

SISKIYOU COUNTY ASSESSMENT PRACTICES SURVEY

JULY 2002

CALIFORNIA STATE BOARD OF EQUALIZATION

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July 30, 2002

TO COUNTY ASSESSORS:

SISKIYOU COUNTY
ASSESSMENT PRACTICES SURVEY

2002/046

A copy of the Siskiyou County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

Mr. Gary Anderson, Siskiyou County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained in the report. This report and the county assessor's response, constitutes the final survey report. Pursuant to Government Code section 15646, this report is distributed to the Governor, the Attorney General, and the State Legislature, and to the Siskiyou County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

The BOE's County Property Tax Division performed fieldwork for this survey of the Siskiyou County Assessor's Office during July and August 2001. This report does not reflect changes implemented by the assessor after the fieldwork was completed.

The survey process inherently requires the interruption of normal office work routines. We thank the Honorable Carl A. Bontrager, who was the Siskiyou County Assessor during our fieldwork, and his staff for their cooperation and patience during this assessment practices survey. These survey reports give government officials in California charged with property tax administration the opportunity to exchange ideas for the mutual benefit of all participants and stakeholders. We encourage you to share your questions, comments, and suggestions for improvement with us.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property Taxes Department

DJG:jm
Enclosure

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INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest comes from the fact that half or more of all property tax revenues are used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

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

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

The assessor is required by law to file with the board of supervisors a response that indicates the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly, the Siskiyou County Grand Jury and the Siskiyou County 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 Carl A. Bontrager, Siskiyou County Assessor, elected to file his initial response prior to the publication our survey; that response is included in this report following the Appendices.

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

SCOPE OF ASSESSMENT PRACTICES SURVEYS

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

In addition, Revenue and Taxation Code section 75.60 requires the BOE to certify whether the county assessment roll meets a minimum assessment level.¹ This certification may be accomplished either by conducting an assessment sample or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.

Our survey of the Siskiyou County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with other public agencies in Siskiyou County with information relevant to the property tax assessment program. Since this survey did not include an assessment sampling pursuant to Government Code section 15640(c), our review included an examination to determine whether significant assessment problems exist, as defined in Property Tax Rule 371.²

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

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

¹ All statutory references are to the Revenue and Taxation Code unless otherwise indicated.

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

EXECUTIVE SUMMARY

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

- In our 1997 assessment practices survey of Siskiyou County, we made seven recommendations to address problems found in the assessor's policies and procedures. The assessor has fully implemented four recommendations and not implemented one recommendation. Two recommendations no longer apply.
- We found that the assessor and his staff possess the appraiser's certificate required by section 670.
- The assessor has instituted a "total unit" appraisal program in which a single appraiser values both real and personal property.
- The assessor has elected not to participate in the State-County Property Tax Administration Loan Program (PTAP).
- The assessor has an effective assessment appeals program.
- The assessor's supplemental assessment and exemptions programs are well administered.
- The assessor's real property programs for new construction, declines in value, taxable possessory interests, timberland production zones, taxable government-owned property, California Land Conservation Act, tenant improvements, and water companies are consistent with all requirements of property tax law.
- When enrolling escape assessments, the assessor fails to include the notation required by section 533.
- The county's disaster relief ordinance should be revised, and disaster relief applicants must be notified of their proposed reassessments and appeal rights.
- The assessor does not apply the county low-value property exemption to real property.
- When assessing general aircraft, the assessor should properly adjust *Aircraft Bluebook-Price Digest* values.
- The assessor should exercise greater care when determining the assessed value of vessels.
- We found no "significant assessment problems" as defined by rule 371. Accordingly, pursuant to section 75.60, Siskiyou County continues to be eligible for recovery of costs associated with administering supplemental assessments.

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

RECOMMENDATION 1: Petition the board of supervisors to revise the language of the existing disaster relief ordinance.....11

RECOMMENDATION 2: Notify disaster relief applicants of their proposed reassessments and appeal rights, as required by section 170(c).12

RECOMMENDATION 3: Include the notation required by section 533 when enrolling escape assessments.....13

RECOMMENDATION 4: Apply the low-value property exemption to all classes of qualifying properties.13

RECOMMENDATION 5: Use AH 581 as intended when valuing older machinery or equipment.....24

RECOMMENDATION 6: Adjust *Aircraft Bluebook-Price Digest* retail values by 10 percent when appraising general aircraft.27

RECOMMENDATION 7: Add sales tax as a component of market value when appraising vessels.....27

OVERVIEW OF SISKIYOU COUNTY

Siskiyou County is located in the north-central part of California, adjacent to the State of Oregon. Del Norte, Humboldt, and Trinity Counties border it on the west and southwest, Shasta County to the south, and Modoc County to the east. In area, Siskiyou County is the fifth largest county in the state and the largest county in Northern California.³

Its 6,300 square miles of territory are made up of approximately 61 square miles of water and 6,239 square miles of land area. About 62.5 percent of the county's total 4,038,843 acres, or 2,525,216 acres, is in rangeland (woodland and forest), and 28.5 percent, or 1,153,246 acres, is farmland. Approximately 61 percent of the land is in public ownership.

The city of Yreka is the county seat. A five-member Board of Supervisors governs Siskiyou County. Siskiyou County's population is approximately 44,300 with approximately 6,900 persons residing in Yreka, the largest incorporated city in the county.⁴

³ Siskiyou County Home Page: <http://co.siskiyou.ca.us/website/map.htm>

⁴ *California Statistical Abstract*, <http://www.dof.ca.gov>

RESULTS OF THE 1997 SURVEY

Quality Control

We recommended that the assessor request a full-time assessment technician position to fill the gap between current and anticipated workload. We found the assessor has substantially improved his organization with a greater emphasis on information systems and workload. The revised organizational structure includes positions of principal appraiser for all administrative functions, as well as an assessment supervisor. This restructuring appears to provide the assessor greater control of his workload. Therefore, we do not repeat that recommendation in this report.

Low-Value Property Exemption

We found during our last survey that the assessor had failed to uniformly apply the county's low-value property exemption resolution. During our current survey, we found that the assessor had not implemented our recommendation, and we repeat it.

California Land Conservation Act (CLCA) Property

We made a four-part recommendation regarding CLCA properties. We recommended the assessor revalue all CLCA properties each year, revise the status of ponds and reservoirs on CLCA properties, utilize a personal computer for assessing CLCA properties, and develop a formal written summary of CLCA practices and procedures.

We found that the assessor has fully implemented all parts of this recommendation except revising the status of ponds and reservoirs on CLCA properties, which no longer applies. The assessor correctly reflects the values of irrigation ponds and reservoirs in the income attributed to the irrigated land.

Manufactured Homes

Manufactured homes were improperly classified and enrolled as real property. The assessor now classifies and enrolls manufactured homes as personal property.

Valuation of Business Personal Property

We recommended the assessor use replacement cost factors that relate to the specific property being appraised when valuing machinery and equipment. The assessor has fully implemented this recommendation.

Property Statement Processing

We recommended the assessor closely screen property statements for proper signatures and reject those failing to meet statutory requirements. We found that the assessor has fully implemented our recommendation.

Vessels

We recommended that the assessor appraise all vessels at market value. The assessor has implemented this recommendation.

ADMINISTRATION

Budget, Workload, and Staffing

Budget and Workload

The assessor produced an assessment roll for 2001-2002 consisting of 47,499 assessments (44,740 on the secured roll and 2,759 on the unsecured roll) on an approved budget of \$1,262,368. This roll had a net taxable value (after exemptions) of \$2,270,755,148, which was an increase of 5.5 percent over the 2000 roll total of \$2,151,285,235.

The 2001-2002 assessment roll was produced from a real property workload consisting of approximately 6,970 parcels involving 3,487 changes in ownership and 3,483 other assessments or exclusions (Timberland Production Zone properties, taxable government-owned properties, parent-child exclusions, parcel splits, decline-in-value reviews, calamity relief claims, etc.). The assessor also completed a business property workload that included 842 vessel assessments, 107 general aircraft assessments, 886 direct billed accounts, 1,484 business property statements, and 54 mandatory audits.

Staffing

The assessor has 21 full-time positions and additional seasonal clerical help. There has been very little attrition. For example, about 50 percent of the assessor's current staff have been employed since 1983. Current staffing levels and positions are as follows:

Assessor	1
Assistant Assessor	2
Principal Appraiser & Supervisors	3
Real Property Appraisers	5
Business & Personal Property Appraisers	1.25
Cadastral Technician	1
Technical Support	8.25
TOTAL	21.5

The real property staff consists of five journey-level appraisers assigned work by geographic area (i.e., map book). In addition to their other duties, the assistant assessors and principal appraiser also handle specific property types, such as possessory interests, audits of mandatory accounts, and commercial/industrial properties. The business property staff consists of one associate appraiser and another person working part-time during the appraisal season. An administrative assessment supervisor, eight assessment clerks, and one seasonal clerk provide technical support and assistance to the real property and business property sections. In addition, there is a map and title supervisor and one cadastral mapping technician.

Appraiser Certification

Section 670 provides that no person may perform the duties of an appraiser for property tax purposes unless he or she holds a valid appraiser's or advanced appraiser's certificate issued by the BOE.

Based on information obtained from the BOE training unit, the assessor and his staff possess valid appraiser's certificates. The appraisal staff consists of nine full-time real property appraisers including the assessor. Two have basic certificates, seven of the property appraisers have advanced appraisers' certificates, and one auditor-appraiser has a temporary appraiser's certificate.

Assessment Forms

Section 15606(d) of the Government Code specifically authorizes the BOE to prescribe and enforce the use of all forms for the assessment of property for taxation, including forms to be used to apply for reduction in assessment. The BOE annually publishes Assessors' Handbook Section 222, *Standard Form List (AH 222)*, which provides a listing of BOE-prescribed forms.

Generally, the assessor has the option to change the size, color, or arrangement of the forms but cannot add to, change, or delete the specific language on those forms. The assessor may rearrange a form provided the assessor submits that rearranged form for BOE approval.

Form Checklists

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

Our review of the forms used by the assessor for the 2001 lien date determined the following:

- Of the 71 BOE-prescribed forms, the assessor used 37.
- The assessor did not rearrange any of the forms used.
- The checklists were received timely.
- The final print of forms used were submitted timely.

Assessment Appeals

The assessment appeals function is required by article XIII, section 16 of the California Constitution. Sections 1601 through 1641.2 contain the statutory provisions governing county assessment appeals boards in the appeals function. Government Code section 15606(c) directs the BOE to prescribe rules and regulations to govern assessment appeals boards. Rules 301 through 326 comprise such rules and regulations.

Siskiyou County ordinances provide for the creation and define the duties of the county's assessment appeals board. Currently, the appeals board consists of six members - three regular members and three alternates, appointed directly by the board of supervisors.

No appeal in the last five years has gone unresolved for more than two years, unless the taxpayer agreed to an extension. The assessor's records indicate an average of 19 appeals filed per year from 1996-1997 through 2000-2001.

The following table shows the breakdown of appeal findings over the last five years.

	1996-97	1997-98	1998-99	1999-00	2000-01
Withdrawn	16	13	4	12	7
Board Determined	9	5	2	0	0
Denied	3	10	7	0	0
Stipulation	1	5	0	0	0
TOTAL	29	33	13	12	7

We found the number of appeals filed has been declining over the past five years with the majority of appeals either withdrawn or denied. Over the same five-year period, about 29 percent of the appeals represented commercial properties, 17 percent were multi-residential, 16 percent were single-family residences, 12 percent were business property, and 12 percent were vacant land. The rest of the appeals were made up of timber properties, water rights, geothermal properties, and boats.

Overall, we found the assessor's assessment appeals program to be well administered. The staff is experienced and knowledgeable as to the law and rules pertaining to the appeals process.

Disaster Relief

Section 170 authorizes a county board of supervisors to adopt an ordinance providing property tax relief to an assessee whose property has been damaged or destroyed by a misfortune or calamity. The ordinance may apply to any misfortune or calamity, or to a major misfortune or calamity within a region that has been declared to be in a state of disaster by the Governor, or to both. In

1991, Siskiyou County adopted Ordinance No. 91-32, which enables the county assessor to apply the provisions of section 170.

Effective January 1, 2002, section 170 has been significantly revised in several respects:

- The board of supervisors may specify in the local ordinance that the assessor may initiate reassessment of property damaged or destroyed within the preceding 12 months;
- Where the assessor does not have the general authority to initiate reassessment, he or she may reassess a particular property after obtaining approval of the board of supervisors;
- The property owner now has 12 months or the period established by local ordinance, whichever is longer, to file a claim for reassessment;
- The damage threshold has been raised to \$10,000;
- The property owner now has six months to file an application for appeal of a damage-adjusted value;
- The assessor may now notify owners of properties damaged within the preceding 12 months that they may file a claim, and the owner has 60 days to file the application after receipt; and,
- The ordinance may provide that where no application is made, the assessor may reduce taxable values of property experiencing a misfortune or calamity up to 12 months after the disaster.

We reviewed the assessor's disaster relief procedures in light of the statutes in effect at the time of our fieldwork, which predated the effective date of the changes listed above.

The assessor processes five to 15 claims a year. We reviewed the disaster relief claims of 13 properties that had been damaged by fire. The assessor had noted disaster relief and lowered the taxable values of these properties. We found that the assessor handled each case properly and processed mid-year tax relief for the property owners. However, we found that the county ordinance should be amended to conform to the current requirements of subdivision (c) of section 170, and that the assessor should notify taxpayers, in writing, of their appeal rights on the amount of the proposed reassessment.

Disaster Relief Ordinance

RECOMMENDATION 1: Petition the board of supervisors to revise the language of the existing disaster relief ordinance.

The current disaster relief ordinance refers to the March 1 lien date. The lien date was changed to January 1 by a legislative measure in 1995. Using the wrong lien date may cause the property to be incorrectly assessed.

We also found that the current disaster relief ordinance adopted by the board of supervisors provides for a minimum damage value of "in excess of \$5,000." However, subdivision (b) of section 170 provided for disaster relief when the damage is "\$5,000 or more."

Inaccurate language in the official ordinance could cause incorrect assessment procedures. We recommend that the assessor petition the board of supervisors to revise ordinance language referring to the lien date and to the minimum damage threshold to conform to section 170.

RECOMMENDATION 2: Notify disaster relief applicants of their proposed reassessments and appeal rights, as required by section 170(c).

We found that the assessor fails to notify disaster relief applicants in writing of the amount of their proposed reassessments and their appeal rights.

Subdivision (c) of section 170 requires that the assessor notify the disaster relief applicant in writing of the amount of the proposed reassessment. The notice shall state that the applicant may appeal the proposed reassessment to the local board of equalization within 14 days of the date of mailing the notice (within six months as of January 1, 2002).

We recommend that the assessor provide written notification of the amount of the proposed reassessment, including a statement that the applicant may appeal the proposed assessment within the time provided by section 170(c).

Assessment Roll Changes

Sections 616 and 617 require the assessor to complete the local assessment roll on or before July 1 of each year and deliver it to the auditor upon completion. After delivery of the roll to the auditor, the assessor cannot change the assessment roll unless authorized by statute or by the board of supervisors. All roll changes are based on specific statutes, and the assessment roll must contain appropriate statutory references.

Assessment roll changes fall under two general categories: escape assessments and corrections. An escape assessment is an assessment of property that was not assessed or was underassessed on the July 1 roll, for any reason. A correction is any type of authorized change to an existing assessment. Sections 4831 through 4880 set forth provisions for corrections of assessment errors.

The assessor processed approximately 1,743 roll changes during the 1998-1999 assessment year and 970 roll corrections during the 1999-2000 assessment year. We reviewed the property records of 11 parcels experiencing roll corrections.

RECOMMENDATION 3: Include the notation required by section 533 when enrolling escape assessments.

The assessor does not note escape assessments on the computerized roll program. Section 533 requires the assessor to enter a specific notation on the assessment roll when enrolling escaped assessments. Section 533 provides, in relevant part, "[I]f this is not the roll for the assessment year in which the property escaped assessment, the entry shall be followed with 'Escaped assessment for year ____ pursuant to Sections ____ of the Revenue and Taxation Code.'"

We recommend the assessor include the notation as required by section 533 following the entry of an escape assessment.

Low-Value Property Exemption

Section 155.20 permits a county board of supervisors to exempt from property tax all classes of real property with a base year value and personal property with a full value so low that, if not exempt, the total taxes, special assessments, and applicable subventions on the property would amount to less than the cost of assessing and collecting them.

When determining the level of the exemption for purposes of the ordinances, the board of supervisors must determine at what level of exemption the costs of assessing the property and collecting taxes, assessments, and the subventions on the property exceed the proceeds to be collected. The board of supervisors must establish the exemption level uniformly for different classes of property. The full value authorized for this exemption cannot exceed \$5,000, except for certain taxable possessory interests.

In December 1993 the Siskiyou County Board of Supervisors adopted resolution No. 93-327, which implemented the provisions of section 155.20, commencing with the fiscal year 1994-95. In its current form, this resolution allows for any/all classes of real and personal property with a full value of \$2,000 or less to be exempt from taxation.

RECOMMENDATION 4: Apply the low-value property exemption to all classes of qualifying properties.

We recommended in our 1997 survey that the assessor apply the low-value property exemption uniformly to all classes of property. We found that our recommendation has not been implemented, but that the assessor's practice has changed somewhat. When the assessor converted to the Megabyte Property Tax System for the 1999-2000 assessment roll, his plan to identify and exempt low-value real and personal property on the secured and unsecured rolls was delayed indefinitely. For the 2000-2001 and 2001-2002 rolls, the assessor enrolled mining claims, vessels, and unsecured business personal property having a full value of \$1,000 or more but exempted those valued at less than \$1,000. The assessor enrolled all real property (other than mining claims), regardless of value. Real and personal property generating a tax bill of \$10 or less was enrolled but no bill was generated by the auditor, while real and personal property generating over \$10 in taxes was enrolled and billed.

Section 2611.4 allows any county department, officer, or employee to refrain from collecting any tax, assessment, penalty or cost, license fees or money owing to the county where the amount to be collected is twenty dollars (\$20) or less. The county auditor has opted to bill no tax smaller than \$10. Since the county auditor has this authority, the assessor does not enter an exemption code on his assessment roll for low-value parcels or track their factored base year values. These parcels appear on the roll the same as any other assessment. The assessor asserts that because the auditor does not bill many of the low-value parcels, in effect the exemption is applied to eligible properties as authorized by the county's resolution.

The assessor's practice is an unacceptable expedient that thwarts the intent of the board of supervisors in authorizing an exemption for low-value property. While real property valued at approximately \$1,000 or less does not generate a tax bill, real property valued between \$1,000 and \$2,000 does generate a tax bill, when by ordinance it should be exempted from taxation.

The assessor should apply the exemption to the assessment roll as intended in the ordinance, regardless of any subsequent action by another county official. We recommend the assessor apply the low-value property exemption to all qualifying real and personal property.

Supplemental Assessments

Section 75.10 requires the assessor to appraise property changing ownership or any new construction at its full cash value on the date the change in ownership occurs or the new construction is completed. This new value is the base year value for the property that changed ownership or was newly constructed. Section 75.11 requires a supplemental assessment to be made for the difference between this new base year value and the taxable value on the current assessment roll.

A new base year value reflecting that change in ownership or completion of new construction is reflected on a supplemental roll for the balance of the fiscal year in which the qualifying event occurs. If the event occurs between the lien date and the beginning of the fiscal year, a supplemental assessment is also levied for the coming fiscal year. Once the appraisal staff has completed a value change following a change in ownership or new construction, supplemental assessments are generated by the computer.

We reviewed a number of supplemental assessments and found no discrepancies. The assessor's supplemental assessment program is in compliance with all applicable statutory provisions.

ASSESSMENT OF REAL PROPERTY

The assessor's real property program staff consists of seven employees, including an assistant assessor, a principal appraiser, and five real property appraisers, sharing a clerical support pool of eight with the business property section.

This section has five journey-level appraisers assigned work by geographic area (i.e., map book). In addition to their other duties, the assistant assessor and principal appraiser also handle specific property types, such as possessory interests, audits of mandatory accounts, and commercial or industrial properties.

Change in Ownership

One of the assessor's duties is to identify and value properties changing ownership. Section 50 requires the assessor to reappraise real property upon a change in ownership. Section 60 defines a change in ownership as the 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 interest. Section 61 further defines change in ownership as the creation, renewal, sublease, assignment, or other transfer of the right to extract oil, gas or other minerals. Section 61 further states that the creation, renewal, or assignment of a taxable possessory interest in tax exempt real property is a change in ownership.

Section 63 excludes from change in ownership any transfer between spouses or transfer between former spouses after marriage in connection with a property settlement agreement or dissolution. Section 63.1 excludes from change in ownership certain transfers between parents and children, and, under limited circumstances, transfers between grandparents and grandchildren. Replacement property for that taken by eminent domain, replacement residences for senior citizens or disabled persons, and property acquired or constructed to replace property destroyed in a disaster may be subject to special limitations on assessed value upon change in ownership, provided that claims for transfer of base year value are filed timely.

The assessor usually learns of a change of ownership when a deed is recorded at the county recorder's office. We reviewed the appraisal records for properties changing ownership, as well as the procedures for processing transfers. In a typical year the assessor processes about 3,200 value changes resulting from changes in ownership. We found that the assessor's procedures relating to changes in ownership are effective.

Legal Entity Ownership Program

Section 64(c) provides that a change in control of a legal entity is a change in ownership of all real property owned by that legal entity, as of the date of the change in control. In that instance, the real property owned by the legal entity is subject to reappraisal. The Legal Entity Ownership

Program (LEOP) of the BOE's Policy, Planning, and Standards Division assists assessors in the discovery of legal entities that have experienced changes in control.

Each reported change in control is investigated and verified by the LEOP staff. The LEOP unit periodically transmits to each county assessor a list of entities that have undergone a change in control, indicating the date of each change in control and the affected parcels within that county.

We reviewed a number of properties on the assessor's LEOP list and found no errors pertaining to identification and change in ownership enrollment. We found that the assessor processes LEOP notices and identifies changes in control properly and expeditiously.

New Construction

Section 71 requires the assessor to reappraise newly constructed real property upon the date of completion, or on each lien date while construction is in progress. Discovery methods include building permits, business property statements, aerial photographs, news reports, and field inspections.

Building Permits

Section 72 requires that agencies that issue building permits transmit copies of the permits to the assessor as soon as possible. Obtaining and processing building permits is the assessor's main method of discovering assessable new construction. The collection, screening, sorting, and tracking of permits is a high priority in an assessor's office.

On a monthly basis, the assessor currently receives building permits from the cities of Dunsmuir, Dorris, Mount Shasta, Tulelake, Weed, and Yreka. The cities of Etna, Fort Jones, and Montague contract with the county to issue permits for construction work in their jurisdictions. As a matter of course, the county building department regularly transmits building permits to the assessor. The county health department has the responsibility for issuing permits for wells and waste disposal systems. Combined, these agencies issue a total of about 1,400 to 1,500 permits annually.

The assessor has an excellent program for processing the permit information and consequently has an effective new construction discovery program.

New Construction Valuation

The residential crews utilize the cost tables in the Assessors' Handbook Section 531, *Residential Building Costs*, when arriving at their cost estimates. The commercial crew uses cost data from *Marshall Valuation Service*. The appraisers attempt to acquire historical costs and compare them with costs from *Marshall Valuation Service*. The commercial appraisers attempt to correlate the cost approach with at least one other approach to value, either the market or income approach. With these properties, reliance is typically placed on the cost approach, preferably historical cost.

Overall, our review indicates that the assessor's new construction program is well administered.

Declines in Value

Section 51 requires the assessor, when preparing the annual assessment roll, to enroll the lower of either a property's factored base year value (FBYV) or its current market value as defined in section 110. When a property's current market value falls below its FBYV on any given lien date, the assessor must enroll that lower value as the taxable value for that property. If, on a subsequent lien date, a property's market value rises above the FBYV, then the assessor must re-enroll the FBYV.

On the 2001-2002 assessment roll, there were 2,639 decline-in-value assessments in Siskiyou County, allocated as follows:

AREA	Number	Percentage
Lake Shastina	1,482	56%
Klamath River Development	657	25%
Miscellaneous County	500	19%
<i>Total</i>	2,639	100%

The methods of discovery for declines in value include taxpayers' requests for review, appraisers' knowledge of values in their geographical areas, and comparable sales. A tracking system monitors existing decline-in-value assessments and appropriately prevents them from being indexed by the yearly inflation factor.

Decline-in-value assessments are reviewed annually by the appraiser responsible for the geographical area. If an appraiser wishes to change the reduced value on an appraisal, the appraiser must make an appraisal of that property and enter the lower of the FBYV or market value in the correct roll column on the appraisal record.

We reviewed a number of decline-in-value assessments and found them to be well documented, complete, and reasonable.

Taxable Possessory Interests

In general, a taxable possessory interest exists whenever a private party has the exclusive right to the beneficial use of real property owned by a public agency. Possessory interest assessments capture the value of a private possessor's right to use public property. Section 107 and rule 20 define the requirements for a taxable possessory interest. Briefly stated, these requirements are that the right of possession be independent, exclusive, durable, and provide private benefit.

There were 459 possessory interest assessments on the Siskiyou County assessment roll for the January 1, 2001, lien date, with a total assessed value of \$39,403,635.

In our prior survey report, we suggested the assessor maintain a "tickler" file listing the termination/renewal dates of all possessory interest contracts. Although the assessor currently tracks expirations of leases by manual record review, he could easily implement this suggestion through the new Megabyte computer system. The procedures manual for possessory interests is also being rewritten to coincide with the implementation of this system. The assessor's procedures appear to provide adequate guidance and direction for the valuation of taxable possessory interests.

California Land Conservation Act Property

Agricultural preserves are established by a city or county pursuant to the California Land Conservation Act (CLCA) of 1965. Property owners in an agricultural preserve may choose to enter into a contract restricting the use of their land. Lands under contract are valued for property tax purposes on the basis of agricultural income-producing ability, including compatible use income (e.g., hunting rights and communication facilities). They are assessed at the lowest of the restricted value, the current market value, or the factored base year value. Sections 422 through 430.5 prescribe the guidelines for assessing land subject to agricultural preserve contracts.

The county of Siskiyou has 2,414 parcels restricted by CLCA contract. These parcels represent approximately 313,620 acres. Twenty-one parcels consisting of 457 acres are in nonrenewal status. The county has no acreage restricted under the Farmland Security Act, which is a variation of the CLCA.

The assessor sends a form entitled *Open Space Income and Production Questionnaire* in the fall of each year to all owners of land subject to CLCA contract. This form includes a question about income from nonfarming activity, such as hunting rights, mining, recreational uses, and others. Responses to this question enable the assessor to identify and value compatible uses on CLCA lands.

The assessor uses a single risk rate for all CLCA property in the county, currently one-half of one percent. Under the county's old mainframe computer system, it was not possible to program more than one risk rate into the CLCA calculation program, so the assessor did not determine different risk rate components for different crops or different geographical areas of the county. He did, however, develop an alternate method of recognizing the higher risks involved in agricultural production in certain areas. In order to circumvent the computer limitations on risk rate, the assessor lowered the economic rent assigned to certain CLCA parcels. The arithmetic result of imputing a lower land rent was the same as using a higher risk rate component in the capitalization rate applied to the economic land income. Under the new Megabyte system, it will be possible to assign different risk rates on a per-parcel basis. The assessor plans to identify specific CLCA parcels in depressed areas, such as the Butte Valley, in order to appropriately adjust the risk rate component used for the restricted valuation of these parcels. At the time of our fieldwork, this had not been accomplished.

The assessor complies with all statutory requirements for discovering, valuing, and enrolling all CLCA properties as outlined in sections 422 through 430.5.

Taxable Government-Owned Property

Article XIII, section 3 of the California Constitution exempts from taxation any property owned by local governments, except as provided in article XIII, section 11(a). Section 11(a) provides that land, and the improvements thereon, located outside a local government or local agency's boundaries, are taxable if the property was taxable at the time of acquisition. These properties are commonly referred to as Section 11 properties. As of the January 1, 2001 lien date, Siskiyou County had 50 Section 11 parcels with a total assessed value of \$744,645.

In 1995, the California Supreme Court held that the limitations of article XIII A of the California Constitution also apply to Section 11 properties. Prior to this decision, these lands were commonly assessed at the lower of either fair market value or the 1967 assessed value of the land multiplied by the factor (referred to as the Phillips Factor) described in Section 11. The Court's ruling means that such property must be assessed using the lowest of (1) the current fair market value, (2) the 1967 assessed value of land multiplied by the Phillips Factor described in Section 11, or (3) the article XIII A factored base year value. In general, neither current market value nor the factored 1967 assessed value plays a significant role since, in most cases, they far exceed the article XIII A factored base year value.

Improvements, on the other hand, may not be valued by use of the restricted procedure applicable to land. If taxable when acquired, improvements will be valued at their full cash value as defined by article XIII A of the California Constitution. New construction of improvements that replace original improvements must be taxed at the lowest of (1) current full cash value, (2) factored base year value, or (3) the highest full value ever used for taxation of any improvements that have been replaced. By contrast, any new improvements built on Section 11 land after acquisition by a government agency that do not replace improvements that were taxable when acquired are exempt from taxation.

Our review of the taxable-government owned properties in Siskiyou County confirmed that the current program is well managed and in compliance with existing property tax law.

Timberland Production Zone Property

The Z'berg-Warren-Keene-Collier Forest Taxation Reform Act (Chapter 176, Statutes of 1976) imposed a yield tax on every owner of felled or downed timber in this state. Land zoned Timberland Production Zone (TPZ) became subject to assessment in accordance with special TPZ site classifications that exclude the value of the standing timber.

Siskiyou County has 1,650 parcels zoned TPZ.⁵ The TPZ district contains approximately 570,000 acres.

⁵ **Author's Note:** Interview with Mike Mallory.

Section 423.9 requires the assessor to appraise land zoned as TPZ, excluding those lands under California Land Conservation Act contracts, based on special TPZ site classifications contained in section 434.5. The Siskiyou County Board of Supervisors passed an ordinance adopting a TPZ district in 1976. The land zoned TPZ is assessed in accordance with values determined each year by the BOE. The BOE's values exclude the value of the standing timber. All TPZ properties located in Siskiyou County are classified as Pine-Mixed Conifer Site Classes II, III, and IV. We reviewed a variety of property records and found no problems with the assessor's TPZ assessment program.

Tenant Improvements

Tenant improvements (also commonly referred to as leasehold improvements) are not specifically defined in property tax law. They may be interior amenities that are installed as additions to the building shell by the lessee (tenant). They may also be structures installed on leased land. Actual ownership of such improvements rests with the owner of the land (landlord) unless there is an agreement to the contrary or if the owner requires removal of the improvements (Civil Code section 1013).

Section 405 provides that the assessor shall assess taxable property to the person who owns, possesses, claims, or controls the property on the lien date. Unless the landowner or the tenant files a statement attesting to the separate ownership of the tenant improvement, the assessor may elect to assess the tenant improvement to the tenant on the basis of possession or presumed ownership or may elect to assess the landlord on the assumption that the landlord is the ultimate owner of the property.

In Siskiyou County, all tenant improvement assessments are maintained in a well-organized separate file that is easily formatted for updating and review. If there is a question of ownership of a tenant improvement, the assessor will always assess the current tenant. A systematic check is made whenever it is discovered that a new tenant has moved into a previously occupied space, followed by a field inspection by the real property appraiser.

Should a lessee vacate the premises and abandon the tenant improvements, the appraiser must determine whether the abandoned improvements would bring additional rental income from a new tenant. In this situation, the assessor's policy is that, if the improvements have value, the tenant improvements will be assessed to the landlord.

The assessor's practices comply with statutory requirements.

Water Company Property

Water company property on the local assessment roll may be municipal district water systems, private water companies regulated or unregulated by the California Public Utilities Commission (CPUC), or mutual water companies. Each type presents different assessment problems.

Mutual Water Companies

A mutual water company is a private association created for the purpose of providing water at cost, to be used primarily by its stockholders or members. The association, when incorporated, can enter into contracts, incur obligations, own property, and issue stock. However, if not incorporated, it can do these things only in the name of its members. Incorporated water companies organized for mutual benefit are not subject to CPUC regulation unless they deliver water for compensation to persons other than stockholders or members.

When mutual water company shares are appurtenant to the land, the value of the mutual water company is typically reflected in the value of the property being served and to which the shares are attached. In such cases, we recommend a minimum value be assigned to mutual water company lands, improvements, and delivery systems in order to avoid double assessments. In Siskiyou County, the assessor allocates a value of \$40 to each mutual water company for tracking purposes on the roll. The assessor applies the proper procedures when assessing mutual water companies located within the county.

Private Water Companies

Private water companies, both regulated and unregulated, are privately owned utilities in business to earn a profit from the sale of water. Regulated water companies are required to submit financial reports annually to the CPUC. The CPUC regulates the rates charged by private water companies, limiting profits to a return based on the company's outstanding investment. Because the assessed value of these properties is tied directly to regulated rates, current market value may be less than the factored base year value, making it necessary to determine their taxable values annually as of the lien date.

Siskiyou County has three privately owned water companies that are subject to CPUC jurisdiction. We obtained a list of water supply sources inspected by the county's Department of Environmental Health, the State Department of Health Services' branch of Drinking Water Field Operations, and the CPUC. We also examined the appraisal records of the three privately-owned water companies.

Each water company appeared to be valued correctly with appraisals based on accepted appraisal principles and methodology for valuing private water companies.

Mineral Property

Geothermal Property

There are several geothermal leases located in the Glass Mountain Geothermal Resource Area. Held primarily by two companies, these exploration leases are still in the development stage. Several of the leases have changed ownership in recent years. The assessor has valued the properties at the lower of adjusted base year value or current market value. The assessor capitalized the remaining lease payments to arrive at the current market value. Given that these leases represent an early stage of development of the geothermal resource, the assessor's valuation procedure is correct. We have no recommendations regarding the assessment of geothermal properties.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The assessor's business property staff processed over 2,600 business property statements and assessed approximately 107 aircraft and 842 vessels for the 2001-2002 assessment roll. Most functions are handled by one full-time auditor-appraiser and 1.5 assessment clerks, with assistance from other appraisers in the valuation of aircraft and other property.

For this portion of our survey report, we reviewed the business property statement program, the audit program, computer valuation, leased equipment, apartment personal property, service station property, trade level adjustments, and the valuation of other taxable personal property including aircraft, vessels, manufactured homes, and animals.

Discovery

The assessor utilizes several resources to discover taxable business property. These include business directory services, BOE sales tax permits, fictitious business name filings, city and county business licenses, building permits, transfers from other counties, leasehold improvements, and field canvassing. We found that the assessor employs effective methods to discover taxable business property.

Business Property Statement Processing

Section 441 requires each person owning taxable personal property in excess of \$100,000 to annually file a business property statement with the assessor. Property statements form the backbone of the business property assessment program. These statements cover a wide variety of property types including businesses, agriculture, boats, and aircraft. The assessor processes about 2,000 business property statements on an annual basis and he also processes approximately 700 more statements for accounts that are direct-billed and file business property statements only every fourth year. For 2001-2002, the total assessed value of property reported on these statements is \$213,106,260, of which \$103,449,296 is secured and \$109,656,964 is unsecured.

We found no problems with the processing of business property statements.

Valuation of Business Machinery and Equipment

Equipment Index Factors

When valuing equipment, assessors use value factors that are produced by combining replacement cost equipment index factors (trend factors) with percent good factors. The BOE has developed annual equipment index factors and percent good factors which are published in Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581).

During our last survey, we recommended that the assessor give greater consideration to the index factors contained in the AH 581. Since then the assessor has instructed his staff to develop more appropriate price indices and percent good factors for equipment sited in Siskiyou County.

The assessor's price index factors are the same as AH 581, while percent good factors were developed for most fixtures and equipment from a combination of CAA (California Assessors' Association) and BOE tables. The assessor uses the *Green Guide* to develop index factors to value certain heavy-duty mobile equipment specific to Siskiyou County's logging industry. For vessels, the assessor relies on local market data. Percent good factors are calculated based on a declining balance method that varies depending upon the type of equipment to be valued.

Minimum Valuation Factors

RECOMMENDATION 5: Use AH 581 as intended when valuing older machinery or equipment.

The CAA tables employed by the assessor use the AH 581 percent good factors except that they employ arbitrary minimum valuation factors for older equipment. This means that very old equipment that is about to be retired is valued as though it has several years of profitable service left.

The percent good factors in AH 581 are based on the assumption that as business equipment ages, it gradually loses its ability to earn a profit for its owner. In some cases equipment wears out physically to the point where it is not economic to repair it. In other cases, the equipment may be in excellent condition physically but new technology, a changing market relative to the type of equipment, and other factors make the equipment uneconomic.

Some equipment, when no longer economic to operate, will have a salvage value, whereas other equipment will have a negative value due to the cost of disposal. The AH 581 factors assume that on the average equipment will have a zero value when retired. For commercial and industrial equipment, the factors decline from 100 percent good when acquired to 1 percent good (99 percent depreciation) for equipment that has survived long past the average service life of similar equipment but is still in use.

There is no question that some older equipment is worth much more than 1 percent of replacement cost new, just as some newer equipment is worth substantially less than the percent good suggested by AH 581. When making appraisals of individual items of equipment, the assessor may use sales data, income data, or any other available evidence to find fair market value.

However, when using a mass appraisal tool such as the AH 581 tables, it is important to use the tables as presented. Use of arbitrary minimum valuation factors may value some equipment correctly but will substantially overvalue most items of older equipment. Accordingly, we recommend the assessor use the AH 581 as intended in order to avoid overvaluations.

Classification

Machinery and equipment must be classified as either personal property or improvements, depending on its use and affixation to the realty. Proper classification is important since the law requires different treatment of personal property and real property.

An allocation of machinery and equipment value between personal property and fixtures can be done in several ways. Typical classification percentages for various business types can be used, or a percentage can be estimated based on a physical review of the equipment.

Our current survey reveals that the assessor properly assesses fixed machinery and equipment as improvements.

Computer Valuation

To promote uniformity in appraisal practices and assessed values, and to comply with the requirements of section 401.5, the BOE issues valuation factors for computer equipment in special tables found in AH 581. We reviewed the assessor's computer valuation program and found that the proper factors had been used without modification. We found no problems with the assessor's computer valuation program.

Audit Program

Section 469 requires that the assessor audit the accounting records of assessee claiming, owning, possessing, or controlling tangible business property and trade fixtures with a full value of \$400,000 or more. Rule 192 clarifies the statute by requiring that the \$400,000 full value be reached for each of four consecutive years.

A property tax audit is a means of collecting data relevant to the determination of taxability, situs, and value of business personal property. The objective of an audit is to ensure that taxable property and related information were reported accurately by the taxpayer and the property was assessed properly by the assessor. A comprehensive audit program is essential to the successful administration of any tax program that depends on information supplied by assessee. A good audit program discourages deliberate underreporting and helps educate those property owners who unintentionally misreport.

The assessor maintains over 2,600 business accounts, of which only 54 meet the requirements for a mandatory audit. We found that the assessor completes all mandatory audits in a timely manner in compliance with section 469.

Nonmandatory audits are not required by law, but are authorized by section 470 and rule 192(e). Currently, the assessor conducts a limited number of audits on nonmandatory accounts each year. The number of nonmandatory audits performed depends on the available resources.

Direct Billing Program

Many California assessors utilize an assessment procedure called "direct billing" or "direct assessment." It is a method of assessing qualified low-value business accounts or accounts showing little annual change without the annual filing of the business property statement. An initial value is established and continued for several years, with periodic property statement filings or field reviews. Examples of businesses suitable for direct billing include apartments, barber shops, beauty salons, small cafés and restaurants, and professional firms with small equipment holdings.

The direct billing program is beneficial to the taxpayer and the assessor. It results in a reduction of paperwork for taxpayers and fewer business property statements requiring annual processing by the assessor. This increases time available for the auditor-appraiser to conduct audits.

The assessor has established two criteria for inclusion in the direct billing program: total assessed value must be less than \$50,000 and there must be few changes in equipment costs from year to year. The assessor has approximately 700 business property accounts on the direct billing program producing assessed values of over \$6,600,000. The majority of these direct-billing business property accounts are small, service-oriented businesses.

Once every four years all direct billing accounts receive a regular business property statement. In intervening years, a *Direct Billing Notification* is sent to each assessee on direct billing. This form requests information on property acquisitions or disposals. The appraiser assigned to the direct billing program investigates any significant changes reported on the notification forms and removes the account from direct billing if appropriate. Occasionally, other staff will inform the appraiser of changes to direct billed accounts they have observed in the field, and the appraiser will also investigate these changes. Apart from these reviews, there is no systematic routine canvassing of direct billing accounts.

The assessor has an effective, well-administered direct billing program.

Valuation of Other Taxable Personal Property

General Aircraft

On January 8, 1997, the BOE approved the *Aircraft Bluebook-Price Digest* as the primary guide for valuing aircraft. As stated in Letter To Assessors (LTA) No. 97/03, the BOE directed that listed retail values be reduced by 10 percent to provide reasonable estimates of fair market value for aircraft in truly average condition on the lien date. In any instance, appropriate adjustments to the book value must be made in order to estimate a market value in the hands of the user.

RECOMMENDATION 6: Adjust *Aircraft Bluebook-Price Digest* retail values by 10 percent when appraising general aircraft.

The assessor uses published value guides, including the *Aircraft Bluebook-Price Digest*, to value general aircraft. These values are adjusted to reflect local market conditions, sales tax, unusual condition, equipment installed, and engine and airframe hours. However, we found that the 10 percent reduction to the book values, as directed by the BOE in LTA No. 97/03, was not considered for the 2001 lien date assessments.

We recommend the assessor follow BOE guidelines and adjust *Aircraft Bluebook-Price Digest* retail values by 10 percent for aircraft in truly average condition.

During the course of our survey, the assessor instituted the 10 percent reduction via roll corrections.

Vessels

For the 2001-2002 assessment roll, the assessor enrolled 842 vessels with a total assessed value of \$4,749,130. The primary sources of discovery are Department of Motor Vehicles reports, referrals from other counties, and field canvassing. All vessels assessed in Siskiyou County are pleasure boats.

Assessors are required to annually appraise vessels at market value and to assess all vessels with an assessed value above \$400, unless the county has a resolution exempting low-value property above the \$400 statutory exemption. The board of supervisors adopted a low-value property exemption resolution with a \$2,000 value limit. However, the Megabyte computer system issues tax bills for all vessels assessed at \$1,000 or greater (see the Low-value Property topic in this report for further comment).

Sales Tax Component

RECOMMENDATION 7: Add sales tax as a component of market value when appraising vessels.

The assessor annually values vessels by referring to the *N.A.D.A. Small Boat Appraisal Guide*, *ABOS Marine Blue Book*, and *BUC Used Boat Guide*. As these boat guides have national application, they do not include California sales tax in the listed values. Although we found that the assessor selects the proper values listed in the price guides, the assessor fails to add a sales tax component to the listed price to arrive at the full value of the vessel.

Sales tax is a recognized component of market value and should be added to the values listed within the price guide when determining market value. Since sales tax has been excluded from the vessel appraisals, the assessed values of the vessels are understated by the amounts of the applicable sales tax.

We recommend the assessor add a sales tax component when determining a vessel's assessed value.

Manufactured Homes

A manufactured home is subject to local property taxation if it was first sold new on or after July 1, 1980, or if the owner requests conversion from vehicle license fee to local property taxation. A manufactured home is defined in sections 18007 and 18008 of the Health and Safety Code. Statutes prescribing the valuation and assessment of manufactured homes are set forth in sections 5800 through 5842 of the Revenue and Taxation Code.

Siskiyou County has 1,869 manufactured homes with a total assessed value of \$38,228,382 on the 2001-2002 assessment roll.

The assessor has developed a computer-based program to more accurately estimate the value of manufactured homes. The assessor uses the *N.A.D.A. Manufactured Housing Appraisal Guide* together with valuation factors developed from market analysis of manufactured home sales within his county when valuing manufactured homes.

In our prior survey report, we recommended the assessor classify and enroll manufactured homes, except those placed on approved permanent foundations, as personal property. The assessor now classifies manufactured homes as personal property and enrolls them on the secured roll. In addition, the assessor indicates the value guide or source used to value manufactured homes and accessories.

The assessor has developed a sound program for discovering, assessing, and enrolling manufactured homes.

Apartment Personal Property

The assessor requires annual property statements (Form BOE-571-R) from the owners of seven apartment properties. He assesses another 84 apartments by direct billing, without an annual filing. We found that the assessor's program for assessing apartment personal property complies with statutory requirements.

Annual Racehorse Tax Returns

Racehorses domiciled in California have been subject to an annual tax in-lieu of ad valorem property tax since 1973. Sections 5701 through 5790 set forth the provisions of this tax. Specific procedures and forms are prescribed by rules 1045 and 1046. Rule 1045(a)(2) requires the assessor to furnish BOE-prescribed forms to racehorse owners for reporting the in-lieu tax.

For the 2001-2002 assessment year, the assessor maintained two racehorse accounts and eight show horse accounts with a total assessed value of \$232,027. The assessor properly maintains a record of persons responsible for the annual racehorse tax, and to whom the assessor has furnished copies of those forms. Additionally, the assessor correctly retains copies of filed tax returns, as required by rule 1045(a)(2).

APPENDICES

A: County Property Tax Division Survey Group

Siskiyou County Assessment Practices Survey

Chief, County Property Tax Division:

Charles Knudsen

Survey Program Manager:

Michael Lebeau Principal Property Appraiser

Survey Team Supervisor:

Peter Gaffney Supervising Property Appraiser

Survey Team Leader:

Carlos Zaragoza Senior Specialist Property Auditor Appraiser

Survey Team:

James McCarthy	Senior Petroleum and Mining Appraisal Engineer
Nick Winters	Associate Property Appraiser
Bob Rossi	Associate Property Appraiser
David Barbeiro	Associate Property Auditor Appraiser
Michael Shannon	Associate Property Auditor Appraiser
Marilyn Jones	Tax Technician II
Deborah Cooke	Tax Technician I

B: Relevant Statutes and Regulations

Government Code

15640. Survey by board of county assessment procedures.

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

15641. Audit of Records ; Appraisal Data Not Public.

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

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

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

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

15642. Research by board employees.

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

15643. When surveys to be made.

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

15644. Recommendations by board.

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

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

- (a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.
- (b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.
- (c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

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

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

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

- (a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6(commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.
- (b) For purposes of this section:
- (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
 - (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
 - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
 - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
 - (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.

Title 18, California Code of Regulations

Rule 370. Random selection of counties for representative sampling.

- (a) SURVEY CYCLE. The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) RANDOM SELECTION FOR ASSESSMENT SAMPLING. The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
 - (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
 - (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.
 - (3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.
- (c) ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS. If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.
- (d) ADDITIONAL SURVEYS. This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

Rule 371. Significant assessment problems.

- (a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, "significant assessment problems" means procedure(s) in one or more areas of an assessor's assessment operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:
- (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
 - (2) the sum of all the differences between the board's appraisals and the assessor's values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor's entire roll, exceeds 7.5 percent of the assessment level required by statute.
- (b) For purposes of this regulation, "areas of an assessor's assessment operation" means, but is not limited to, an assessor's programs for:
- (1) Uniformity of treatment for all classes of property.
 - (2) Discovering and assessing newly constructed property.
 - (3) Discovering and assessing real property that has undergone a change in ownership.
 - (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
 - (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
 - (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
 - (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
 - (8) Discovering and assessing property that has suffered a decline in value.
 - (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.
- (c) A finding of "significant assessment problems," as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor's practices.

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

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



GARY W. ANDERSON

Siskiyou County Assessor
311 Fourth Street - Room 108
Yreka, CA 96097-2984

Telephone: (530) 842-8036 FAX: (530) 842-8059

June 11, 2002

RECEIVED

JUN 13 2002

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

County Property Tax Division
State Board of Equalization

Dear Mr. Knudsen:

Pursuant to Section 15645 of the California Government Code, enclosed is the Assessor's response to the recommendations contained in the State Board of Equalization Assessment Practices Survey of Siskiyou County. Please incorporate this response in your final Assessment Practices Survey Report.

We wish to thank Michael Lebeau, Carlos Zaragoza, Peter Gaffney and the entire survey team for the professional and courteous manner in which they conducted their review of our practices and procedures. Their insightful comments and cooperative attitude contributed to a final report that will help improve the operation of our office.

Also, the staff of the Siskiyou County Assessor deserves a big "Thank You!" for their hard work, professionalism and dedication to Siskiyou County and its citizens. Without their efforts, the positive results we achieved on this survey would not have been possible.

Sincerely,

Gary W. Anderson
Siskiyou County Assessor

**RESPONSE TO
SURVEY RECOMMENDATIONS**

Recommendation 1: Petition the Board of Supervisors to revise the language of the existing disaster relief ordinance.

We concur and have forwarded a request to our county counsel to revise the ordinance.

Recommendation 2: Notify disaster relief applicants of their proposed reassessments and appeal rights, as required by section 170(c).

We concur and are creating a form letter to be used exclusively for the five to fifteen disaster reassessments that typically occur each year.

Recommendation 3: Include the notation required by section 533 when enrolling escaped assessments.

We concur, and as with all the other Megabyte Counties, have requested this notation be incorporated into our property tax system. Megabyte is working to correct the problem.

Recommendation 4: Apply the low-valued property exemption to all classes of qualifying properties

We agree and County Counsel is preparing a new ordinance for us.

Recommendation 5: Use AH 581 as intended when valuing older machinery or equipment.

We agree that the use of minimum valuation factors will tend to overvalue some items of older equipment, and our factor schedules have been modified accordingly. However, in the absence of any specific analysis, the statement "... will substantially overvalue most items ..." cannot be justified.

Recommendation 6: Adjust Aircraft Bluebook-Price Digest retail values by 10 percent when appraising general aircraft.

We agree, and in fact made corrections to the 2001 tax roll; new bills were issued to reflect the 10% reduction.

Recommendation 7: Add sales tax as a component of market value when appraising vessels.

We agree and are adding sales tax to the vessel assessments.