperly included in the land-and-improvement appraisal unit for purposes of a decline-in-value review. If the assessed value of the real property goes up for any reason, the assessed value of the wind machines will similarly rise even though wind machines decline in value as they age.

We recommend the assessor classify wind machines properly.

Water Company Property

Water company property assessed on the local tax roll may be municipal water systems, private water companies regulated or unregulated by the California Public Utilities Commission (CPUC), or mutual water companies. Each type presents different assessment problems. We obtained a list of all water supply sources annually inspected by the Madera County Department of Environmental Health, the California State Department of Health Services' branch of Drinking Water Field Operations, and the CPUC. Using that list we reviewed the assessments of several water company properties. We found no current problems in the assessment of water companies in Madera County.

Timber Production Zone Property

Land zoned as a Timberland Production Zone (TPZ) is subject to specific assessment procedures that exclude the value of the standing timber. As of the 2000 lien date, there was one parcel—totaling about 200 acres—zoned as TPZ in Madera County. We reviewed the property records and found no problems with the assessor's TPZ assessment program.

Leasehold Improvements

Leasehold improvements are structural or fixture improvements made to rented or leased premises, and are typically installed by and paid for by the tenant/lessee. Improvements installed by the tenant or lessee can be secured to the real property or assessed to the tenant on the unsecured assessment roll.

Commercial, industrial, and other types of income-producing properties require constant monitoring by the assessor because, as tenants change over a period of time, they may alter the original improvements in a number of ways. Examples include additions, removals, or possibly both, that may result in a changed use of the property. These changes must, by law, be reviewed and reflected in the property's assessment if they qualify as new construction.

In particular, when real property is reported on the business property statement, the reported cost should be examined jointly by an appraiser and an auditor-appraiser. Determinations must be made as to whether costs are for repair and maintenance and are, therefore, not assessable, whether additions are properly classified as structures or fixture improvements, and/or if additions are properly enrolled. For this reason, coordination between the real property and business property divisions of the assessor's office is very important. Additionally, whether the real property or business property division handles the assessment, equal and consistent assessment is of utmost importance.

We reviewed the assessment of leasehold improvements enrolled on both the secured and unsecured rolls and found inconsistencies in the valuation and assessment of structural leasehold improvements. These problems are addressed in the following two recommendations.

Valuation of Unsecured Structural Leasehold Improvements

RECOMMENDATION 16: Ensure that structural leasehold improvements are properly classified and valued as real property.

We found that structural leasehold improvements enrolled on the secured roll are assessed correctly. However, structural leasehold improvements enrolled on the unsecured roll are classified as fixtures and valued using a 12 to 15 year economic life. This practice leads to a significant valuation difference between similar improvements assessed on the secured and the unsecured rolls. The same leasehold improvements, if assessed on the secured roll, would not depreciate but would increase in taxable value each year pursuant to section 51.

We recommend the assessor assess all structural leasehold improvements uniformly.

Supplemental Assessments

RECOMMENDATION 17: Issue supplemental assessments on all structural leasehold improvements.

We found that the assessor does not issue supplemental assessments for leasehold improvements on the unsecured assessment roll. No supplemental assessments are enrolled when structural leasehold improvements are assessed to the tenant's business account. Instead, the unsecured tenant improvements are valued annually using percent good factors. This practice results in the assessor's failure to establish base year values and to enroll supplemental assessments.

Since structural leasehold improvements are real property, they are subject to supplemental assessments upon changes in ownership or new construction. The provisions of section 75 apply to structural leasehold improvements, whether enrolled on the secured or unsecured roll.

We recommend the assessor issue supplemental assessments for all structural leasehold improvements.

ASSESSMENT OF BUSINESS AND PERSONAL PROPERTY

Annually, the assessor's business property staff processes about 6,500 business property statements, performs an estimated 36 audits, and assesses approximately 130 general aircraft and 2,200 vessels.

Business Property Statement Program

Section 441 requires each person owning taxable personal property in excess of \$100,000 to file an annual business property statement with the assessor. Annual property statements form the backbone of the business property assessment program. These statements cover a wide variety of property types, including commercial, industrial, agricultural, boats, and aircraft.

We reviewed the assessor's property statement processing procedures and discovered no problems. We found clear written procedures detailing the processing of business property statements. We commend the assessor for his conscientious attention to the business property statement program.

Audit Program

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. Madera County has a total workload of approximately 135 mandatory audit accounts, or an average of about 34 audits per year. With the help of California Counties Cooperative Audit Services Exchange (CCCASE), PTAP funds, and outside contract auditors, the assessor has been able to eliminate prior backlogs and stay current with the annual mandatory audit workload.

Audit Standards

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

RECOMMENDATION 18: Include documentation in audit working papers to adequately support audit conclusions.

Our prior survey recommended that the assessor adopt minimum audit standards. Although the assessor adopted a standard audit format, audit documentation is still a problem. We found audits that lack the specific detail necessary to support the audit narrative and summaries. In some instances, we found the audit working papers were incomplete. Many audits depended too much on the depreciation schedule without the required reconciliation between book, audited, and reported costs. Also, we found one audit that recommended obsolescence adjustments of 10 percent without any supporting documentation.

Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures* (AH 504), recommends that every audit contain certain basic information in the form of working papers that flow logically. Without organization, the audit cannot be used by the auditor-appraiser or others to ensure that the audit results are reasonable. It is important that the audits contain sufficient details to withstand challenges or questions from the taxpayers or their representatives. If this occurs, the auditor-appraiser should be able to explain the audit to the taxpayer and, if needed, defend the audit results before the local assessment appeals board.

We recommend the assessor adequately document audit results in the working papers.

Equipment Valuation

Assessors' offices use business property value factors that are derived by combining replacement cost index factors (trend factors) with percent good factors for the valuation of machinery and equipment. Section 401.5 provides that the BOE shall issue information that, in the judgment of the BOE, will promote uniformity in appraisal practices and in assessed values throughout the State. Pursuant to that mandate, the BOE annually publishes Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581). Prior to January 1, 2000, the assessor used AH 581. However, effective January 1, 2000, the assessor now uses the business assessment factors published by the California Assessors' Association (CAA). These tables include arbitrary minimum valuation factors.

RECOMMENDATION 19: Discontinue the practice of limiting equipment valuation factors to an arbitrary minimum level.

The 2000 CAA tables establish arbitrary minimum valuation factors from 8 to 61 percent for commercial, industrial, agricultural, and construction equipment. The valuation factors are a composite of index and percent good factors. Index factors recognize items such as price changes and the effects of technological progress, and are intended to reflect the price of a replacement. Percent good factors are intended to reflect the average loss in value suffered by specific types of properties over their expected service lives, and are based on the premise that these types of properties lose value as they age.

When valuing property, appraisers may analyze individual property items for deviations from the norm. If such deviations exist, it is appropriate to adjust the normal percent good factor to reflect the deviation. Without establishing whether such deviations exist, arbitrarily establishing minimum values is not an acceptable appraisal practice and will overvalue most older equipment. We recommend the assessor discontinue limiting valuation factors to an arbitrary level.

Computer Valuation

In order to promote uniformity in appraisal practices and assessed values, and comply with the requirements of section 401.5, the BOE issued valuation factors for computer equipment. In AH 581, Table G: Computer Valuation Factors, the BOE provided valuation factors for use when valuing computer equipment for the 2000 lien date. We found the assessor follows the BOE guidelines concerning the valuation of computers.

Valuation of Other Taxable Personal Property

General Aircraft

Section 5363 requires the assessor to determine the market value of aircraft according to standards and guidelines prescribed by the BOE. Section 5364 requires the BOE to establish such standards to be used by the assessor. 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* as an alternate for planes not listed in the *Bluebook*.

The assessor uses the recommended *Bluebook* as the primary guide for valuing general aviation aircraft. Also, the assessor reviews information from airport managers and other counties to discover whether there are any additions or deletions to the number of aircraft that are habitually based in Madera County. We found no problems with the assessor's aircraft assessment program.

Historical Aircraft

Aircraft of historical significance are exempt from taxation upon meeting certain requirements. Section 220.5 defines "aircraft of historical significance" as any aircraft which is an original, restored, or replica of a heavier than air powered aircraft which is 35 years or older or any aircraft of a type or model of which there are fewer than five in number known to exist worldwide.

The historical aircraft exemption is not automatic. The owner of a historical aircraft must submit an affidavit on or before 5:00 p.m., February 15, and pay a filing fee of thirty-five dollars (\$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. The assessor has granted 17 historical aircraft exemptions.

RECOMMENDATION 20: Grant the historical aircraft exemption only upon receipt of an affidavit that meets the requirements of section 220.5.

We inspected several of the annual affidavits and found at least seven that lack the signature of a notary public, the assessor, or the assessor's designee, as required by section 220.5. Section 220.5 provides that the claimant must provide the required information on an affidavit furnished by the assessor, and sign and swear to the accuracy of the contents of the affidavit before either a notary public or the assessor or his or her designee, at the claimant's option. Affidavits without such witness signatures are incomplete and insufficient to qualify for the exemption.

We recommend the assessor grant the historical aircraft exemption only upon receipt of a complete affidavit.

Vessels

The assessor's discovery program for vessels includes information provided by the Department of Motor Vehicles (DMV), marina lists, field canvassing, and statements from previous vessel owners. Valuation techniques include using reported purchase prices and NADA vessel valuation guides. Since converting to a computerized system, the assessment of vessels is more timely and efficient. We found the assessor has an effective vessel assessment program.

Manufactured Homes

A manufactured home is subject to local property taxation if first sold new on or after July 1, 1980, or by the owner's request for conversion from vehicle license fee to local property taxation. A manufactured home is defined in Health and Safety Code sections 18007 and 18008, and statutes prescribing the valuation and assessment of manufactured homes are contained in Revenue and Taxation Code sections 5800 through 5842. Manufactured homes are classified as personal property and enrolled on the secured roll. If the home is situated on an approved permanent foundation system that meets the requirements of Health and Safety Code section 18551, it is real property and it is no longer assessed as a manufactured home.

In Madera County there are approximately 2,082 manufactured homes situated on leased or rented land and enrolled as personal property.

RECOMMENDATION 21: Document when manufactured homes are classified as real property pursuant to section 18551 of the Health and Safety Code.

We found manufactured homes classified as real property without documentation that the foundation system met the requirements of Health and Safety Code section 18551. Foundations must conform to Health & Safety Code section 18551 before the home can be classified as real property. A reference to the recorded HCD 433(A) form should be on-file. We recommend the assessor include such reference in the property records.

APPENDIX

A. County Property Tax Division Survey Group

Madera County

Chief, County Property Tax Division

Charles Knudsen

Survey Program Director:

Gene Palmer

Principal Property Appraiser

Survey Team Supervisor:

Michael Lebeau

Principal Property Appraiser

Survey Team Leader:

Sally Boeck

Senior Specialist Property Appraiser

Survey Team:

Larry Gee

Associate Property Auditor Appraiser

Jody Henning

Associate Property Appraiser

Wes Hill

Associate Property Appraiser

Nick Winters

Associate Property Appraiser

Kim Trotto

Junior Property Appraiser

B. 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 Madera County Assessor's response begins on the next page. The CPTD staff has no comments on the response.



Madera County Assessor's Office

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THOMAS P. KIDWELL
ASSESSOR

September 25, 2001

RECEIVED

SEP 27 2001

County Property Tax Division
State Board of Equalization

Mr. Charles G. Knudsen, Chief
County Property Tax Division
California Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0062

Dear Mr. Knudsen:

Please find enclosed my response to the final draft of the Madera County Assessment Practices Survey report, dated August 2001, pursuant to Government Code Section 15645.

First, I would like to thank the survey team for their consideration and professionalism while conducting this survey. We welcomed this opportunity to have the survey team review our operations and benefited greatly from the frank discussions held on the various aspects of the our work.

Second, since our last survey, my staff has worked diligently to implement the recommendations made at that time, as well as to improve the performance of our office in other areas not surveyed. I am especially pleased by the survey team's recognition of our efforts in our major responsibilities and duties. I believe that the fruits of my staff's labors are being reflected in the present survey report and for this I am grateful. I wish to both recognize and thank my staff for their ongoing diligence and professionalism. They did so well, however, with the cooperation of many other departments in the County of Madera, too numerous to catalog, with whom we work closely to provide the services necessary to the people of this county and state. They, too, just as we, deserve recognition for their part in providing fair, efficient, equitable service to the public.

Finally, I would like to note that we have already corrected many of the deficiencies outlined in the survey report, are working to correct others, and where we disagree with a recommendation we offer our reasoning.

Sincerely,

Thomas P. Kidwell
Madera County Assessor

Enclosure

Assessor's Response to the Recommendations of the of the State Board of Equalization contained in the Madera County Assessment Practices Survey report, dated August 2001.

RECOMMENDATION 1: Amend appraisal work contracts to conform to the requirements of section 674.

ASSESSOR'S RESPONSE: We changed the language of our contracts to conform to the recommendation in May 2001, the last contract renewal period.

RECOMMENDATION 2: Use only those BOE-prescribed forms that have been approved by the BOE, as required by rule 171.

ASSESSOR'S RESPONSE: We have reviewed our files to ensure that all forms available for use are current BOE forms. We have discontinued the use of form AO-66, and have corrected the code reference contained in form A0-25 (as discussed on page 21 of the survey).

RECOMMENDATION 3: Request the post-damage value on the disaster relief application pursuant to section 170.

ASSESSOR'S RESPONSE: We have revised our application to conform to the recommendation.

RECOMMENDATION 4: Include the assessment appeals information required by section 170 on the disaster relief notice.

ASSESSOR'S RESPONSE: We have revised the notice to conform with the recommendation.

RECOMMENDATION 5: Reassess properties damaged by misfortune or calamity only upon receipt of a proper application or upon approval of the board of supervisors.

ASSESSOR'S RESPONSE: We believe that we are in conformance with this recommendation in that we: 1) Send disaster relief notices and applications to property owners who have experienced a misfortune or calamity and process those that are returned timely, and 2) Have an ordinance approved by the Madera County Board of Supervisors which had the following language included in the letter of transmittal to the Board:

"The passage of this ordinance would allow the Assessor's Office to reassess property damaged by misfortune or calamity, even though no application for reassessment has been received from the property owners, without additional Board action."

"The intent of the proposed ordinance is to allow the Assessor to reassess the damaged property with a one-time approval of the Board, rather than to return to the Board for approval in each instance."

Assessor's Response to the Recommendations of the of the State Board of Equalization contained in the Madera County Assessment Practices Survey report, dated August 2001.

"(The Assessor) feel(s) this necessary because oftentimes the property owners are unaware of the property tax relief. They cannot be notified by either mail or telephone because their home has been destroyed by fire, and there has not been sufficient time to complete repairs required for reoccupancy. However, the (Assessor's) office may well be aware of the circumstances and may reassess the property if we have Board approval. Passage of this ordinance will facilitate recognition of a loss of value in a timely manner, without unduly burdening either the Board or staff with repetitive petitions to the Board, while providing property tax relief for those who are truly in need."

We believe that we are in compliance with the law by having received the approval of the Board of Supervisors in advance of the occurrence of an event that would be classified as a misfortune or calamity, with the assistance of Madera County Counsel in drafting the ordinance with this specific intention.

Therefore, we respectfully disagree with the BOE on this issue.

RECOMMENDATION 6: Revise the notice of proposed escape assessment to include all the information required by section 531.8.

ASSESSOR'S RESPONSE: We are working with our computer vendor, Megabyte Systems, to change the heading of our notice from "NOTICE OF CORRECTION TO THE SECTION 601 ASSESSMENT ROLL" to "NOTICE OF PROPOSED ESCAPE ASSESSMENT," and to include the name and direct line of contact persons within the office to answer questions concerning the escape assessment.

Alternatively, we have proposed legislation, through the California Assessors' Association (CAA), that would delete the name requirement of this code section. This would preclude the excessive expenditure of funds for programming changes and the necessity of the added maintenance of a database to update the names and telephone numbers of staff as assignments change within the office.

RECOMMENDATION 7: When enrolling escape assessments, include the caption required by section 533.

ASSESSOR'S RESPONSE: While we feel that we are in substantial compliance with this section of the Revenue and Taxation Code, we are working with Megabyte Systems to conform to this recommendation.

Alternatively, we have proposed legislation, through the CAA, that would delete this section of the Revenue and Taxation Code.

Assessor's Response to the Recommendations of the of the State Board of Equalization contained in the Madera County Assessment Practices Survey report, dated August 2001.

Inclusion of this language was a sensible way of dealing with the issue of public notice when the assessment roll was maintained on paper. That is not the case for electronic record keeping processes which obviates this need. We indicate current escapes on the public inquiry screen, which, as it name implies, is open to public inspection.

RECOMMENDATION 8: Process all changes in ownership timely.

ASSESSOR'S RESPONSE: This item has been addressed with staff and they are aware that all changes of ownership are to be processed timely, whether under appeal or not, as in the sole case cited.

RECOMMENDATION 9: Apply the change in ownership statement non-response penalty required by section 482 in a timely manner.

ASSESSOR'S RESPONSE: We have revised both our forms and procedures to comply with the recommendation.

RECOMMENDATION 10: Develop and implement new procedures for processing LEOP notices of changes in control.

ASSESSOR'S RESPONSE: We have implemented new procedures that we believe will prevent these errors from occurring in the future.

RECOMMENDATION 11: Issue supplemental assessments on long-term taxable possessory interests.

ASSESSOR'S RESPONSE: We will comply with this recommendation.

RECOMMENDATION 12: Revalue taxable possessory interests at the end of their reasonably anticipated terms of possession, as required by section 61.

ASSESSOR'S RESPONSE: We will revalue all taxable possessory interests at the end of their anticipated terms of possession in compliance with this recommendation.

RECOMMENDATION 13: Enroll taxable possessory interests held by nonprofit organizations if the value of those interests exceed the low-value property exemption.

ASSESSOR'S RESPONSE: We have complied with this recommendation.

Assessor's Response to the Recommendations of the of the State Board of Equalization contained in the Madera County Assessment Practices Survey report, dated August 2001.

RECOMMENDATION 14: Improve assessment documentation of taxable government-owned properties.

ASSESSOR'S RESPONSE: We have experienced problems in the past in gathering the necessary information from other government agencies regarding Section 11 properties and have taken steps to improve our discovery of these properties. Our valuation of these properties will also be better documented.

Additionally, we have proposed legislation, through the CAA, that will require local agencies to report on an annual basis all land owned outside of their boundaries for the purposes of Section 11 assessment.

RECOMMENDATION 15: Annually enroll the lowest of the Section 11 value, current market value, or factored base year value for all taxable government-owned properties.

ASSESSOR'S RESPONSE: We have complied with this recommendation.

RECOMMENDATION 16: Classify wind machines as personal property or fixtures.

ASSESSOR'S RESPONSE: We respectfully disagree with the State Board of Equalization's recommendation concerning wind machines.

We recognize, as does the California Assessors' Association, that wind machines may be properly classified as being either personal property, real property – fixtures, or real property – structures, depending on circumstances. We classify the wind machines in question as real property – structures, in conformance with the past practice of the State Board of Equalization and the accepted practice of the California Assessors' Association.

RECOMMENDATION 17: Ensure that structural leasehold improvements are properly classified and valued as real property.

ASSESSOR'S RESPONSE: We will classify all leasehold improvements as real property and will value them accordingly.

Assessor's Response to the Recommendations of the of the State Board of Equalization contained in the Madera County Assessment Practices Survey report, dated August 2001.

RECOMMENDATION 18: Issue supplemental assessments on all structural leasehold improvements.

ASSESSOR'S RESPONSE: We will comply with this recommendation.

RECOMMENDATION 19: Include documentation in audit working papers to adequately support audit conclusions.

ASSESSOR'S RESPONSE: We have complied with this recommendation.

RECOMMENDATION 20: Discontinue the practice of limiting equipment valuation factors to an arbitrary minimum level.

ASSESSOR'S RESPONSE: In an effort to promote statewide uniformity in the valuation of equipment the California Assessors' Association adopted tables for use in the valuation of personal property. We believe that we are in compliance in the valuation of these types of property and will continue to use the tables approved by the CAA while recognizing our responsibility to make adjustments as circumstances warrant.

We will ask the CAA to review the tables in light of the recommendation.

RECOMMENDATION 21: Grant the historical aircraft exemption only upon receipt of an affidavit that meets the requirements of section 220.5.

ASSESSOR'S RESPONSE: We have complied with this recommendation.

RECOMMENDATION 22: Document when manufactured homes are classified as real property pursuant to section 18551 of the Health and Safety Code.

ASSESSOR'S RESPONSE: We have complied with this recommendation.