

# SIERRA COUNTY SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY

**MAY 2018**

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## CALIFORNIA STATE BOARD OF EQUALIZATION

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No. 2018/020

May 9, 2018

TO COUNTY ASSESSORS:

**SIERRA COUNTY  
SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY**

A copy of the Sierra County Supplemental Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this supplemental 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 specified 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 Laura A. Marshall, Sierra 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 Tulare County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this supplemental survey was performed by the BOE's County-Assessed Properties Division during May 2016. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Ms. Marshall 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/ David Yeung

David Yeung, Chief  
County-Assessed Properties Division  
Property Tax Department

DY: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 specified county assessor's office. This report reflects the BOE's findings in its current survey of the Sierra 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 Sierra 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 Laura A. Marshall, Sierra County Assessor, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendixes.

## OBJECTIVE

The survey shall "...show the extent to which assessment practices are consistent with or differ from state law and regulations."<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.<sup>2</sup> This objective serves the three-fold purpose of protecting the state's interest in the property tax dollar, promoting fair treatment of taxpayers, and maintaining the overall integrity and public confidence in the property tax system in California.

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

## SCOPE AND METHODOLOGY

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

Pursuant to Revenue and Taxation Code<sup>3</sup> section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team – based on objective standards defined in regulation – that there are no significant assessment problems in the county.

The BOE has elected to conduct a supplemental survey for Sierra County. The supplemental survey includes a review of the recommendations contained in the prior survey report, the assessor's written response to the recommendations, the assessor's current records pertaining to those recommendations, and interviews with the assessor and his staff and with officials in other public agencies in the county who provide information relevant to the property tax assessment program. This supplemental survey is made to determine the extent to which the assessor has

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

<sup>2</sup> 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>. 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>.

<sup>3</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.

implemented the recommendations contained in the prior survey report and to identify areas where problems still exist.

This supplemental survey examined the assessment practices of the Sierra County Assessor's Office for the 2015-16 assessment roll. Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.

In the July 2012 Sierra County Assessment Practices Survey report, there were a total of 13 recommendations. Two of the recommendations were in the area of administration, eight of them were related to real property assessment, and the remaining three recommendations were related to personal property and fixture assessments. This report reflects the BOE's findings in its supplemental survey of the Sierra County Assessor's Office.

## **EXECUTIVE SUMMARY**

As stated in the Scope and Methodology, the BOE has elected to perform a supplemental survey of Sierra County, addressing only the recommendations from the prior survey and whether the assessor has implemented those recommendations.

In the area of administration, we reviewed the prior recommendations identified in the assessor's staff property and activities program and in the exemptions program.

In the area of real property assessment, we reviewed the prior recommendations identified in the assessor's change in ownership, new construction, declines in value, California land conservation act properties, timberland production zone, and taxable possessory interests programs.

In the area of personal property and fixtures, we reviewed the prior recommendations identified in the assessor's audit, business property statement, and vessel programs.

## OVERVIEW OF SIERRA COUNTY

Sierra County is located in the northern section of the Sierra Nevada. Established in 1850, Sierra County encompasses a total area of 962.21 square miles, which consists of 953.21 square miles of land and 9.0 square miles of water. Sierra County is bounded on the north by Plumas and Lassen Counties, on the west by Yuba County, on the south by Nevada County, and on the east by the state of Nevada.



As of 2016, Sierra County's population was 2,947. Sierra County has one incorporated city, Loyalton, and the county seat is the city of Downieville.

Sierra County's local assessment roll value ranked 58th among the 58 counties in California counties for the 2015-16 roll year, with a total assessed value of \$515,063,000.<sup>4</sup>

<sup>4</sup> Statistics provided by California State Board of Equalization Annual Report, Table 7, for year 2015-16.

## ADMINISTRATION: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following are the recommendations related to administrative policies and procedures, which affect both real property and business property assessment programs, included in our July 2012 Assessment Practices Survey Report and the assessor's responses to the recommendation. After the recommendations, we report the current status of the assessor's effort to implement the recommendations as noted during our supplemental survey fieldwork.

### ***Staff Property and Activities***

**RECOMMENDATION 1:** Amend the written procedures for the assessment of staff-owned property.

#### **Original Finding:**

We found the assessor's written procedures do not fully address the assessment of real and personal property in which staff in the assessor's office holds an interest. We found one instance where certain business equipment was assessed by the spouse of the owner of the business property. While our review found no problems with the assessed value enrolled for the equipment, this practice is in direct contradiction with office policies related to conflicts of interest. The assessor's office written conflict of interest policy states that any employee having a "financial interest" in real or personal property, or in a business, shall disqualify himself/herself from performing official assessment duties in any way related to the property or business.

#### **Original Assessor's Response:**

*We agree, and will amend our procedures.*

#### **Current Status:**

The assessor has implemented this recommendation. The assessor has corrected the language on their written office procedures to address the assessment of real and personal property in which staff holds an interest. In addition, all employees are required to complete an "*Employee Activity Report*" form that details an employee's real and personal property interests within the county. The assessor also requires her staff to complete Form 700, which is required by local ordinances No. 907 and No. 1007 (*Sierra County Conflict of Interest*).

**Exemptions**

**RECOMMENDATION 2:** Improve the exemptions program by: (1) performing field inspections on properties for which an exemption claim is filed, and (2) not applying late-filing penalties when BOE-267-SNT is not timely filed.

**(1) Perform field inspections on properties for which an exemption claim is filed.**

**Original Finding:**

We found the assessor does not perform field inspections on exemption claims filed in Sierra County.

**Original Assessor's Response:**

*We agree with both recommendations, and have amended our procedures.*

**Current Status:**

The assessor has implemented this recommendation. The assessor performs field inspections on welfare exemption claimants where appropriate and necessary.

**(2) Do not apply late-filing penalties when BOE-267-SNT is not timely filed.**

**Original Findings:**

The assessor applies late-filing penalties for properties receiving the religious exemption if the claimant returns BOE-267-SNT, *Religious Exemption Change in Eligibility or Termination Notice*, after February 15. The religious exemption, once filed, remains in effect until terminated or until the property is no longer eligible. Pursuant to section 257.1, the assessor mails an annual notice, BOE-267-SNT, to claimants of the religious exemption in order to ascertain continued eligibility for the exemption. The failure of the claimant to return the form may prompt a site visit from the assessor to ensure continued eligibility; it does not, however, provide a basis for assessing penalties. Significantly, the religious exemption is not named in section 254 as requiring an annual affidavit.

**Original Assessor's Response:**

*We agree with both recommendations, and have amended our procedures.*

**Current Status:**

The assessor has implemented the recommendation. We have reviewed several claim filings and found the assessor no longer applies late-filing penalties in cases where the claimant does not file or late files the BOE-267-SNT.

## REAL PROPERTY ASSESSMENTS: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following are the recommendations related to the assessment of real property included in our July 2012 Assessment Practices Survey Report and the assessor's response to those recommendations. After each recommendation, we report the current status of the assessor's effort to implement the recommendation as noted during our supplemental survey fieldwork.

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

#### Penalties

**RECOMMENDATION 3:** Improve the change in ownership program by correctly implementing the penalty abatement process in accordance with section 483.

#### **Original Findings:**

Once the property owner has failed to file a requested COS within the time frame allowed by the assessor, the assessor sends the property owner a *PENALTY NOTICE AND PENALTY ABATEMENT REQUEST* form, along with a COS, to inform the property owner a penalty is being applied to the property due to failure to file the COS. This form instructs the property owner that a penalty is in effect, but if they complete the Penalty Abatement Request at the bottom of the form, complete the COS, and return both forms along with any other additional information as requested, the assessor *may* abate the penalty. Part of completing the abatement request is to include a statement that the failure to file the COS was due to reasonable cause and not willful neglect. However, Sierra County has a resolution in place that gives the assessor the authority to automatically abate the penalties as provided for in section 483(b) and (c).

#### **Original Assessor's Response:**

*While our office has been properly abating section 483 penalties, we agree a wording change to the abatement form is required.*

#### **Current Status:**

The assessor has implemented this recommendation. The *Penalty Notice and Penalty Abatement Request* form was amended to remove language that required a property owner to provide a written application for abatement of the penalty or state that the failure to file was due to reasonable cause and not willful neglect in order to have the penalty abated. The *Penalty Notice and Penalty Abatement Request* form is now in accordance with section 483(b).

Valuation

**RECOMMENDATION 4:** Correctly process supplemental assessments due to changes in ownership.

**Original Finding:**

We found several files where the assessor issued supplemental assessments with incorrect dates of event. In some instances, the assessor did not use the date of the recorded change in ownership as the date of event.

**Original Assessor's Response:**

*Of the supplemental assessments cited, only one resulted in an incorrect proration. The one instance was a clerical entry error; therefore, we respectfully disagree with this recommendation, as we feel it is/was being done correctly.*

**Current Status:**

The assessor has implemented this recommendation. We reviewed several files for properties that were issued supplemental assessments and found that the supplemental event date matched the recorded change in ownership date. The assessor has correctly processed supplemental assessments due to changes in ownership.

**New Construction**

Valuation

**RECOMMENDATION 5:** When using the cost approach, use local cost multipliers only when supported by a recent and valid study.

**Original Finding:**

The assessor uses local cost multipliers derived from an in-house formula to apply to construction costs obtained from residential and commercial cost guides published by Marshall & Swift when valuing properties for new construction or changes in ownership. The assessor's formula and derived cost multipliers are built into a software program used for the cost approach. However, the assessor has not performed a recent study or analysis to support these local cost multipliers being used in the valuation process.

**Original Assessor's Response:**

*We completely disagree with this recommendation. The use of our locally-derived multipliers allows us to accurately adjust values for the various communities in the county, in the same manner that other counties are able to do using their own local methodologies. We maintain an on-going, annual study that is continuously updated with market sale data, which allows us to update the multipliers on, at least, an annual basis. We feel the survey team did not understand the dynamics of Sierra County or our existing*

*study. Additionally, the comparison of our local multipliers to Marshall & Swift multipliers indicates that, whereas, to use Marshall & Swift multipliers would have resulted in increased values across the county in a declining market; our locally-derived multipliers accurately reflected the decline and are supported by the comparable sales approach. We believe that using any other methodology would, in fact, result in the enrollment of incorrect assessments.*

**Current Status:**

The assessor has implemented this recommendation. The assessor now has a current, ongoing multiplier study. The assessor's formula includes data from the Marshall and Swift (M&S) cost guide, including cost, time adjustment, and percent good but does not use the M&S adjustment for locality. The assessor compares the costs from M&S to local comparable sales and develops their own location adjustment.

Construction in Progress

**RECOMMENDATION 6:** Value construction in progress at its fair market value for each lien date until completion per section 71.

**Original Finding:**

We found the assessor does not estimate the fair market value of construction in progress as of the lien date. Specifically, if there was no progress in the construction project since the preceding lien date, the assessor allows the value previously added for construction in progress to increase by application of the annual inflation factor.

**Original Assessor's Response:**

*We respectfully disagree. We have a handful of parcels that pulled building permits and started construction, only to cease construction activities for many years. We base year some of the projects, where appropriate; however, due to changing construction costs from year to year, annual reappraisal would result in the same project being reassessed over multiple years at different rates, when no construction has occurred between lien dates. Additionally, we do look at any open permits for each lien date, and make value adjustments when appropriate and warranted.*

**Current Status:**

The assessor has implemented this recommendation. The assessor uses a building permit tracking sheet system to document construction in progress. We reviewed several properties with construction in progress on the lien date. We found that the assessor now revalues all construction in progress upon each lien date until completion.

### **Declines in Value**

**RECOMMENDATION 7:** Enroll all qualifying decline-in-value assessments.

#### **Original Finding:**

In our review of the spreadsheet compiled by the appraiser of the 1,641 properties reviewed for potential declines in value, we found a number of properties with an indicated market value lower than the FBV that were not assessed at the lower market value. The reason given by the appraiser for not enrolling the lower market value was the indicated market value was within 5 percent of the FBV.

#### **Original Assessor's Response:**

*Beginning in 2009, and extending through the 2010 lien date, the decline-in-value program experienced a change in procedure. We have subsequently amended this procedure to match the requirements outlined by statute.*

#### **Current Status:**

The assessor has implemented this recommendation. We reviewed several properties that experienced a decline in value. The assessor is properly enrolling all qualifying decline-in-value assessments.

### **California Land Conservation Act Property**

**RECOMMENDATION 8:** Improve the valuation of CLCA properties by: (1) valuing homesites on CLCA land in conformance with AH 521, (2) correctly determining supplemental assessments for unrestricted portions of CLCA land, (3) deducting appropriate expenses from gross income when capitalizing the restricted income of CLCA properties, (4) establishing the appropriate FBV of FSZ properties pursuant to section 423.4, and (5) correctly classifying all property under CLCA contract as either restricted or unrestricted property.

**(1) Value homesites on CLCA land in conformance with AH 521.**

#### **Original Finding:**

The assessor establishes the value of a homesite created on land under CLCA contract at its current market value on the date construction of the residence is completed rather than reallocating the existing FBV of the land between the newly created homesite and the restricted land. The assessor determines the current market value of the area to be designated as homesite and adds the new homesite value to the total value of the property. We also found instances where the assessor allocated value for a homesite for structures other than residences.

**Original Assessor's Response:**

*We agree and this has been implemented.*

**Current Status:**

The assessor has implemented the recommendation. The assessor now establishes the value for homesites on land under CLCA contract as of the last change of ownership and reallocates the value from the existing base year of the restricted property. The assessor now correctly determines the base year value for the homesite which is factored forward to the subject roll year in conformance with AH 521.

**(2) Correctly determine supplemental assessments for unrestricted portions of CLCA land.**

**Original Finding:**

We found the assessor does not separate restricted and unrestricted land values when calculating supplemental assessments for homesites. This has resulted in supplemental assessments on the restricted land when there is a change in ownership.

**Original Assessor's Response:**

*We agree and this has been implemented.*

**Current Status:**

The assessor has implemented this recommendation. The assessor no longer supplementally assesses CLCA properties as a whole upon a change in ownership. Instead, only unrestricted portions of these properties are supplementally assessed as of a change in ownership or upon completion of new construction.

**(3) Deduct appropriate expenses from gross income when capitalizing the restricted income of CLCA properties.**

**Original Finding:**

When determining the net income to be capitalized for grazing properties, the assessor estimates the gross income attributable to the property based on cash rent data and then makes a deduction for expenses to arrive at the net income. While in general this method is correct, we found the assessor deducts approximately 38 percent from the gross income for management and miscellaneous expenses.

**Original Assessor's Response:**

*We agree, and will be working with neighboring Plumas County to implement a common methodology to determine the appropriate expenses.*

**Current Status:**

The assessor has implemented this recommendation. The assessor annually sends a questionnaire to the owners of CLCA properties within the county. Each year, the assessor determines current rents and expenses jointly with the Plumas County assessor for use in appraising CLCA properties and facilitates this process by sharing data acquired from CLCA questionnaires.

**(4) Establish the appropriate FBV of FSZ properties pursuant to section 423.4.****Original Finding:**

When valuing FSZ [Farmland Security Zone] properties, pursuant to section 423.4, the assessor compares 65 percent of the section 423 value to 65 percent of the FBV, enrolling the lower of the two values. However, when calculating 65 percent of the FBV, the assessor incorrectly applies this reduction to the homesite value. The assessor starts with the total FBV of the property, and then multiplies that value by 65 percent without first deducting the allocated homesite value. The assessor then deducts the full homesite FBV from the 65 percent reduced FBV, which causes the remaining FBV to be much lower than it should be if the homesite value had been correctly deducted from the FBV before applying the 65 percent reduction. As a result, the remaining 65 percent reduced FBV is much lower than it should be when compared to its section 423 value.

**Original Assessor's Response:**

*We agree. The one property the survey team identified has been corrected. The other properties were, and continue to be, valued correctly.*

**Current Status:**

The assessor has implemented this recommendation. We reviewed several FSZ properties. The assessor establishes the correct FBV for FSZ properties by deducting the homesite value from the restricted portion of the property prior to applying the 65 percent factor to the FBV of the restricted land value pursuant to section 423.4.

**(5) Correctly classify all property under CLCA contract as either restricted or unrestricted property.****Original Finding:**

We found the assessor is classifying certain types of land, such as wells, ponds, and roadways, as miscellaneous land separate from the restricted land and unrestricted homesite values. This miscellaneous land category is allocated a portion of the total FBV, but is not included in the comparison process as restricted land when determining the taxable value.

**Original Assessor's Response:**

*We agree, and have made the appropriate changes.*

**Current Status:**

The assessor has implemented this recommendation. Our review confirms that the assessor now correctly classifies all property under CLCA contract as either restricted or unrestricted.

**Timberland Production Zone Property**

**RECOMMENDATION 9:** Improve the valuation of TPZ properties by: (1) assessing land zoned TPZ according to section 435, and (2) periodically reviewing TPZ properties for compatible uses.

**(1) Assess land zoned TPZ according to section 435.**

**Original Finding:**

We noted two examples where the assessor has rebutted the presumption that TPZ [Timberland Production Zone] zoning is an enforceable restriction. In these instances, the assessor has valued property zoned TPZ as if zoning restrictions do not apply. We disagree with the assessor's assumption that TPZ restrictions can be rebutted when the property no longer meets the criteria for TPZ zoning.

**Original Assessor's Response:**

*We value nearly all property under timberland production zone (TPZ) in accordance with section 435. The two exceptions are parcels that fail to meet the minimum acreage requirement under this zoning. Small substandard parcels zoned TPZ sold for well over \$100,000, not based upon their timber and/or timber production capabilities, but rather for their rural residential amenities. We have been unable to identify any enforceable restriction that TPZ imposes on their use. As noted in the October, 2007, Sierra County survey, we are closely following the revised county TPZ Ordinance and subsequent lawsuit.*

**Current Status:**

The assessor has implemented the recommendation. We reviewed several TPZ parcels. The assessor annually assesses TPZ parcels according to their zoning and the application of corresponding restricted acreage valuation periodically provided by the Board of Equalization and in accordance with section 435.

**(2) Periodically review TPZ properties for compatible uses.**

**Original Finding:**

We found the assessor's TPZ property files are well documented and properly identify existing compatible uses. However, the assessor is not proactive in the discovery of new or changing compatible uses for TPZ properties.

**Original Assessor's Response:**

*We agree, and are currently working on a compatible use form, which we will begin using for the 2013 lien date.*

**Current Status:**

The assessor has implemented the recommendation. We reviewed several TPZ property records. The assessor periodically sends questionnaires to all owners of TPZ properties within the county to discover compatible uses. Currently the only compatible use for TPZ property in Sierra County is grazing.

***Taxable Possessory Interests***

**RECOMMENDATION 10:** Improve the taxable possessory interest program by: (1) properly calculating supplemental assessments for taxable possessory interests, (2) deducting allowed expenses from gross income when valuing possessory interests by the income approach, (3) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, and (4) not assessing a taxable possessory interest to a public user of public lands.

**(1) Properly calculate supplemental assessments for taxable possessory interests.**

**Original Finding:**

We reviewed a number of taxable possessory interest appraisals created due to a change in ownership. We found the assessor correctly enrolled a base year value and issued a supplemental assessment. However, the assessor is improperly offsetting the new base year value against the existing roll value when calculating the amount of the supplemental assessment.

**Original Assessor's Response:**

*We respectfully disagree with the survey team's interpretation of "creation" and "renewal" of taxable possessory interests. We feel that a failure to offset the new base year value against the current roll value will result in double taxation.*

**Current Status:**

The assessor has not implemented this recommendation. The assessor continues to improperly offset the new base year value against the existing roll value when calculating the amount of the supplemental assessment.

**(2) Deduct allowed expenses from gross income when valuing possessory interests by the income approach.**

**Original Finding:**

When valuing taxable possessory interests by the income approach, the assessor typically capitalizes the actual contract rent without making any deductions from the gross rent for management and other operating expenses incurred by the public lessor.

**Original Assessor's Response:**

*Of the three accounts identified, one account is a summer home tract property, which we value utilizing the cost approach and comparable sales approach; one property is used for a water storage tank for a recreational religious camp, which we value utilizing the cost approach; and the final property is an outfitter/guide, for which the United States Forest Service bases their rent on gross income. As such, it would not be appropriate to deduct expenses from any of those accounts. Where appropriate for an income approach, we do deduct allowable expenses.*

**Current Status:**

The assessor has not implemented this recommendation. The assessor is not deducting allowed expenses from the gross rent when valuing possessory interests by the income approach.

Properties generating rent based on gross income at the very least incur some expenses for management and property maintenance (also referred to as operating expenses) and these are necessary to maintain income streams for such properties. In the income approach, allowable expenses born by the property owner are deductible expenses. For publicly owned properties the public agency takes place of the property owner in making an analysis of deductible expenses. In general, allowed expenses for TPI properties correspond to those in Property Tax Rule 8(c).

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

**Original Finding:**

We found that the assessor does not review taxable possessory interests with a stated term of possession for subsequent declines in value. Instead, the assessor enrolls the factored base year value until the contract term of possession expires or there is a change in ownership.

**Original Assessor's Response:**

*We respectfully disagree. There is historical evidence of on-going permitting by the United States Forest Service of property use, which provides clear and convincing evidence of a longer-than-anticipated term of possession. Additionally, historical evidence suggests that persons would not purchase taxable possessory interest properties, with only a few years remaining of the stated term of possession, without a general degree of confidence that the permit would be renewed at the end of the stated term.*

**Current Status:**

The assessor has not implemented this recommendation. The assessor is not reviewing taxable possessory interests with a stated term of possession for subsequent declines in value. Instead, the assessor enrolls the factored base year value until the contract term of possession expires or there is a change in ownership.

**(4) Do not assess a taxable possessory interest to a public user of public lands.**

**Original Finding:**

In our review of taxable possessory interests in Sierra County, we found the assessor was assessing a taxable possessory interest to a local government entity that was leasing USFS land.

**Original Assessor's Response:**

*We agree. This property has been sold and, as such, has resolved the issue at hand.*

**Current Status:**

The assessor has implemented this recommendation. We reviewed several taxable possessory interests and found that the assessor does not assess a taxable possessory interest to a public user of public lands.

## **PERSONAL PROPERTY AND FIXTURES ASSESSMENTS: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS**

Following are the recommendations related to the assessment of personal property and fixtures included in our July 2012 Assessment Practices Survey Report and the assessor's response to those recommendations. After each recommendation, we report the current status of the assessor's effort to implement the recommendation as noted during our supplemental survey fieldwork.

### ***Audit Program***

**RECOMMENDATION 11:** Timely audit the books and records of professions, trades, and businesses pursuant to section 469.

### **Original Finding:**

Effective January 1, 2009, section 469 specifies a minimum audit workload equal to 75 percent of a statutorily defined base level. According to Letter To Assessors No. 2009/049, the amended statute requires the assessor to complete two audits annually. Historically, in Sierra County, all audits were completed in the same year every four years. Despite the recent change to section 469, we found that no audits were completed for the 2009-10 assessment roll.

### **Original Assessor's Response:**

*We agree. We are currently in the process of two audits, and will continue annually, as funding remains available.*

### **Current Status:**

The assessor has implemented the recommendation. The assessor has completed the required audits for 2016. The number of audits required pursuant to section 469 is two per year for Sierra County. One is selected from the pool of taxpayers with the largest assessments of personal property and fixtures in the county. The other selection is made from the pool of all taxpayers. The assessor mentioned that in the past they did not have the staff or resources to complete audits as required per section 469. However, Sierra County has contracted with Shasta County to complete the required audits.

### **Business Property Statement Program**

**RECOMMENDATION 12:** Accept only properly signed business property statements.

**Original Finding:**

Our review found several property statements that were not signed by a qualified person and the required assessee's written authorization was not on file with the assessor. Additionally, one statement lacked a signature.

**Original Assessor's Response:**

*We agree. The handful of property statements that were cited will be reviewed to ensure we capture the correct agent authorization and signatures.*

**Current Status:**

The assessor has implemented this recommendation. The assessor reviews business property statements (BPS) to ensure they possess the appropriate signatures and correct agent authorization. In some instances, if the signature on the BPS does not match the agent authorization on file, the assessor sends a letter to the business owner referencing section 441(e) that states, "In the case of a corporate owner of property, the property statement shall be signed either by an officer of the corporation or an employee or agent who has been designated in writing by the board of directors to sign the statements on behalf of the corporation." The assessor has also developed an "Agent's Authorization" form to be completed by the business owner if they wish to authorize another agent to sign the BPS.

### **Vessels**

**RECOMMENDATION 13:** Use a market derived procedure to value vessels.

**Original Finding:**

Between periodic appraisals of vessels using NADA, the assessor applies a fixed depreciation adjustment of 4 percent to the prior year's assessed value. While the practice of using a fixed depreciation adjustment simplifies the assessment process, it may or may not reflect market value. There is no current market study or research supporting the depreciation factor used by the assessor.

**Original Assessor's Response:**

*We agree. For the 2012 lien date we compiled a study, using NADA, to establish a reasonable depreciation factor for our vessels. The study for 2012 supports the factor we have historically been applying.*

**Current Status:**

The assessor has implemented the recommendation. The assessor completes a market study annually and derives a factor which they apply to all vessels. The valuation factor is supported by market evidence used from NADA and includes the most common types of vessels in the county. In 2015, the assessor completed an overhaul of her vessel program and appraised every vessel on the roll.

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

### Sierra County

*Chief*

David Yeung

*Survey Program Director:*

Diane Yasui

Manager, Property Tax

*Survey Team Supervisor:*

Andrew Austin

Supervisor, Property Tax

*Survey Team:*

Robert Marr

Associate Property Appraiser

Debra Wilson

Associate Property Appraiser

Cyrus Haze Ghazam

Assistant Property Auditor-Appraiser

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

# SIERRA COUNTY

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P.O. Box 8  
Downieville, California 95936  
530-289-3283  
[REDACTED]  
assessor@sierracounty.ca.gov

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APR 09 2018

County-Assessed Properties Division  
State Board of Equalization



Laura A. Marshall  
Assessor

April 5, 2018

David Yeung, Chief  
County-Assessed Properties Division  
Property Tax Department  
State Board of Equalization  
P.O. Box 942879  
Sacramento, CA 94279-0064

Re: Supplemental Assessment Practices Survey

Dear Mr. Yeung,

Pursuant to Section 15645 of the California Government Code, we are pleased to respond to the State Board of Equalization's 2018 Supplemental Assessment Practices Survey Report of Sierra County.

I have reviewed your draft and agree with your findings. There were thirteen prior recommendations, of which twelve have been fully implemented. For Recommendation 10, we will continue to review existing practices.

I would like to thank the Board of Equalization survey team members for their professional, efficient and courteous manner in which they conducted the survey. I appreciate their assistance towards improving the quality of our overall assessment program.

I would also like to thank my staff for their hard work, professionalism and dedication to serving the property owners and citizens of Sierra County.

Sincerely,

A handwritten signature in green ink that reads "Laura A. Marshall". The signature is fluid and cursive.

Laura A. Marshall  
Sierra County Assessor