

# NEVADA COUNTY ASSESSMENT PRACTICES SURVEY

NOVEMBER 2016

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## CALIFORNIA STATE BOARD OF EQUALIZATION

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No. 2016/046

November 28, 2016

TO COUNTY ASSESSORS:

**NEVADA COUNTY  
ASSESSMENT PRACTICES SURVEY**

A copy of the Nevada 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 specific counties 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 Sue M. Horne, Nevada 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 Nevada County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

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

Ms. Horne and her staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee  
Deputy Director  
Property Tax Department

DRK:dcl  
Enclosure

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## **INTRODUCTION**

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

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

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

## **OBJECTIVE**

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

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

## **SCOPE AND METHODOLOGY**

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

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

Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.

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

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<sup>1</sup> Government Code section 15642.

<sup>2</sup> Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code and all rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

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

We conducted reviews of the following areas:

#### Administration

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

#### Assessment of Real Property

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

#### Assessment of Personal Property and Fixtures

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

## **EXECUTIVE SUMMARY**

We examined the assessment practices of the Nevada County Assessor's Office as for the 2014-15 assessment roll. This report offers recommendations to help the assessor correct assessment problems identified by the survey team. The survey team makes recommendations when assessment practices in a given area are not in accordance with property tax law or generally accepted appraisal practices. An assessment practices survey is not a comprehensive audit of the assessor's entire operation. The survey team does not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment. In terms of current auditing practices, an assessment practices survey resembles a compliance audit – the survey team's primary objective is to determine whether assessments are being made in accordance with property tax law.

Since our last survey, the assessor has made progress in replacing the 25-year old computer system. As of the date of this survey, the new system is under design. The data conversion process for the new system will be complex, but is anticipated to provide significant cost saving efficiencies in office processes and procedures. In addition, a scanning project is underway to address decades of paper deeds and property file documents, with the goal being a paperless office environment.

In the area of administration, the assessor is effectively managing staffing and workload, assessment appeals, and disaster relief assessments. However, we made recommendations for improvement in the exemptions program.

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

In the area of personal property and fixtures assessment, the assessor has effective programs for conducting audits, business property statement processing program, business equipment valuation, and aircraft assessments. However, we made recommendations for improvement in the assessment of manufactured homes and vessels.

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

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

## **OVERVIEW OF NEVADA COUNTY**

Nevada County is located northeast of Sacramento and nestled in the Sierra Foothills Region. With a population of 98,200 as of 2013, the county encompasses 957.77 square miles of land area. Nevada County is bounded on the north by Sierra County, on the west by Yuba County, on the south by Placer County, and on the east by the state of Nevada.



Founded in 1851, the county is named after the mining town of Nevada City. Nevada County has three incorporated cities: Grass Valley, Nevada City (the county seat), and Truckee.

Nevada County is known for its mining history, diverse population, natural beauty, wide variety of outdoor sports and activities as well as a quality of life found in the small town atmosphere. The western portion of Nevada County is situated in the Sierra Nevada Foothills, ranging in altitude from 100 feet elevation up to 2,500 feet in Nevada City.



## FINDINGS AND RECOMMENDATIONS

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

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

<b>RECOMMENDATION 1:</b>	Improve the welfare exemption program by: (1) conducting field inspections on all first-time filings for new locations, (2) properly notifying claimants when a portion of the property is denied the welfare exemption, (3) rejecting annual claim forms filed prior to lien date, and (4) applying the appropriate late-filing provision when annual claims are filed after February 15.....	8
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## ADMINISTRATION

### Exemptions

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

We reviewed a variety of welfare exemption claims, including fully exempt claims, partial exemptions, late filings, hospital filings, first-time filings, and annual filings. We also inspected claims for low-income housing property, including properties owned by a limited partnership holding a *Supplemental Clearance Certificate* (SCC).

In our research, we noted a number of best practices utilized by the Nevada County Assessor to maintain the welfare exemption program. As an example, the assessment assistant documents the receipt of a claim form by date stamping the form. Claims are also checked against the Board website to ensure the claimant has an active *Organizational Clearance Certificate*. The assessor's staff is diligent with the administration of the low-income housing portion of the welfare exemption and requires such properties to have a valid SCC. Files reviewed indicated that submission of all the proper documentation by the claimant was received prior to granting the exemption.

Even though assessor's staff has a good understanding of the welfare exemption program, there are areas where improvement is needed.

**RECOMMENDATION 1:** Improve the welfare exemption program by:  
(1) conducting field inspections on all first-time filings for new locations, (2) properly notifying claimants when a portion of the property is denied the welfare exemption, (3) rejecting annual claim forms filed prior to lien date, and (4) applying the appropriate late-filing provision when annual claims are filed after February 15.

### Conduct field inspections on all first-time filings for new locations.

In Nevada County, several first-time filers were granted the welfare exemption even though a field inspection was not conducted.

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

Section 254.5(b)(1) states the assessor must ascertain that the property on which the exemption is claimed meets the use requirements for the welfare exemption. Per section 254.5(b)(1)(B), the assessor must also consider that the property on which the exemption is claimed is used for the actual operation of an exempt activity and does not exceed an amount of property reasonably necessary for the accomplishment of the exempt purpose. In addition, the assessor needs to verify whether any new construction activities had commenced as of the lien date so as to avoid granting exemption on vacant property. Letter To Assessors (LTA) 2014/58 states although there is no statutory requirement to perform field inspections on all properties filing an exemption claim, it is the most reliable method the assessor can use to ensure qualified property use. If an onsite field inspection is not made, the assessor should document how the property's use was verified. For instance, if a property is in a remote location with difficult access, as in the case of open-space preserves exempt under section 214.02, aerial photographs or other written information about the property can verify the property's use. It is essential for staff to either complete a field inspection report (FIR) on all first-time claims on a property or document how the property's use was confirmed on the FIR and to maintain the FIR in a readily accessible file along with other relevant documents.

The assessor's failure to conduct field inspections for welfare exemption claims may result in the granting of an improper exemption and the potential loss of tax revenue.

#### **Properly notify claimants when a portion of the property is denied the welfare exemption.**

During our review, we found that the assessor does not notify claimants when an exemption claim is partially denied. The assessor mails partial denial notices only when there is a change in use or when the first-time claim is a partial exemption, but not when a claim is filed late or when the portion of the property receiving the exemption has not changed from the prior year. For example, if a property received an 85 percent exemption for 2013, and then received the same percentage in 2014, a notification is not sent in 2014 to notify the claimant that a portion of the property is still denied the welfare exemption.

Section 254.5(c)(2) provides that if the assessor finds the claimant's property is ineligible for the exemption, the assessor must notify claimants in writing of that finding. The assessor must also provide notification that the claimant may seek a refund of property taxes paid by filing a claim for refund with the county board of supervisors. If the claim for refund is denied, the claimant may file a refund action in superior court. In addition, LTA 2014/058 states when the assessor denies the welfare exemption for any portion of the property, whether a full or a partial exemption, the notice should be dated and identify the reason for the denial, or partial denial, and the fiscal year to which it pertains.

By failing to notify claimants when their property is only partially exempt, the assessor is not providing proper notification to the claimant as required by statute.

#### **Reject annual claim forms filed prior to lien date.**

The assessor has been accepting annual claim forms received prior to the lien date; claim forms for the 2014 lien date were accepted in December of 2013.

Section 255(a) specifies that an affidavit for exemption shall be filed with the assessor between the lien date (January 1, at 12:01 a.m.) and 5:00 p.m. on February 15. Claim forms include the property description, primary and incidental uses of the property by the organization, and details about the owner and user(s) of the property. The information reported by the claimant allows the assessor to make an informed review of the organization's use of the property on the lien date; the use of the property on the lien date determines eligibility of the property for an exemption for the following fiscal year.

The assessor's acceptance of claim forms filed before the lien date is contrary to statute and the claimant cannot attest to actual use of the property on a prospective basis, which may result in the assessor granting an exemption on property that is not eligible for the exemption.

**Apply the appropriate late-filing provision when annual claims are filed after February 15.**

The assessor is correctly applying the late-filing exemption proration, but the \$250 maximum on the amount of taxes per claimant to be collected is incorrectly applied. There are cases where more than \$250 in taxes has been collected.

According to section 270, any tax or penalty or interest exceeding \$250 in total amount shall be canceled or refunded provided it is imposed upon property entitled to relief under section 270(a) for which an appropriate claim for exemption has been filed. To determine the reduced exemption for a late filing, the assessor must first determine if the 90 percent or 85 percent reduction of taxes would be less than or greater than \$250. If the resultant tax is less than \$250, then the appropriate percentage reduction should be used. If the resultant tax is greater than \$250, the maximum \$250 tax applies.

By incorrectly applying the penalty for late filings on welfare claims, the assessor may not be allowing the claimant the proper amount of exemption to which they are entitled.

## ASSESSMENT OF REAL PROPERTY

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

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

### **Penalties**

Upon deed recordation in Nevada County, if a *Preliminary Change of Ownership Report* (PCOR) is not filed with the recorded document and a 100 percent transfer of ownership is involved, the computer automatically generates the first *Change in Ownership Statement* (COS) and the date the COS is due. After 30 days, a second "Penalty COS" is mailed along with a penalty explanation and warning. The assessor's computer system automatically releases these letters based on coding input during processing. If the second COS is not returned within 60 days, the property is reappraised by an appraiser using the cost approach or market approach to determine the new value. Once a new value has been placed on the property, the penalty is applied. We found an area where improvement is needed.

**RECOMMENDATION 2:** Request the board of supervisors to revise Resolution No. 84-55 to conform to section 482.

Nevada County Resolution No. 84-55 is outdated. This resolution allows for the abatement of the penalty provided for in section 482(a) if the assessee files the change in ownership statement with the assessor no later than 60 days after the date on which the assessee was notified of the penalty. However, the resolution provides that a penalty attaches under section 482 when there is a failure to file a change of ownership statement within 45 days from the date that a written request is submitted by the assessor. The reference to section 482 does not reflect the time period allowed under current law.

Effective January 1, 2012, subdivision (a) of section 482 was amended to provide that if a person or legal entity required to file a change in ownership statement described in section 480 fails to do so within 90 days from the date a written request is mailed by the assessor, a penalty shall be added to the assessment made on the roll. The amendment revised the filing period from the previous period of 45 days to the current period of 90 days.

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

## **New Construction**

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

Rules 463 and 463.500 clarify the statutory provisions of sections 70 and 71, and a detailed discussion regarding the assessment of new construction can be found in Assessors' Handbook Section 410, *Assessment of Newly Constructed Property* (AH 410). Assessors' Handbook Section 502, *Advanced Appraisal* (AH 502), Chapter 6, also provides guidance for the assessment of new construction.

There are several statutory exclusions from what constitutes new construction; sections 70(c) and (d), and sections 73 through 74.7 address these exclusions.

During our examination of numerous assessment files for new construction, we found the assessments to be in accordance with applicable regulations. However, our research indicated one area of consideration regarding the treatment of excluded new construction of solar systems, and warranted the following recommendation.

**RECOMMENDATION 3:** Properly include solar equipment when determining full cash value for decline in value purposes.

During our review, we found instances where excluded new construction was omitted from the property records and the potential value of the excluded items was not considered in determining the current fair market value for decline in value purposes. We found that the assessor keeps excluded solar system new construction information in a binder and does not note its existence on the property file or in the assessment system. In addition, we found that the mass appraisal system used for enrolling values for property that has suffered from a decline in value has no property characteristic field in which to enter the existence of the solar system for either the subject property or for the comparable sales.

Section 75.10 provides that the assessor must appraise new construction at its full cash value on the date the construction is completed. However, under section 70(c) and sections 73 through 74.7, certain types of construction may be excluded from assessment as new construction. Section 110 provides in pertinent part that "full cash value" is the amount of cash, or its equivalent, that property would bring if exposed for sale in the open market under conditions in which neither buyer nor seller could take advantage of the exigencies of the other. Even though certain additions to existing buildings, such as some solar systems, may be excluded from the definition of "new construction," such exclusions do not extend to a subsequent reassessment prompted by a change in ownership of the real property. When a property with excluded new

construction sells, the previously excluded new construction becomes assessable. Since an estimate of full cash value for decline-in-value purposes is made as if the property was exposed for sale, the full cash value should not be reduced by the value of any excluded new construction.

Assessors' Handbook Section 501, *Basic Appraisal*, provides there are seven steps in the appraisal process. The first step is to define the appraisal problem, and the first step in defining the appraisal problem is to identify the property being appraised. Unless the assessor conducts a site inspection to inventory the existing property each time a valuation is necessary, the assessor must rely on an accurate inventory of the property being reflected in the property records. Thus, it is critical that the assessor's property records be current and well documented. Further, identification of the property is the basis for subsequent steps in the appraisal process including the assembling of comparable properties that have recently sold for use in the comparative sales approach to value.

Not knowing the improvements are there would not only cause problems for decline in value reviews but also valuing transfers without a sale price. When analyzing sales data, appraisers would not be able to determine if properties with solar equipment are selling for a different amount than properties without solar equipment. The assessor's practice of not recognizing and including all property attributes when estimating the full cash value of property may have resulted in underassessments.

### **Taxable Possessory Interests**

A taxable possessory interest results from the possession, a right to possession, or a claim to a right to possession of publicly owned real property, in which the possession provides a private benefit to the possessor and is independent, durable, and exclusive of rights held by others. The assessment of a taxable possessory interest in tax-exempt publicly owned property is based on the value of the rights held by the possessor; the value of the rights retained by the public owner is almost always tax exempt.<sup>5</sup>

The assessor enrolled 514 taxable possessory interests on the 2014-15 assessment roll totaling \$46,115,242. These taxable possessory interests are located on property owned by 29 public agencies. The majority of taxable possessory interests in Nevada County are private interests at the airport and those held by fairground concessionaires. Other types of taxable possessory interests in the county include those associated with cable television franchises, cabins, grazing rights, and other private uses of various publicly owned properties. The assessor enrolls taxable possessory interests on the unsecured roll, and the taxable possessory interests are identified by a specific assessment number.

We reviewed a number of taxable possessory interest records. We discovered the assessor began updating the taxable possessory interest program in the fall of 2012. Under the updated program, as contracts are obtained, files are reviewed and valuations typically are calculated by the use of contract terms and rents, provided the rents appear reflective of the current market. The stated

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<sup>5</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Taxable Possessory Interests*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/tpi\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/tpi_general.pdf). Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.



term of possession is most often used as the reasonably anticipated term of possession. If a contract lacks a stated term of possession, the assessor estimates a reasonably anticipated term of possession based on the history and relationship between the public agency and the tenant. The Nevada County Board of Supervisors adopted and approved section 155.20 allowing for a low-value property exemption by means of Resolution No. 13-087. Resolution No. 13-087 exempts taxable possessory interests with a value of \$15,000 or less, for temporary and transitory uses in publicly owned fairgrounds and cultural, fairground, or convention facilities.

We found the assessor has been improving the taxable possessory interests program by updating the property records and assessments for interests at airports, and reviewing other types of interests being revalued for change in ownership or for other reasons. We did, however, find areas where additional updating or improvements are needed.

**RECOMMENDATION 4:** Continue efforts to update and improve the taxable possessory interest assessment program.

**Obtain copies of leases for all taxable possessory interests.**

The prior assessor did not consistently obtain copies of current leases for taxable possessory interests. Consequently, some assessment decisions are based on historical information or summary lease information obtained from public agencies.

Rule 21 describes the various approaches to value and how to determine the term of possession for the valuation of taxable possessory interests. Rule 21(d)(1) explains that the stated term of possession for the valuation of taxable possessory interests is deemed to be the reasonably anticipated term of possession except in limited situations. Rule 21(e)(3)(C) explains how to determine the net operating income for capitalization purposes.

Until all the files are updated with current leases, the assessor will, in some cases, be unable to determine what terms were agreed to between the parties. For example, the assessor may be unaware of any renewal options contained in a lease and, therefore, would be unable to accurately value the resulting taxable possessory interest. By not obtaining copies of current leases or permits, the assessor is hindered in arriving at accurate valuations.

**Include a property tax component only where applicable when developing the capitalization rate.**

We found instances where a 1 percent property tax component was included in the capitalization rate when using the direct method of the income approach to value taxable possessory interests, even though the tenant (lessee) was responsible for paying the property taxes.

Rule 8(f) provides that the capitalization rate should include a property tax component, where applicable. According to Assessors' Handbook Section 510, *Assessment of Taxable Possessory Interests* (AH 510), when the landlord (lessor) is responsible for paying the property taxes, the capitalization rate should include a component for property taxes. Conversely, if the tenant is responsible for paying the property taxes in addition to rent, the capitalization rate should not include a component for property taxes. With most taxable possessory interests, the property tax

is paid by the tenant (lessee or possessor) in addition to rent and, therefore, the property tax component should not be included in the capitalization rate.

All other inputs remaining unchanged, a higher capitalization rate will result in a lower value. Accordingly, if a component for property taxes is included in the capitalization rate when the tenant pays the property taxes the capitalization rate will be too high, resulting in underassessments.

**Use the stated term of possession as the reasonably anticipated term of possession in accordance with Rule 21 when valuing taxable possessory interests.**

We found that in some instances the assessor has continued the prior assessor's practice of using the anticipated term of possession rather than the stated term of possession.

Rule 21(d)(1) requires that the stated term of possession be used unless it is demonstrated by clear and convincing evidence the public owner and the private possessor have reached a mutual understanding or agreement that the term will be different than the stated term. Absent such a mutual understanding or agreement (for which we found no evidence), the assessor must use the stated term, and each year that term should be reduced by one year. Since the decline in the stated term of possession may or may not have a material effect on the market value of the possessory interest, each year the assessor should estimate the current market value of the taxable possessory interest on the lien date based on the remaining stated term of possession, compare this value to the factored base year value, and enroll the lower of the two values.

The assessor's practice of using a term of possession different than the stated term of possession is contrary to Rule 21 and will likely result in incorrect assessments.

**Revalue taxable possessory interests at the end of their reasonably anticipated term of possession.**

We found instances where the taxable possessory interest was not revalued at the end of the anticipated term of possession used by the assessor in establishing the base year value.

Section 61(b) provides that a change in ownership, as defined in section 60, includes the creation, renewal, extension, or assignment of a taxable possessory interest in tax exempt real property for any term. Section 61(b)(2) further provides that the renewal or extension of a taxable possessory interest during the reasonably anticipated term of possession used to value that interest does not result in a change in ownership until the end of the reasonably anticipated term of possession. At that time, the assessor must establish a new base year value for the taxable possessory interest based on a new reasonably anticipated term of possession.

The assessor should establish a tracking system to flag possessory interests as their terms of possession expire. Such a system would help the assessor to comply with the requirement to establish a new base year value at the end of the original term of possession in cases where the agreement giving rise to the interest has been renewed or extended.

## **Mineral Property**

By statute and case law, mineral properties are taxable as real property. They are subject to the same laws and appraisal methodology as all real property in the state. However, there are three mineral-specific property tax rules that apply to the assessment of mineral properties. They are Rule 468, *Oil and Gas Producing Properties*, Rule 469, *Mining Properties*, and Rule 473, *Geothermal Properties*. These rules are interpretations of existing statutes and case law with respect to the assessment of mineral properties.<sup>6</sup>

Nevada County has several sand and gravel quarries appraised by an auditor-appraiser II. The assessor uses the royalty method to estimate the value of the mineral rights. The business property unit separately appraises improvements and fixtures.

**RECOMMENDATION 5:** Improve the mineral property program by: (1) measuring declines in value for mineral properties using the entire appraisal unit as required by Rule 469 and (2) recognizing changes to proved reserves for reasons other than depletion.

### **Measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469.**

The assessor treats fixture values separately from other values associated with mineral property when measuring declines in value.

In accordance with article XIII A, all real property receives a base year value and, on each lien date, the taxable value of the real property unit is the lesser of its adjusted base year value or current market value. Section 105 defines fixtures as a type of improvement and, hence, as real property.

For most properties, fixtures are treated as a separate appraisal unit for the purpose of determining a decline in value. Mineral properties, however, are treated differently. Rule 469(e)(2)(C) specifically defines the appraisal unit of a mineral property to include land, improvements including fixtures, and reserves. The assessor should use this unit for the purpose of measuring a possible decline in value.

Failure to properly determine the decline in value of a mineral property using the entire mineral property appraisal unit could result in an underassessment of the fixtures and equipment or an over assessment of the mineral rights.

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<sup>6</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Mineral Property*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/mineralprop\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/mineralprop_general.pdf). Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

**Recognize changes to proved reserves for reasons other than depletion.**

Proved reserves are used as a proxy to value mineral rights for a property. As a property is produced, reserves will deplete. Also, as more information is gathered about a property, the estimate of proved reserves can change for reasons other than depletion. Reserves can either increase or decrease due to additional engineering and geologic information. The assessor did not make adjustments for decreases in reserves for reasons other than depletion. Changes in reserves for reasons other than depletion require that an additional adjustment be made to the base year value of the mineral right each year. Failure to account for these additional changes to proved reserves can result in an improper assessment of the mineral property.

## ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

### **Manufactured Homes**

A "manufactured home" is defined in Health and Safety Code section 18007, and statutes prescribing the method of assessing manufactured homes are contained in sections 5800 through 5842. A manufactured home is subject to local property taxation if sold new on or after July 1, 1980, or if its owner requests conversion from the vehicle license fee to local property taxation. Manufactured homes should be classified as personal property and enrolled on the secured roll.<sup>7</sup>

In Nevada County, there are 813 manufactured homes in 27 mobilehome parks, including one resident-owned mobilehome park. It is the responsibility of one auditor-appraiser to value these manufactured homes.

We reviewed several manufactured home assessments, including transfers, supplemental assessments, accessories, and assessments related to manufactured homes on permanent foundations. We found the assessor correctly values manufactured homes when using a recognized value guide and properly issues supplemental assessments when appropriate. However, we found areas in need of improvement.

**RECOMMENDATION 6:** Improve the manufactured home assessment program by: (1) periodically reviewing all manufactured homes for declines in value and (2) annually reviewing all manufactured homes in decline-in-value status pursuant to section 51(e).

### **Periodically review all manufactured homes for declines in value.**

We found the assessor does not review all manufactured homes for declines in value. The assessor uses National Automobile Dealers Association, *Manufactured Housing Cost Guide* (NADA), to initially value manufactured homes when there is a change in ownership. Manufactured homes that experienced a change in ownership prior to 2010 were reviewed and placed in a decline-in-value status. However, values enrolled for manufactured homes that experienced a change in ownership in 2010 or later have been factored by the California Consumer Price Index annual inflation factor and have not since been reviewed for a decline in value.

Section 5813 provides that the taxable value of a manufactured home shall be the lesser of its factored base year value or its full cash value as of the lien date, considering reductions in value due to damage, destruction, depreciation, obsolescence, or other factors causing a decline in

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<sup>7</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Manufactured Homes*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/mhomes\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/mhomes_general.pdf). Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

value. Periodic review of manufactured homes ensures declines in value are recognized and properties are properly valued. Manufactured homes typically decline in value each year. Although the assessor is not required to reappraise all properties each year, the assessor should develop a program to periodically review the assessments of manufactured homes to ensure declines in value of manufactured homes are recognized timely, accurately, and consistently.

By not reviewing all manufactured homes for declines in value, the assessor may cause incorrect assessments to be enrolled and taxpayers to be treated inequitably.

**Annually review all manufactured homes in decline-in-value status pursuant to section 51(e).**

For properties already in a decline-in-value status, we found the assessor does not perform an annual review for each of these properties in accordance with section 51(e).

Section 51(e) provides that the assessor is not required to annually reappraise all assessable property to determine if the property qualifies for a decline-in-value reduction. However, for each lien date after the first lien date for which the taxable value of the property is reduced, the value of that property must be annually reappraised at its full cash value until its full cash value exceeds its factored base year value.

By not annually reviewing all properties in decline-in-value status, the assessor is not in compliance with statute and may be enrolling incorrect assessments for the lien date.

**Resident-Owned Mobilehome Park**

Sections 62.1 and 62.2 exclude certain transfers of mobilehome parks from a change in ownership when the park is ultimately purchased by at least 51 percent of the tenants renting the individual spaces of the park. Qualifying conversions to resident ownership under these sections permit the residents of the park to retain the base year value of the previous park owner, rather than triggering a reassessment of the park to current market value.

With respect to transfers of mobilehome parks, where a change in ownership was excluded by section 62.1(a)(2), since the individual residents may have ownership interests in the park, subsequent transfers are treated as changes in ownership just as any other transfer of an interest in real property, including forms of "share" ownership (such as condominiums or stock cooperatives). Ownership interests in the park may encompass the outright ownership of a particular manufactured home, the exclusive right to occupy a space within the park, or the right to participate in the management of the park and the governance of the corporation.

There is currently one resident-owned mobilehome park (ROP) in Nevada County. We reviewed several ROP assessments and found the assessor does not properly value manufactured homes within the park and has not correctly applied the requirements of section 62.1 to subsequent transfers within the park.

**RECOMMENDATION 7:** Improve the manufactured home assessment program by: (1) reassessing the ownership interest in a resident-owned mobilehome park upon a change in ownership and (2) properly valuing manufactured homes upon a change in ownership.

**Reassess the ownership interest in a resident-owned mobilehome park upon a change in ownership.**

We found the assessor does not reassess the transfers of individual interests when a manufactured home in a ROP changes ownership. In Nevada County, when manufactured homes are sold in a ROP, individual interests in the park are not always sold with the home. Potential purchasers are not obligated to purchase an interest in the park along with the home they are buying, but have the option of acquiring only the home. If the buyer is interested in also acquiring an interest in the park, shares may be purchased at the time of sale or at a later date. Upon the change in ownership of a manufactured home in a ROP, the assessor values the manufactured home and accessories, but does not reassess any interest in the park that is part of the purchase transaction for the manufactured home.

Per the provisions of section 62.1, once the change in ownership of a mobilehome park has been excluded from reassessment, subsequent transfers of individual ownership interests are assessable and subject to reappraisal. Section 62.1(b)(1) provides that the transfer of an ownership interest in the entity that acquired the park is a change in ownership of "a pro rata portion of the real property of the park." Section 62.1(b)(2) defines "pro rata portion of the real property" as the total real property of the mobilehome park multiplied by the fractional interest in the park that is conveyed by the transferred share of stock or other ownership interest.

The assessor's current practice is contrary to statute. By not recognizing that the underlying interest in the resident-owned mobilehome park may have changed ownership, the assessor is allowing certain transfers to escape reassessment, causing incorrect assessments to be enrolled and taxpayers to be treated inequitably.

**Properly value manufactured homes upon a change in ownership.**

When manufactured homes are sold in a ROP, the assessor will consider sale prices listed in NADA for manufactured homes and accessories. However, we found the assessor will typically enroll the sales price, even though the value guide indicates a much lower value; there is no documented reconciliation of the significantly different value indicators.

Section 5803(b) provides that the full cash value of a manufactured home located on rented or leased land does not include any value attributable to the particular site that would make the sales price different from its price at some other location on rented or leased land. Section 5803(b) further provides that in determining the full cash value of a manufactured home on rented or leased land, the assessor shall consider, among other relevant factors, cost data issued pursuant to section 401.5, or sale prices listed in recognized value guides.

Failure to exclude the value attributable to the site from the purchase price of a manufactured home may cause overassessments for certain taxpayers.

## Vessels

The primary sources used for the discovery of assessable vessels include reports from the State Department of Motor Vehicles (DMV), referrals from other counties, information provided by the vessel owners themselves, certificates of documentation issued by the United States Coast Guard, harbor masters' reports, and field canvassing.<sup>8</sup>

In Nevada County, the assessment of vessels is the responsibility of one auditor-appraiser. The assessor's primary sources of discovery for vessels are DMV reports, marina reports, periodic field canvasses, and referrals from other counties. The assessor uses the BOE-576-D, *Vessel Property Statement*, to obtain information for vessels newly enrolled in the county, as well as those subject to a change in ownership. BOE-576-D forms are available on the assessor's website for annual filing purposes. However, we found that owners of vessels having an aggregate cost of \$100,000 or more do not file statement BOE-576-D and no penalty is assessed.

**RECOMMENDATION 8:** Apply a 10 percent penalty for failing to file a *Vessel Property Statement* as required by section 463.

In Nevada County, there are two vessels with an aggregate cost of \$100,000 or more. We found that when a vessel owner fails to file a BOE-576-D, the assessor does not apply the required 10 percent penalty pursuant to section 463.

Section 441(a) provides that each person owning taxable personal property, other than a manufactured home, having an aggregate cost of \$100,000 or more for any assessment year shall file a signed property statement with the assessor. Additionally, section 463 specifically requires the assessor to add a 10 percent penalty to the assessed value when a taxpayer required to file fails to file a property statement or files that statement after the statutory deadline.

The assessor's practice is contrary to statutes. The application of the penalty, when prescribed, encourages taxpayer compliance with section 441.

## Valuation

The assessor values newly enrolled vessels predominately with the aid of National Automobile Dealers Association, *Marine Appraisal Guide* (NADA). If current or reliable information is not available in the value guide, the assessor may use other sources of market evidence when appropriate. For vessels not new to the county, the assessor uses a depreciation factor to determine market values for subsequent lien dates.

We reviewed several vessel assessments and found the files to be well documented. We found the assessor correctly adds a sales tax component of value, makes adjustments for vessel condition, motor and motor condition, accessories, and deducts for trailers when appropriate.

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<sup>8</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Vessels*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/vessels\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/vessels_general.pdf). Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.



However, we found the assessor's depreciation factors for houseboats are not properly supported by a market study.

**RECOMMENDATION 9:** Adequately support the depreciation factor used to value vessels each year.

The assessor annually applies a depreciation factor to determine lien date values for houseboats subsequent to the initial assessment. The depreciation factor is determined annually using sales and advertisements of similar houseboats. However, the assessor could not provide any analysis or documentation to justify the depreciation factor used each year.

According to Assessors' Handbook Section 576, *Assessment of Vessels*, vessels are valued at their fair market value each year as of the January 1 lien date. This value can be estimated from the sale price or published vessel value guides. For mass appraisal purposes, a value estimate can also originate from the application of sufficiently specific depreciation rates derived from market data. Additionally, Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*, provides the use of valuation factors should be supported by a recognized sampling method. To determine an annual depreciation rate from an analysis of market sales evidence, the assessor must develop and use a recognized standard methodology that can be accepted with confidence.

By not adequately documenting the analysis and market evidence used in determining value, the assessor's value conclusion cannot be justified. The assessor's practice of applying a certain percentage of depreciation, without any documented support, may cause the assessor to enroll assessments not reflective of the current market.

## APPENDIX A: STATISTICAL DATA

**Table 1: Assessment Roll**

The following table displays information pertinent to the 2014-15 assessment roll:<sup>9</sup>

	PROPERTY TYPE	ENROLLED VALUE
<b>Secured Roll</b>	Land	\$5,213,900,268
	Improvements	\$10,640,961,677
	Personal Property Fixtures	\$14,294,666
	Personal Property	\$53,666,160
	Total Secured	\$15,922,822,171
<b>Unsecured Roll</b>	Land	\$21,165,609
	Improvements	\$28,155,679
	Fixtures	\$56,599,821
	Personal Property	\$240,705,623
	Total Unsecured	\$346,626,732
<b>Exemptions<sup>10</sup></b>		(\$383,201,124)
	<b>Total Assessment Roll</b>	\$15,886,247,779

**Table 2: Change in Assessed Values**

The next table summarizes the change in assessed values over recent years:<sup>11</sup>

ROLL YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2014-15	\$15,886,248,000	5.0%	6.2%
2013-14	\$15,123,004,000	0.9%	4.3%
2012-13	\$14,987,247,000	-1.3%	1.4%
2011-12	\$15,177,296,000	-2.8%	0.1%
2010-11	\$15,607,506,000	-7.2%	-1.9%

<sup>9</sup> Statistics from BOE-822, *Report of Assessed Values by City*, Nevada County for 2014-2015.

<sup>10</sup> The value of the Homeowners' Exemption is excluded from the exemptions total.

<sup>11</sup> Roll values and statewide changes are from the California State Board of Equalization Annual Reports, Table 7.

**Table 3: Gross Budget and Staffing**

The assessor's budget has fluctuated in the last five years with the highest gross budget at \$2,561,108 in 2011-12 and the lowest gross budget at \$2,302,507 in 2013-14. The gross budget for the 2014-15 fiscal year was \$2,497,789.

At the time of this survey, Nevada County budgeted staff total 23 and include the assessor, an assistant assessor, a chief appraiser, seven real property appraisers, a business property auditor appraiser, two appraisal technicians, a mapping specialist, and a clerical supervisor, and eight support staff.

The following table shows the assessor's budget and staffing over recent years:<sup>12</sup>

BUDGET YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2014-15	\$2,497,789	8.5%	23.0
2013-14	\$2,302,507	-4.1%	22.5
2012-13	\$2,400,311	-6.3%	22.5
2011-12	\$2,561,108	1.2%	22.5
2010-11	\$2,531,338	-1.2%	24.5

**Table 4: Assessment Appeals**

The following table shows the assessment appeals filed over recent years:<sup>13</sup>

YEAR	ASSESSMENT APPEALS FILED
2014-15	138
2014-13	107
2012-11	211
2011-10	216
2010-11	286

<sup>12</sup> Statistics from *A Report on Budgets, Workloads, and Assessment Appeals Activities* for years 2010-11 through 2014-15.

<sup>13</sup> Data and numbers from the Nevada County Clerk of the Board.

**Table 5: Exemptions – Welfare**

The following table shows welfare exemption data for recent years:<sup>14</sup>

<b>YEAR</b>	<b>WELFARE EXEMPTIONS</b>	<b>EXEMPTED VALUE</b>
2014-15	280	\$317,879,611
2013-14	263	\$303,725,206
2012-13	239	\$249,890,333
2011-12	243	\$277,861,018
2010-11	251	\$264,650,332

**Table 6: Change in Ownership**

The following table shows the total number of reappraisable transfers in recent years:<sup>15</sup>

<b>YEAR</b>	<b>REAPPRAISABLE TRANSFERS</b>
2014-15	2,313
2013-14	2,006
2012-13	2,273
2011-12	1,965
2010-11	1,641

<sup>14</sup> Statistics provided by BOE-802, *Report on Exemptions*, for the years 2010 through 2014.

<sup>15</sup> Statistics from *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Office* for years 2010-2011 through 2014-15.

**Table 7: New Construction**

The following table shows the total number of new construction assessments processed in recent years:<sup>16</sup>

<b>YEAR</b>	<b>NEW CONSTRUCTION ASSESSMENTS</b>
2014-15	1,711
2013-14	1,463
2012-13	1,116
2011-12	1,154
2010-11	1,074

**Table 8: Declines In Value**

The following table sets forth the number of decline-in-value assessments for recent years:<sup>17</sup>

<b>YEAR</b>	<b>DECLINE-IN-VALUE ASSESSMENTS</b>
2014-15	13,892
2013-14	15,529
2012-13	16,264
2011-12	16,820
2010-11	16,731

<sup>16</sup> Statistics from *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Office* for years 2010-2011 through 2014-15.

<sup>17</sup> Statistics from *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Office* for years 2010-2011 through 2014-15.

## APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

### ***Nevada County***

***Chief***

David Yeung

***Survey Program Director:***

Diane Yasui

Manager, Property Tax

***Survey Team Supervisor:***

Sally Boeck

Supervisor, Property Tax

***Survey Team Leader:***

Andrew Austin

Supervisor, Property Tax

***Survey Team:***

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Teresa Nguyen

Business Taxes Specialist I

Gary Coates

Associate Property Appraiser

Lee Coleman

Associate Property Appraiser

Jay Price

Associate Property Appraiser

Eric Santana

Assistant Property Appraiser

Paula Montez

Associate Property Auditor-Appraiser

Nancy Le

Assistant Property Auditor-Appraiser

Dany Lunetta

Associate Governmental Program Analyst

## APPENDIX C: RELEVANT STATUTES AND REGULATIONS

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

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

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

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



# COUNTY OF NEVADA

SUSAN M. HORNE

ASSESSOR

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Nevada City, CA 95959-8600  
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County-Assessed Properties Division  
State Board of Equalization

October 28, 2016

Mr. David Yeung, Chief  
County-Assessed Properties Division  
State Board of Equalization  
PO Box 942879  
Sacramento, CA 94279-0064

RE: Assessor's Response to the November 2014 Nevada County Assessment Practices Survey

Dear Mr. Yeung:

Pursuant to California Government Code, Section 15645, I am providing for inclusion in the final report, a written response to the findings in the 2014 Nevada County Assessment Practices Survey.

We value the opportunity to have the State review our practices and offer recommendations to enhance our procedures in the administration of property assessment in Nevada County. The survey program assists in promoting uniformity, fairness, equity and integrity in the property tax assessment process. The publication of this report should serve to help instill public confidence and integrity in the assessment processes as conducted by this office. We also appreciate the professionalism and courtesy displayed by the survey team led by Survey Team Supervisor, Sally Boeck, and Survey Team Leader, Andy Austin. The entire survey team was a pleasure to work with throughout the two month process as they worked with our staff.

In our response, you will find that we agree with all the recommendations and have already implemented several of them. Due to budget constraints, some recommendations will be implemented when resources and time permit.

Finally, I would like to thank the employees of the Nevada County Assessor's Office for their professionalism. They strive to provide excellent public service and demonstrate daily their dedication to providing fair, accurate assessments to the tax payers of Nevada County.

Sincerely,



Sue Horne  
Nevada County Assessor  
Enclosure

ASSESSOR'S RESPONSE TO BOE RECOMMENDATIONS

2014 SURVEY

RECOMMENDATION 1: Improve the welfare exemption program by: (1) conducting field inspections on all first-time filings for new locations, (2) properly notifying claimants when a portion of the property is denied the welfare exemption, (3) rejecting annual claim forms filed prior to lien date, and (4) applying appropriate late-filing provision when annual claims are filed after February 15.

RESPONSE: (1) We concur and have already implemented this recommendation. Field inspections are conducted on all current first-time filings and for new construction as of lien date. We are conducting field inspections on previous first-time filings where field inspections were missed. Field Inspection Reports are maintained in each claimant's file.

(2) We concur and have already implemented this recommendation. We annually notify by letter claimants who do not receive 100% exemption. The letter notifies the claimant they may seek a refund of property taxes paid by filing a claim for refund with the county board of supervisors.

(3) We concur and have already implemented this recommendation. Annual claim forms are mailed December 31 just prior to lien date to ensure that claim forms are not signed and received prior to lien date. If claim forms are received and/or signed before lien date, the claim form is returned to the claimant and a new submittal is requested.

(4) We concur and have taken appropriate action on the two properties that were previously over penalized. Refunds have been issued through the Auditor's office to the affected taxpayers. Current late filing penalties that exceed \$250 are processed by preparing a roll correction refund calculated using the current tax rate for the claimant's tax area.

RECOMMENDATION 2: Request the board of supervisors to revise Resolution No. 84-55 to conform to section 482.

RESPONSE: We concur and this request will go before the Board of Supervisors in November 2016 for their approval.

RECOMMENDATION 3: Properly include solar equipment when determining full cash value for decline in value purposes.

RESPONSE: We concur and have already implemented the recommendation. The computerized property record file now includes a solar system data field to enable the tracking of the existence of a solar system on a property and to alert

the appraiser to consider the current fair market value for decline in value or subsequent reassessment purposes. Value data on the solar system is also maintained in the physical property record file.

RECOMMENDATION 4: Continue efforts to update and improve the taxable possessory interest assessment program.

RESPONSE: We concur and have already taken steps to implement the recommendation. We are obtaining lease agreements with changes in ownership and when base terms expire. We presently develop the capitalization rate correctly per Rule 8 (f) and AH 510. We are presently using terms stated on leases and working to correct accounts as base terms expire or have a change in ownership. We have developed a tracking system to review all the taxable possessory interests for both declines in value and base term expiration annually. We continue to update and make steady progress toward improving our taxable possessory interest assessments as resources and time permit.

RECOMMENDATION 5: Improve the mineral property program by: (1) measuring declines in value for mineral properties using the entire appraisal unit as required by Rule 469 and (2) recognizing changes to proved reserves for reasons other than depletion.

RESPONSE: We concur with the recommendation and have already made steps to implement corrections. 1) A procedure has been put into place to assess our mineral properties using the entire appraisal unit. 2) Additional changes affecting the proved reserves other than depletion are now recognized and annual adjustments are being made to the base year value.

RECOMMENDATION 6: Improve the manufactured home assessment program by: (1) periodically reviewing all manufactured homes for declines in value and (2) annually reviewing all manufactured homes in decline-in-value status pursuant section 51 (e).

RESPONSE: (1) We concur and will implement this recommendation as staff resources and time permit. (2) We concur and will implement this recommendation as staff resources and time permit.

RECOMMENDATION 7: Improve the manufactured home assessment program by: (1) reassessing the ownership interest in a resident-owned mobile home park upon a change in ownership and (2) properly valuing manufactured homes upon a change in ownership.

RESPONSE: (1) We concur and have taken steps to implement this recommendation by determining ownership interests upon a change in ownership in the single resident-owned mobile home park in the county. (2) We concur and will implement the recommendation as resources and time permit.

RECOMMENDATION 8: Apply a 10 percent penalty for failing to file a *Vessel Property Statement* as required by section 463.

RESPONSE: We concur and have implemented this recommendation. We utilize a manual tracking process for vessels having an aggregate cost of \$100,000 or more to ensure that a *Vessel Property Statement* is mailed annually and a penalty is applied if the statement is not filed by the statutory deadline.

RECOMMENDATION 9: Adequately support the depreciation factor used to value vessels each year.

RESPONSE: We concur and will implement the recommendation.