

# TRINITY COUNTY ASSESSMENT PRACTICES SURVEY

NOVEMBER 2009

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## CALIFORNIA STATE BOARD OF EQUALIZATION

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RAMON J. HIRSIG, EXECUTIVE DIRECTOR





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November 20, 2009

TO COUNTY ASSESSORS:

RAMON J. HIRSIG  
Executive Director

No. 2009/051

TRINITY COUNTY  
ASSESSMENT PRACTICES SURVEY

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

The Honorable Deanna Bradford, Trinity County Assessor/Clerk/Recorder, 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, the State Legislature and the Trinity County Board of Supervisors and Grand Jury.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from May through June 2008. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Ms. Bradford 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.

These survey reports give government officials in California charged with property tax administration the opportunity to exchange ideas for the mutual benefit of all participants and stakeholders. We encourage you to share with us your questions, comments, and suggestions for improvement.

Sincerely,

/s/ David J. Gau

David J. Gau  
Deputy Director  
Property and Special Taxes Department

DJG:ps  
Enclosure

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## INTRODUCTION

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

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews the practices and procedures (surveys) of every county assessor's office. This report reflects the BOE's findings in its current survey of the Trinity County Assessor/Clerk/Recorder's Office.<sup>1</sup>

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, the Senate and Assembly, the Trinity County Board of Supervisors, and the Grand Jury. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Deanna Bradford, Trinity County Assessor/Clerk/Recorder, elected to file her initial response prior to the publication of our survey; it is included in this report following the Appendixes.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas, but they also contain information required by law (see *Scope of Assessment Practices Surveys* at page 2) 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.

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<sup>1</sup> This report covers only the assessment functions of this office.

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

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

Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.<sup>3</sup>

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

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<sup>2</sup> Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code.

<sup>3</sup> All rule references are to sections of the California Code of Regulations, Title 18, Public Revenues.

## EXECUTIVE SUMMARY

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

In the area of real property assessment, the assessor has effective programs for the enrollment of changes in ownership, completed new construction, Timberland Production Zone (TPZ) property, and leasehold improvements. Program areas where improvement is needed include declines in value, taxable possessory interests, and mineral property (including power producing property).

The assessor has effective programs for business equipment valuation and the discovery of leased equipment. Areas that need improvement are the valuation of manufactured homes, vessels and aircraft.

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

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

**RECOMMENDATION 1:** Request that the Trinity County Board of Supervisors conform its disaster relief ordinance to the current provisions of section 170. ....10

**RECOMMENDATION 2:** Include all the information required by section 619 on the value notice. ....20

**RECOMMENDATION 3:** Revise the taxable possessory interest program by:  
 (1) assessing all taxable possessory interests; and  
 (2) using proper valuation procedures. ....22

**RECOMMENDATION 4:** Modify the mining assessment program by: (1) assessing the mineral rights portion of all mining properties; (2) establishing a base year value for unpatented mining claims and enroll the lower of factored base year value or current market value on each lien date; and (3) including the present value of future rental payments to the public owner when developing a value indicator. ....24

**RECOMMENDATION 5:** Use economic life when developing a value indicator for power plants by the income approach.....25

**RECOMMENDATION 6:** Assess manufactured homes at the lesser of the factored base year value or the current market value, as required by section 5813. ....32

**RECOMMENDATION 7:** Use the *Bluebook* and include sales tax as a component of value when appraising aircraft. ....33

**RECOMMENDATION 8:** Include sales tax as an element of value when appraising vessels. ....35

## **OVERVIEW OF TRINITY COUNTY**

Trinity County, located in the northwestern portion of the state, is bordered by the counties of Shasta and Tehama to the east, Mendocino to the south, Humboldt to the west, and Siskiyou to the north. Weaverville, the county seat, is about 265 miles north of San Francisco and 185 miles south of the Oregon border. The county was incorporated in 1850, following the discovery of gold and the influx of prospectors. Trinity County has no incorporated cities.

The county encompasses two million acres, placing it in the upper-third of California's counties in land area. Much of the county's terrain is rugged and scenic, with almost three quarters of the land under public ownership, primarily federal. With a population of 13,100 (2000 Census), Trinity County is among the least densely populated of California's counties, and county population has remained level over the past ten years.

Trinity County is not part of, or proximate to, a metropolitan area, and has a workforce of about 5,000. Approximately one-quarter of Trinity County employment is in agriculture or resource-related industries, while major sources of nonagricultural employment are federal, state, and local government. County per capita personal income and home prices are well below the statewide medians.

The following table displays information pertinent to the 2007-08 assessment roll as provided by the assessor:

	<b>PROPERTY TYPE</b>	<b>ASSESSMENTS</b>
<b>Secured Roll</b>	Residential	11,026
	Commercial	545
	Industrial	36
	Restricted	914
	Total Secured	12,521
<b>Unsecured Roll</b>	Personal Property & Fixtures	1,527
	<b>Total Assessment Roll</b>	14,048

The next table illustrates the growth in assessed values over recent years as reported in the BOE's annual reports:<sup>4</sup>

<b>ROLL YEAR</b>	<b>TOTAL ROLL VALUE</b>	<b>INCREASE</b>	<b>STATEWIDE INCREASE</b>
2007-08	\$1,068,079,000	7.5%	9.6%
2006-07	\$993,262,000	10.2%	12.3%
2005-06	\$901,398,000	8.2%	11.1%
2004-05	\$833,433,000	5.7%	8.3%
2003-04	\$788,122,000		

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<sup>4</sup> State Board of Equalization Annual Report, Table 7.

## ADMINISTRATION

This section of the survey report focuses on administrative policies and procedures of the assessor's office that affect both the real property and business property assessment programs. Subjects addressed include the assessor's budget and staffing, appraiser certification, other administrative issues, assessment appeals, disaster relief, assessment roll changes, low-value property exemption, exemptions, and assessment forms.

### **Budget and Staffing**

As shown in the following table, the assessor's office has benefited slightly from increased budget levels over recent years:

BUDGET YEAR	GROSS BUDGET	CHANGE	PERMANENT STAFF <sup>5</sup>
2007-08	\$332,746	-3.77%	3.0
2006-07	\$345,765	4.84%	4.5
2005-06	\$329,788	24.52%	4.5
2004-05	\$264,858	3.26%	3.5
2003-04	\$256,503		3.5

The assessor, a real property appraiser, and an assessment technician staff the office.

### **Appraiser Certification**

Section 670 provides that no person shall perform the duties of an appraiser for property tax purposes unless he or she holds a valid appraiser's certificate issued by the BOE. There are a total of two certified appraisers on staff, including the assessor. We found that the assessor and her one real property appraiser possess the required appraiser's certificates. Additionally, we found that the Trinity County Assessor participates in the California Counties Cooperative Audit Services Exchange for mandatory audits. The assessor does not use contract appraisers.

### **Staff Property Procedures**

The BOE's assessment practices survey includes a review of the assessor's internal controls and safeguards as they apply to staff-owned properties. This review is done to ensure that there are effective controls in place to prevent members of the assessor's staff from being involved in the assessments of their own property.

All employees of the assessor's office are required to file an annual *Statement of Economic Interests* (Form 700 from the State Fair Political Practices Commission). This disclosure is used

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<sup>5</sup> The number of staff reported includes the assessor.

to identify potential conflicts of interest that employees may have regarding their interests in businesses and property investments. With disclosure procedures in place and a conflict-of-interest policy defined, the assessor has a good foundation to ensure that all employee-owned properties and businesses are being properly assessed, and that employees are not involved in assessing properties or businesses that they own.

We reviewed employee-owned properties and found no problems with their valuation.

**Assessment Appeals**

The assessment appeals function is prescribed by article XIII, section 16 of the California Constitution. Sections 1601 through 1641.5 are the statutory provisions governing the conduct and procedures of assessment appeals boards and the manner of their creation. As authorized by Government Code section 15606, the BOE has adopted Rules 301 through 326 to regulate the assessment appeal process.

In Trinity County, the elected county board of supervisors acts as the local board of equalization for property tax appeals. The following table illustrates the appeal workload for recent years:

APPEALS	2007-08	2006-07	2005-06	2004-05	2003-04
<b>Total Appeals:</b>					
Appeals Filed	8	2	3	2	3
Appeals Carried Over From Prior Year	1	1	1	1	0
<b>Total Appeals Workload</b>	<b>9</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>3</b>
<b>Resolution:</b>					
Withdrawn	0	2	2	2	0
Stipulation	0	0	0	0	0
Appeals Reduced	1	0	1	0	0
Appeals Upheld	0	0	0	0	0
Appeals Increased	0	0	0	0	0
Other Determination		0	0	0	2
<b>Total Resolved</b>	<b>**</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>
<b>Carried over to next year*</b>	<b>N/A</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
* Includes appeals with time extensions by mutual agreement of the parties. ** Incomplete at the time of our fieldwork.					

We found little activity in the area of assessment appeals. Because of the low number of appeals filed each year, the assessment appeals board typically meets only when necessary.

All applications for changed assessment are filed with the clerk of the board of supervisors. The clerk of the board is responsible for reviewing all applications for completeness before forwarding date-stamped copies of the applications to the assessor.

We found no problems with the assessor's assessment appeal program.

### ***Disaster Relief***

Section 170 permits a county board of supervisors to adopt an ordinance that allows immediate property tax relief on qualifying property damaged or destroyed by misfortune or calamity. The property tax relief is available to the owner of any taxable property whose property suffers damage exceeding \$10,000 (without his or her fault) in a misfortune or calamity. In addition, section 170 provides procedures for calculating value reductions and restorations of value for the affected property.

To obtain relief under section 170, assesseees must make a written application to the assessor requesting reassessment. In addition, if the assessor is aware of any property that has suffered damage by misfortune or calamity, the assessor must provide the last known assessee with an application for reassessment. Alternatively, the board of supervisors may, by ordinance, grant the assessor the authority to initiate the reassessment if the assessor is aware and determines that within the preceding 12 months taxable property located in the county was damaged or destroyed by misfortune or calamity.

Upon receipt of a properly completed application, the assessor shall reassess the property for tax relief purposes. If the sum of the full cash values of the land, improvements, and personal property before the damage or destruction exceeds the sum of the values after the damage by \$10,000 or more, the assessor shall then determine the percentage reductions in current market value and reduce the assessed values by those percentages.

On August 8, 1977, the Trinity County Board of Supervisors adopted Ordinance 362. This ordinance established the county's program for the reassessment of property damaged or destroyed by misfortune or calamity.

The Trinity County Assessor discovers such properties through newspaper articles, building permits issued for repairs, taxpayer contacts, and information from the local fire department. When the assessor receives a disaster relief application, she or the appraiser will inspect the property to determine whether the property qualifies for reassessment. If the damage warrants a reduction in assessment, the assessor or appraiser will reduce the assessment, as appropriate, and notify the applicant in writing of the amount of the proposed reassessment.

An attachment to this notice informs the applicant of his or her appeal rights. Upon completion of repair, restoration, or reconstruction, appropriate assessments are made to restore the property's taxable value.

The following table summarizes the number of disaster relief applications processed in Trinity County for recent years:

ROLL YEAR	REASSESSMENTS PROCESSED
2007-08	2
2006-07	8
2005-06	6
2004-05	3
2003-04	2

In the 2004 survey, we recommended the assessor request the Trinity County Board of Supervisors to update the county's disaster relief ordinance so that it conforms to current statutory provisions. We found that recommendation has not been implemented. Therefore, it is repeated below.

**RECOMMENDATION 1:** Request that the Trinity County Board of Supervisors conform its disaster relief ordinance to the current provisions of section 170.

The county disaster relief ordinance is outdated and does not conform to current statutory provisions for the reassessment of property damaged by misfortune or calamity. The county's ordinance, which references section 155.13, was adopted in 1977. In 1979, section 155.13 was repealed, along with sections 155.1 and 155.14, and replaced by section 170.

The most significant changes to the statutory provisions for disaster relief since 1977 include: (1) the effective date used for enrollment of the completion of repair, restoration, or reconstruction; (2) the filing period allowed for disaster relief applications and appeals for any related reassessments; and (3) the benchmark dollar amount of damage or destruction that qualifies property for relief.

The assessor processes disaster relief claims in accordance with current statutory provisions, but these practices are inconsistent with the county's outdated ordinance. The county's ordinance should be updated to conform to current statutory provisions.

**Assessment Roll Changes**

Each year the assessor must complete the local assessment roll and deliver it to the auditor by July 1. Once the roll is delivered to the auditor, any correction that would decrease the amount of unpaid taxes requires the consent of the board of supervisors. All changes to the roll are authorized by specific statutes, and any roll change must be accompanied by the appropriate statutory reference.

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, for any reason, on the original roll. A correction is any type of authorized change to an existing assessment except for an underassessment caused by an error or omission of the assessee.

The following table shows the number of roll changes processed by the assessor over recent years:

ROLL YEAR	ROLL CHANGES
2007-08	192
2006-07	207
2005-06	331
2004-05	118
2003-04	780

We found roll changes are made within the authorized period of time, and the assessor properly sends a notice of proposed escape assessment to inform taxpayers of the increase in taxable value for the fiscal year affected. The notice contains all the information required by section 531.8.

The assessor also properly notifies taxpayers of the enrollment of an escape assessment. Section 534(b) provides that an escape assessment is effective only after the assessee has been notified. In Trinity County, the assessor uses form BOE-66-A, *Notice of Enrollment of Escape Assessment*, to notify taxpayers of the enrollment of an escape assessment.

We found that the assessor is in compliance with all statutory requirements concerning assessment roll changes. We have no recommendations.

**Low-Value Property Tax Exemption**

Section 155.20 authorizes a county board of supervisors to exempt from taxation all real property with a base year value, and personal property with a full cash value, so low that the total taxes, special assessments, and applicable subventions on the property would be less than the assessment and collection costs if the property were not exempt.

Section 155.20(b)(1) provides that a county board of supervisors shall not exempt from taxation property with a total base year value or full cash value of more than \$5,000, or more than \$50,000 in the case of certain taxable possessory interests. A board of supervisors must adopt a low-value property tax exemption ordinance before the lien date for the fiscal year to which the exemption is to apply. At the option of the board of supervisors, the exemption may continue in effect for succeeding fiscal years.

The Trinity County Board of Supervisors adopted Resolution 13-95 on February 7, 1995, authorizing the exemption of all real property with a base year value and personal property with

a full value of \$2,000 or less. The resolution also includes manufactured home accessories with a base year value or full value of \$5,000 or less.

For the 2007-08 roll, the assessor had 251 secured properties and 1,766 unsecured low-value properties on the roll.

We examined a number of properties where the assessor applied the low-value property tax exemption. We found the assessor correctly enrolls low-value new construction and excludes it from the exemption when the value of the entire appraisal unit exceeds the exemption limit. We found the assessor in compliance with the current resolution and the Revenue and Taxation Code concerning the assessment of low-value properties.

## ***Exemptions***

### **Church and Religious Exemptions**

Article XIII, section 3(f) of the California Constitution authorizes exemption of property used exclusively for religious worship. This constitutional provision, implemented by section 206, exempts buildings, the land on which they are situated, and equipment used exclusively for religious worship, when such property is owned or leased by a church. Property that is reasonably and necessarily required for church parking is also exempt under article XIII, section 4(d) of the California Constitution, provided that the property is not used for commercial purposes. The church parking exemption is available for owned or leased property meeting the requirements of section 206.1. The Legislature has also implemented the religious exemption in section 207, which exempts property owned by a church and used exclusively for religious worship or for both religious worship and school purposes (excluding property used solely for schools of collegiate grade).

County assessors administer the church and religious exemptions. The church exemption, including the church parking exemption, requires an annual filing of the exemption claim. The religious exemption requires a one-time filing by the claimant, although the assessor annually mails a form to claimants to confirm continuing eligibility for the exemption. Once granted, the religious exemption remains in effect until terminated or until the property is no longer eligible for the exemption.

The assessor processed six church exemption claims and 26 religious exemption claims for the 2007-08 assessment roll. The following table illustrates the number of church and religious exemptions granted and the amount of assessed value exempted for recent years:

ROLL YEAR	CHURCH	EXEMPTED VALUE	RELIGIOUS	EXEMPTED VALUE
2007-08	6	\$2,157,630	26	\$5,293,612
2006-07	7	\$2,269,992	26	\$4,984,985
2005-06	6	\$2,042,824	26	\$4,869,670
2004-05	6	\$1,588,182	26	\$4,534,594
2003-04	6	\$958,887	25	\$4,020,927

We found no problems with the assessor's church and religious exemption programs.

### Welfare Exemption

Article XIII, section 4(b) of the California Constitution authorizes the Legislature to exempt property owned and used exclusively for qualifying religious, hospital, or charitable purposes by organizations formed and operated exclusively for those purposes. When the Legislature enacted section 214 to implement this constitutional provision, a fourth purpose (scientific) was added. Both the organizational and property use requirements must be met for the exemption to be granted.

The welfare exemption is co-administered by the BOE and county assessors. The BOE is responsible for determining whether an organization itself is eligible for the welfare exemption and for issuing either *Organizational Clearance Certificates* (OCCs) to qualified organizations or *Supplemental Clearance Certificates* (SCCs) to limited partnerships, which has a qualified organization as the managing general partner, that own and operate low-income housing. The assessor is responsible for determining whether the use of a qualifying organization's property is eligible for exemption and for approving or denying exemption claims.

The assessor may not grant a welfare exemption on an organization's property unless the organization first holds a valid OCC issued by the BOE, or a valid SCC issued by the BOE if the property is a low-income housing property owned and operated by a limited partnership, which has a qualified organization (OCC holder) as the managing general partner. The assessor may, however, deny an exemption claim, based on non-qualifying use of the property, notwithstanding that the BOE has issued an OCC or SCC to the claimant.

The following table shows the number of welfare exemptions granted and the amount of assessed value exempted for recent years:

ROLL YEAR	WELFARE EXEMPTION	EXEMPTED VALUE
2007-08	24	\$5,571,654
2006-07	38	\$4,498,893
2005-06	35	\$3,848,037
2004-05	37	\$3,198,718
2003-04	40	\$3,346,422

We reviewed a variety of welfare exemption claims, including first-time filings and annual filings. During our review of exemption claims, we inspected claims for low-income housing property, including properties owned by a limited partnership holding an SCC. Our review indicated that the assessor is properly administering the welfare exemption. Accordingly, we have no recommendations in this area.

#### Homeowners' and Disabled Veterans' Exemptions

The homeowners' exemption is authorized by article XIII, section 3(k) of the California Constitution. This constitutional provision, implemented by section 218, exempts \$7,000 of the full value of a dwelling when occupied by an owner as a principal place of residence.

The disabled veterans' exemption is authorized by article XIII, section 4(a) of the California Constitution. This constitutional provision, implemented by section 205.5, exempts a specified amount of the full value of a dwelling when occupied by an owner, who is a qualified disabled veteran (or a deceased veteran's unmarried surviving spouse) and the dwelling is occupied as a principal place of residence. The amount of the exemption is \$100,000 unless the disabled veteran or surviving spouse qualifies for the low-income exemption, which the amount is \$150,000 (both amounts are adjusted annually by the cost of living index).

The homeowners' exemption requires a one-time filing. Once granted, the exemption remains in effect until such time as title to the property changes, the owner does not occupy the dwelling as his or her principal place of residence as of the lien date, or the property is otherwise ineligible. While the disabled veterans' exemption at the \$100,000 basis requires a one-time filing, the disabled veteran's exemption at the \$150,000 low-income basis requires an annual filing to ensure the claimant continues to meet the household income limit restriction.

The assessor processed 2,786 homeowners' exemption claims and 42 disabled veterans' exemption claims for the 2007-08 assessment roll. The following table illustrates the number of homeowners' and disabled veterans' exemptions granted and the amounts exempted for recent years:

<b>ROLL YEAR</b>	<b>HOMEOWNERS' EXEMPTIONS</b>	<b>EXEMPTED VALUE</b>	<b>DISABLED VETERANS' EXEMPTIONS</b>	<b>EXEMPTED VALUE</b>
2007-08	2,786	\$19,472,951	42	\$4,100,538
2006-07	2,795	\$19,530,099	37	\$3,418,889
2005-06	2,845	\$19,881,217	32	\$3,045,367
2004-05	2,851	\$19,931,812	28	\$2,410,737
2003-04	2,880	\$20,115,251	23	\$1,938,213

In Trinity County, we found that the assessor is correctly processing both the homeowners' and disabled veterans' exemptions. Accordingly, we have no recommendations in this area.

**Assessment Forms**

Government Code section 15606 requires the BOE to prescribe and enforce the use of all forms for the assessment of property for taxation. Generally, the assessor may not change, add to, or delete the specific wording in a prescribed form. The assessor may, however, rearrange information on a form provided that the assessor submits such form to the BOE for review and approval. Assessors may also use locally developed forms to assist them in their assessment duties. However, such forms may not be used as substitutes for BOE-prescribed forms that are required to be used, and no penalty may be imposed upon a property owner for failure to file such form or questionnaire.

To enforce the use of prescribed forms, the BOE annually requires assessors to specify in writing the forms they will use in the succeeding assessment year. Assessors are also required to submit to the BOE copies of the final prints of all prescribed forms they intend to use.

After a thorough review of the assessor's forms for 2007-08, we found that the assessor used only current versions of BOE-prescribed forms with penalty language included only on appropriate forms.

## ASSESSMENT OF REAL PROPERTY

The assessor's program for assessing real property includes the following principal elements:

- Revaluation of properties that have changed ownership.
- Valuation of new construction.
- Annual review of properties that have experienced declines in value.
- Annual revaluations of certain properties subject to special assessment procedures, such as property subject to California Land Conservation Act contracts and Timberland Production Zone property.

Article XIII A of the California Constitution provides that, absent post-1975 new construction or changes in ownership, the taxable value of real property shall not exceed its 1975 full cash value, except that it can be adjusted annually for inflation by a factor not to exceed two percent.

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

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

### **Document Processing**

All recorded documents are electronically transferred from the recorder to the assessor for review daily. The assessor determines if the document indicates that a change in ownership has occurred. Assessor's parcel numbers are verified based on legal descriptions. *Preliminary Change of Ownership Reports* (PCORs) are physically transferred from the recorder to the assessor daily.

Approximately 96 percent of the deeds received from the recorder have had the *Preliminary Change of Ownership Report* (PCOR) attached. The recorder charges a \$20 fee when a deed is recorded without a PCOR or when a PCOR is improperly completed. When a deed is recorded without a PCOR, or when a PCOR is improperly completed, the assessor sends form BOE-502-AH, *Change in Ownership Statement*, to the property owner for completion.

PCORs are available at the assessor/recorder's public counter and at the local title company in Weaverville. Additional change of ownership forms are available at the assessor/recorder's public counter. When a change in ownership occurs, the homeowners' exemption is removed,

and a homeowners' exemption application is sent to the transferee. We reviewed a number of recent transfers and found no problems with transfer documents, processing, or enrollment of changes in ownership.

**Section 63.1 Exclusions**

Section 63.1 excludes from the definition of change in ownership the purchase or transfer of the principal residence and the first \$1 million of other real property between parents and their children. Under specified limited circumstances, certain transfers from grandparents to their grandchildren are also excluded.

We reviewed several section 63.1 claims processed by the assessor and found all documents to be in compliance. The assessor submits to the BOE quarterly section 63.1 reports as requested by the BOE.

The following table depicts the number of section 63.1 transfers processed over recent years:

<b>ROLL YEAR</b>	<b>SECTION 63.1 TRANSFERS</b>
2007-08	124
2006-07	175
2005-06	139
2004-05	128

We found that section 63.1 transfer exclusion applications are properly processed, and that this program fully complies with the provisions of section 63.1.

**Section 69.5 Base Year Transfer**

Section 69.5 generally allows for the transfer of the base year value of a principal residence to a replacement dwelling of equal or lesser value, provided the property owner meets several requirements, including, but not limited to, being at least 55 years of age or severely and permanently disabled, the owner files a claim timely, and the properties are within the same county.

In Trinity County there have been no applications for this exclusion over the past five years.

**Legal Entity Ownership Program (LEOP)**

Section 64 provides that certain transfers of ownership interests in a legal entity constitute a change in ownership of all real property owned by the entity and its subsidiaries. Rule 462.180 interprets and clarifies section 64, providing examples of transactions that either do or do not constitute a change in entity control, and hence, either do or do not constitute a corresponding change in ownership of the real property owned by the entity. Discovery of these types of changes in ownership is difficult for assessors because ordinarily there is no recorded notice of changes in control of legal entities, and thus, no corresponding recorded notice of any real property transfers.

To help assessors, the BOE's LEOP unit investigates and verifies changes in entity control and legal ownership reported by legal entities, transmitting to each county a listing, with corresponding property schedules, of legal entities that have reported a change in control under section 64(c) or change in ownership under section 64(d). However, many of the acquiring entities do not provide information sufficient to identify the real property involved. Because of the limited data provided by many entities, the LEOP unit advises assessors to independently research each entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

We reviewed the assessments of properties owned by two legal entities reported to have experienced a change in control within the last few years. Upon receipt of the LEOP listings from the BOE, the assessor reviews the list, identifies the parcels involved, values the properties, and enrolls the new assessments. The assessor properly and promptly revalued all parcels undergoing a change of ownership, and reassigned business property to accounts of the new owner.

### **New Construction**

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

Rules 463 and 463.500 clarify the statutory provisions of sections 70 and 71, and the Assessors' Handbook Section 502, *Advanced Appraisal*, Chapter 6, provides guidance for the assessment of new construction.

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

### **Discovery**

In Trinity County, the assessor discovers most new construction activity from issued building permits received from the Trinity County Building Department. New construction activity is also discovered through use permits, sales listings, taxpayers, newspaper articles, the State Department of Forestry, and Trinity County Environmental Health Department. The County Environmental Health Department issues permits for all wells and septic systems in the county.

The following table shows the number of new constructions permits processed for recent years:

ROLL YEAR	PERMITS
2007-08	666
2006-07	788
2005-06	662
2004-05	527
2003-04	448

Building permits from the county building department are sent to the assessor electronically. They are reviewed by the assessor to determine if they indicate reappraisable new construction. Building permits indicating work that is considered nonassessable are documented on the building record and in the computer system before being discarded. Building permits indicating work that is considered assessable are forwarded to the appraiser for field review.

**Construction in Progress**

Section 71 requires the assessor to enroll construction in progress at its fair market value on each lien date. On subsequent lien dates, if the new construction is still incomplete, the assessor must again enroll the construction in progress at its fair market value. This process continues until the new construction is complete, at which time the new construction is assessed at its fair market value upon completion.

We found no problems with the assessor's practices for assessing construction in progress.

**Valuation**

To value new construction, the assessor uses the BOE's cost guides, the *Marshall Valuation Service*, and comparable sales. New construction questionnaires are sent for all permits that have not been completed for the lien date. Approximately 50 percent of the questionnaires are completed and returned to the assessor. Data obtained from the questionnaires are used in conjunction with cost guides to determine value.

For commercial and industrial properties, information received from business property statements is reviewed and used in the valuation of the real property. Field inspections are conducted when possible for most new construction events.

We found no problems with the assessment program for new construction.

**Declines in Value**

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

rises above its FBV, then the assessor must enroll the FBV adjusted for inflation up to two percent.

The following table shows the number of decline-in-value properties in Trinity County for recent years:

ROLL YEAR	ASSESSMENTS
2007-08	6
2006-07	13
2005-06	70
2004-05	78
2003-04	89
2002-03	5

Currently, the assessor does not have a formal program for identifying properties where the current market value is lower than the FBV. The assessor's primary methods of discovering declines in value are taxpayer requests for value reviews, taxpayers filing assessment appeals for declines in value, and appraiser familiarity with their assigned geographic areas.

At the time of our review, the assessor had only six decline-in-value properties enrolled. There are three subdivisions within the county, all with limited development and a high proportion of vacant parcels. When a property owner inquires about decline in value, the subject property is reviewed. If a reduction in the assessed value is warranted, the assessor enrolls the reduced value.

We found the assessor annually compared the current market value with the FBV and enrolled the lower of the two. Our review indicated the assessor applies the annual inflation factor to decline-in-value properties only after the properties have been restored to the FBV, pursuant to section 51.

In our last survey report, concerning decline-in value properties, we recommended the assessor send a value notice to each assessee to inform them when their property's taxable value has increased over its taxable value for the prior year, as required by section 619(a). The assessor presently sends a letter stating the increase in value for properties experiencing a decline in value. However, this notice does not provide the additional information required by section 619(b) and (c).

**RECOMMENDATION 2:** Include all the information required by section 619 on the value notice.

When the taxable value of a decline-in-value property has increased over its taxable value for the prior year, the assessor currently notifies the property owner of the higher assessed value on the completed roll. However, this notice does not include an explanation of the stipulation

procedures or information concerning the assessee's appeal rights as required by section 619(b). Furthermore, this notice does not include the FBV as required by section 619(c).

### ***Timberland Production Zone Properties***

Lands zoned "Timberland Production Zone" (TPZ) are valued in accordance with special TPZ site classifications; the valuation of such lands excludes the value of any standing timber. The annual value of a TPZ property is determined by its appropriate per-acre site value (section 434.5) plus the lower of the current market value or the FBV of any compatible, nonexclusive uses of the property (section 435).

The special valuation methods for TPZ lands do not apply to structures on TPZ lands or to reasonable sites for such structures. In other words, structures and the sites directly related to those structures are assessed as all other real property.

For the 2007-08 assessment year, Trinity County had 798 parcels comprising 260,924 acres under TPZ zoning with a total assessed value of approximately \$26,278,000.

The assessor performs all valuations of TPZ properties. Procedures have been set up for valuing these properties consistent with BOE standards.

We found the assessor properly follows the BOE's schedule of per-acre values for different site classes of TPZ land. At the time of our survey, there were 20 TPZ parcels in rezoning status pursuant to Government Code section 51120. The properties were rezoned for the 2007 roll, and will be enrolled as escaped assessments.

All land zoned as TPZ is identified on the assessment roll as provided in section 433. No properties had compatible use income that was valued under the TPZ program. Homesites, residences, and other structures had also been properly valued, and supplemental assessments for these items were issued correctly for any transfers.

We found the assessor is in compliance with all statutory requirements concerning the assessment of TPZ land.

### ***Taxable Possessory Interests***

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

The assessor enrolled 744 taxable possessory interests on the 2007-08 assessment roll with a total assessed value of \$4,545,497. These taxable possessory interests are located on property owned by seven public agencies.

In our 2004 assessment practices survey report, we recommended the assessor assess all taxable possessory interests and use proper valuation procedures. Our current review revealed that some taxable possessory interests are still not being assessed, and proper valuation procedures have not been implemented. Therefore, these recommendations are repeated here.

**RECOMMENDATION 3:** Revise the taxable possessory interest program by:  
(1) assessing all taxable possessory interests; and  
(2) using proper valuation procedures.

**Assess all taxable possessory interests.**

We found the assessor failed to assess some taxable possessory interests, including: (1) cable television rights-of-way, (2) county fairground uses, (3) uses at a marina, and (4) certain permittee's rights to use United States Forest Service's (USFS) land.

In the 2004 survey, we found the assessor was not assessing the entire taxable possessory interest of the local cable company. The assessor continues to assess the right to use tax-exempt land upon which structures owned by the cable company are located; however, the rights-of-way in public streets used for the company's distribution system are still not being assessed.

In addition, the assessor is not assessing or documenting any taxable possessory interests at the county fairgrounds. This includes carnival rides and concessions. The county's low-value property tax exemption ordinance does not allow for the exemption of low-value taxable possessory interests.

Additionally, we found that the assessor is assessing a marina located within an area controlled by a utility district only for business property, but not as a taxable possessory interest for the right to use the lake.

Finally, we found that the assessor is failing to assess several taxable possessory interests within USFS holdings. These include taxable possessory interests related to the following: houseboat permits for private moorings at a lake, permits for commercial houseboat operations at a lake, and outfitters and guides.

Section 107 and Rule 20 both define a taxable possessory interest. The property uses referenced above are taxable possessory interest by definition; however, the assessor does not currently assess these interests as required.

Failure to assess all taxable possessory interests means lost property tax revenue.

**Use proper valuation procedures.**

We found the assessor generally values taxable possessory interests without obtaining a copy of leases or other agreements that create the taxable possessory interests. Instead, the assessor often relies on verbal information provided by public agencies. Such information may be inaccurate or incomplete. Often, for example, the assessor knows the initial lease term but is unaware of any other details, such as renewal options and expense allocations for the lessee or lessor.

In addition, the assessor does not deduct for vacancy and collection loss or for expenses that are paid by the public owner. Both of these deductions are required even if relatively small. Rule 21(e)(3)(A) explains that a taxable possessory interest is valued by capitalizing its future net income. The gross income must be reduced to net income by giving consideration to the lessor's expenses, including, but not necessarily limited to, vacancy and the cost of management.

Finally, the assessor improperly uses a single capitalization rate for all taxable possessory interests. As provided in Rule 8(g), capitalization rates should be derived either by: (1) using income and sales data from comparable properties, or (2) developing a band of investment capitalization rate based on market rates of return for debt and equity capital. Because of the variety of uses associated with taxable possessory interests in Trinity County, a range of capitalization rates should be expected.

Proper use of valuation procedures for assessing taxable possessory interests will assure more equitable assessments.

**Leasehold Improvements**

Leasehold improvements are all improvements or additions to leased property that have been made by the tenant or lessee. Such improvements can be secured to the real property or assessed to the lessee on the unsecured assessment roll.

Commercial, industrial, and other types of income-producing properties require regular monitoring by the assessor because, as tenants change over time, they may add and/or remove improvements that may result in a changed use of the property. These changes must, by law, be reflected in the property's assessment if they qualify as new construction.

When real property is reported on form BOE-571-L, *Business Property Statement* (BPS), coordination between the real property and business property divisions of the assessor's office is important. The reported cost should be examined by both an appraiser in the real property division and an auditor-appraiser in the business property division. The divisions should determine the proper classification of the property to ensure appropriate assessments are being made by each division and to avoid escape and double assessments. The assessor must determine whether costs are for repair and maintenance, and are, therefore, not assessable, whether additions are properly classified as structural improvements or fixtures, and/or if additions are properly enrolled.

Proper classification of leasehold improvements as structure items or fixtures is important because fixtures are treated differently than structures for assessment purposes.

We found the Trinity County Assessor properly classifies reported structural improvements on the secured roll, and fixtures on the unsecured roll. The assessor's program for the assessment of leasehold improvements is in compliance with current statutes.

### **Mineral Properties**

By statute and case law, mineral properties are taxable as real property. They are subject to the same laws and appraisal methodology as all real property in the state. However, there are three mineral-specific property tax rules that apply to the assessment of mineral properties. They are Rule 468, *Oil and Gas Producing Properties*, Rule 469, *Mining Properties*, and Rule 473, *Geothermal Properties*. These rules are interpretations of existing statutes and case law with respect to the assessment of mineral properties. There are no assessable petroleum or geothermal properties in Trinity County. However, we will be including a discussion on power producing plants in this section.

### **Mining Properties**

There are several mining properties located in Trinity County. In our prior survey, we recommended the assessor assess the mineral rights portion of mining properties. In our current review, we found that there is still a problem getting information from taxpayers regarding production and reserve estimates. Therefore, we repeat our prior recommendation and make other recommendations concerning this program.

**RECOMMENDATION 4:** Modify the mining assessment program by: (1) assessing the mineral rights portion of all mining properties; (2) establishing a base year value for unpatented mining claims and enroll the lower of factored base year value or current market value on each lien date; and (3) including the present value of future rental payments to the public owner when developing a value indicator.

### **Assess the mineral rights portion of all mining properties.**

The assessor does not make a determination of the mineral right value of the two active mining properties in the county because the assesseees do not provide any data on the mineral rights. While the assesseees provide information on the business property, they do not provide any information on mineral rights.

Section 501 provides that if a taxpayer fails to provide information requested by the assessor, the assessor shall estimate the value of the property based on information available. While limited, there are other sources of information regarding mining properties that can be used for appraisal purposes. The most likely source is the county planning department. Conditional use permits obtained from the planning department contain a wealth of information regarding anticipated production rates and the expected life of the property.

**Establish a base year value for unpatented mining claims and enroll the lower of factored base year value or current market value on each lien date.**

The assessor does not establish a base year value for unpatented mining claims. Unpatented mining claims are taxable possessory interests and, as such, are classified as real property. Pursuant to section 110.1, a base year value should be established for such interests when they are first created or subsequently undergo a change in ownership. Change in ownership provisions with respect to taxable possessory interests are prescribed in section 61.

The assessor's values for unpatented mining claims are based on the average sale prices for claims sold the previous year. A per acre value is calculated and this value is applied to every unpatented mining claims on the tax roll. Enrolled claim values were allowed to fluctuate each year depending upon the value calculated from the prior year's sales. When the values were first calculated, many claims were below the county's low-value exemption floor. In subsequent years, increased activity and higher demand increased prices above the exemption level. For these years, the assessor enrolled the market value of the claims without regard to what should have been the adjusted base year value for the claims.

**Include the present value of future rental payments to the public owner when developing a value indicator.**

No determination of the present value of the future rental payments was made or added to the average sales price of the unpatented mining claims. Rule 21 provides guidelines for valuing taxable possessory interests. It specifies the proper methods to value unpatented mining claims. Using the direct comparison method, the present value of the future rental payments should be capitalized and added to the claim sales price. Since there is no stated term of possession, the assessor should review practices of claim holders to determine an anticipated term of possession. In the past, the BOE has recommended an anticipated term of possession of near perpetuity. The rental payments can be capitalized as if they were to be held in perpetuity. Using the \$125 rental payment and an appropriate discount rate, added value would be between \$500 to \$900 per claim.

### Power Producing Properties

In our prior survey, we recommended reviewing the economic lives assigned to power plants when using an income approach. Since the assessor has not implemented this change, we repeat this recommendation.

**RECOMMENDATION 5:** Use economic life when developing a value indicator for power plants by the income approach.

We found in valuing power plants, the assessor uses an economic life of 25-30 years for all power plants in the county.

Since the last survey in this county, market conditions related to electric power production have significantly changed. Some of the smaller power plants in the county are operating either with limited profitability or at a loss. For these power plants, the likelihood of continued production

after the end of the contract period (25-30 years) is low. However, there are some larger plants in the county that are likely to operate beyond the end of the power purchase contract. A review of the history of power plants in the state indicates that many hydroelectric plants will operate for 60 years or more.

We believe the assessor needs to evaluate the likelihood of these larger plants operating beyond the expiration of the current power purchase agreement and modify her appraisal to reflect the appropriate expected economic life. The projected economic life of the facility has a great impact on value.

For example, if the term of the contract is used for the discounted cash flow, a reversionary value may need to be included. If the remaining economic life of the facility is used for discounted cash flow, the analysis may encompass a significantly greater number of years. Both situations would have a major impact on the assessed value of the facility. We believe the assessor is underestimating the economic lives of these power plants, resulting in underassessments.

## ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The assessor's program for assessing personal property and fixtures includes the following major elements:

- Discovery and classification of taxable personal property and fixtures.
- Mailing and processing of annual property statements and questionnaires.
- Annual revaluation of taxable personal property and fixtures.
- Auditing taxpayers whose assessments are based on information provided in property statements.

In this section of the survey report, we review the assessor's audit, business property statement processing, business property valuation, and leased equipment discovery and assessment programs, and the assessment of manufactured homes, aircraft, and vessels.

### ***Audit Program***

A comprehensive audit program is essential to the successful administration of any tax program that relies on information supplied by taxpayers. A good audit program discourages deliberate underreporting, helps educate those property owners who unintentionally misreport, and provides the assessor with additional information to make fair and accurate assessments.

Prior to January 1, 2009, section 469 required county assessors to audit, at least once every four years, the books and records of any taxpayer engaged in a profession, trade, or business, if the taxpayer has assessable trade fixtures and business tangible personal property valued at \$400,000 or more. These statutorily required audits are commonly referred to as *mandatory audits*. Additionally, a county assessor may audit the books and records of taxpayers with holdings below \$400,000 in value under the authority of section 470. These audits are referred to as *nonmandatory audits*. Generally, county assessors perform both mandatory and nonmandatory audits to ensure that their audit program includes a representative sample of all sizes and types of property taxpayers with personal property holdings subject to the property tax.

Effective January 1, 2009, county assessors are no longer required to audit all taxpayers with trade fixture and business tangible personal property holdings of \$400,000 or more at least once every four years. Instead, the county assessor is required to annually audit a *significant number of audits* as specified in section 469, as amended. The significant number of audits required is at least 75 percent of the fiscal year average of the total number of mandatory audits the assessor was required to have conducted during the 2002–03 fiscal year to the 2005–06 fiscal year, with at least 50 percent to be selected from a pool of those taxpayers with the largest assessments. Thus, while section 469 still mandates a certain level of audits that must be performed annually, assessors now have some flexibility in determining which accounts will comprise this mandated workload.

At the time of our field work, there were eight accounts in Trinity County that were subject to the mandatory audit requirement. Because the assessor has no auditor-appraisers on staff, these audits are performed by auditor-appraisers from other counties under the California Counties Cooperative Audit Service Exchange Program. The assessor has a history of successfully completing her mandatory audit workload for the past four years, and for securing waiver letters for those audits that would not be completed prior to the expiration of the statute of limitations.

### **Audit Quality**

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

We found the assessor performs change-in-control (ownership) reviews, verifies leased equipment, enrolls construction in progress, accounts for supplies, and properly classifies equipment. In all cases, audits were accurate and well documented.

### ***Business Property Statement Processing***

Section 441 requires that each person, owning taxable personal property (other than a manufactured home) having an aggregate cost of \$100,000 or more, to annually file a business property statement (BPS) with the assessor; other persons must file a BPS if requested by the assessor. Property statements form the backbone of the business property assessment program. Several variants of the BPS address a variety of property types, including commercial, industrial, agricultural, vessels, and certificated aircraft.

The Trinity County Assessor processed 908 statements for 2007-08 with a secured assessed value of \$11,244,863 and an unsecured assessed value of \$23,209,444. We reviewed the BPS program, including processing procedures, use of BOE-prescribed forms, processing by non-certified staff, taxpayer interactions, completeness of the property statements, authorized signatures, application of penalties, coordination with real property staff, and record storage and retention. In addition, we reviewed several active BPSs. We found that all statements sampled evidenced the proper usage of BOE-prescribed forms, and were properly signed.

### **Discovery**

The discovery of taxable property is an essential function of the county assessor. It is a difficult but necessary task to maintain accurate and current listings of assessable business properties. Discovery sources are field canvasses, sales tax permits, business directory services, real property appraiser referrals, fictitious business name filings, and tenant information supplied from landlords.

We found no problems with the assessor's discovery program.

## Direct Billing

Many assessors utilize an assessment procedure called "direct billing" or "direct assessment". It is a method of assessing qualified, lower-value business property accounts without requiring the annual filing of a BPS. The assessor establishes an initial value and continues that value for several years, with only periodic property statements or field reviews required. Examples of businesses suitable for direct billing include apartments, barber shops, beauty parlors, coin-operated laundrettes, small cafes and restaurants, and professional firms with small equipment holdings.

The direct billing program is beneficial to both the taxpayer and the assessor. It results in a reduction of paperwork for taxpayers and fewer BPSs that must be processed annually by the assessor's staff, increasing time available for the auditor-appraisers to perform other required duties.

The Trinity County Assessor uses a direct billing program. The accounts that are direct billed are generally stable and have less than \$30,000 in full cash value. Every three to four years, the assessor sends taxpayers a BPS to determine if there have been any substantial changes in their businesses or assets, including equipment newly purchased, equipment sold or disposed, a sale of the business, a change in ownership, or a change in location. After a review of the property statements, the assessor decides whether the accounts should remain in the direct billing program.

We found no problems with the assessor's direct billing program.

## **Business Equipment Valuation**

### Commercial, Industrial, and Agricultural Equipment

Assessors value most machinery and equipment using business property value factors. Value factors are derived by combining price index factors (trend factors) with percent good factors. A value indicator is obtained by multiplying a property's historical (acquisition) cost by an appropriate value factor.

Section 401.5 provides that the BOE shall issue information that promotes uniformity in appraisal practices and assessed values. Pursuant to that mandate, the BOE annually publishes Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581).

The assessor uses primarily AH 581 and the California Assessors' Association's *Business Assessment Factors* to value assessable equipment. In some instances, the assessor uses the *Green Guide* for valuing road construction equipment.

## Classification

Machinery and equipment must be classified as either personal property or fixtures (improvements) depending on whether the items are physically or constructively annexed to real property with the intent, as evidenced by outward appearance, that the items will remain annexed

indefinitely. We found no problems either in the valuation or the classification of machinery and equipment.

### ***Leased Equipment***

The business property division is responsible for the discovery, valuation, and assessment of leased equipment. This type of property is one of the more difficult to assess correctly. Common problems include difficulty in establishing taxability and taxable situs, reporting errors by lessees and lessors, valuation (whether the value of the equipment should be the lessor's cost or the cost for the consumer purchasing the equipment), and double or escape assessments resulting from combined lessor and lessee reporting. These issues are discussed in detail in Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*.

Assesseees are required to report all leased property (taxable property in their possession, but belonging to others) on their annual property statement. They are also required to provide information on the type of property, year of acquisition and manufacture, cost to purchase new, description or lease number, and the owner's name and address. A cross-check of information reported by lessors and lessees verifies the accuracy of the reported information.

In Trinity County, the assessor sends a BPS to accommodate the reporting of numerous leased assets. Once the completed statements are received, clerical staff reviews the statements to ensure that they include authorized signatures. If the statement is duly signed, it is then forwarded to the appraiser for processing.

When processing, the appraiser first reviews the submitted statement for completeness and begins by addressing the lease expirations occurring during the reporting period. Copies of "drop-off" or contractually expired leased equipment declarations are filed in the lessee's property record to aid in future processing of the lessee's statement. The appraiser also cross-references the current reported cost information with the previous enrollments to ensure reasonableness. New taxable equipment information is updated into the system, and new assessments are created as necessary.

When processing a lessee's statement that includes leased equipment reported on the BPS, the appraiser cross-references the reported information with the lessor's property statement to determine if the equipment is already assessed to the lessor. If the reported leased equipment is not assessed to the lessor, the processor can either enroll the equipment and assess the lessee and/or contact the lessor for further information. This exercise helps reduce the possibility of double or escape assessments.

We reviewed the annual property statements of several lessors. We found that the assessor maintains effective procedures for the enrollment and tracking of leased equipment. We also found that staff properly distinguishes between leases and conditional sales contracts, and follows correct appraisal and assessment procedures.

## **Manufactured Homes**

A "manufactured home" is defined in Health and Safety Code sections 18007 and 18008, and statutes prescribing the method of assessing manufactured homes are contained in sections 5800 through 5842. A manufactured home is subject to local property taxation if sold new on or after July 1, 1980, or if its owner requests conversion from the vehicle license fee to local property taxation. Manufactured homes should be classified as personal property and enrolled on the secured roll.

In Trinity County, manufactured homes are located in either 34 mobilehome parks located throughout the county or on fee-owned land. Both manufactured homes located in these parks and manufactured homes under different ownership than the land on which they are situated are given a parcel number that begins with 076 for identification and a use code of FFX1. Manufactured homes are entered on the secured roll in a non-inflating value field, such as fixtures or personal property. Manufactured homes located on fee-owned land are identified as personal property under the same assessment number but are given a different use code of EFX1, which is also used on the secured roll.

For the 2007-08 roll, there were 245 parcels with parcel numbers that began with 076 with a total assessed value of \$3,353,766. The total number and assessed values for manufactured homes situated on fee-owned land could not be determined because of the assessor's use of multiple classifications.

The assessor learns of new taxable manufactured homes, sales, new installations, and voluntary conversions of manufactured homes through periodic State Department of Housing and Community Development listings. This discovery is supplemented by dealer reports of sale, building permits, deed recordings, form BOE-502-AH, *Preliminary Change of Ownership Reports*, and periodic tax clearance notifications from the county tax collector's office.

The assessor and her appraiser are responsible for all manufactured home assessments in the county. In determining the full cash value of a manufactured home on rented or leased land, the assessor, pursuant to section 5803, must take into consideration sales prices listed in recognized value guides for manufactured homes. Recognized value guides include, but are not limited to, the *NADA Manufactured Housing Appraisal Guide (NADA)* and Assessors' Handbook Section 531.35, *Residential Building Costs, Manufactured Housing*.

The assessor uses the *NADA* value guide to value manufactured homes. There are currently no special assessments in Trinity County that would be affected by the classification of manufactured homes on the roll. When applicable, supplemental assessments are processed for transfers.

In our prior survey, we recommended the assessor periodically assess manufactured homes at the lower of current market value as of the lien date or the factored base year value. The assessor has not implemented this recommendation, and, therefore, it is repeated herein.

**RECOMMENDATION 6:** Assess manufactured homes at the lesser of the factored base year value or the current market value, as required by section 5813.

After the initial enrollment, the assessor leaves the assessment of manufactured homes unchanged for a number of years.

Section 5813 provides that the taxable value of a manufactured home should be the lesser of: (1) its factored base year value; (2) its full cash value as of the lien date, considering reductions in value due to damage, destruction, depreciation, obsolescence, or other factors causing a decline in value; or (3) if the manufactured home is damaged or destroyed by a disaster, misfortune, or calamity, its full cash value in its damaged condition shall be its base year value until the manufactured home is restored, repaired, reconstructed, or a new base year is established.

Manufactured homes typically decline in value each year, as evidenced by the data found in *NADA*; thus, the assessor's practice, in most cases, results in overassessments in years subsequent to the initial assessment.

## **Aircraft**

### General Aircraft

General aircraft are privately owned aircraft that are used for pleasure or business but that are not authorized to carry passengers, mail, or freight on a commercial basis (the difference between general aircraft and certificated aircraft is discussed below). Section 5363 requires the assessor to determine the market value of all aircraft according to standards and guidelines prescribed by the BOE. Section 5364 requires the BOE to establish such standards. On January 10, 1997, the BOE approved the *Aircraft Bluebook-Price Digest (Bluebook)* as the primary guide for valuing aircraft, with the *Vref Aircraft Value Reference (Vref)* as an alternative guide for aircraft not listed in the *Bluebook*.

There are general and historical aircraft, but no certificated aircraft in Trinity County. The following table summarizes the number of general aircraft assessed in Trinity County and their corresponding assessed value for recent years:

ROLL YEAR	GENERAL AIRCRAFT	ASSESSED VALUE
2007-08	39	\$1,686,660
2006-07	45	\$2,016,396
2005-06	46	\$1,901,569
2004-05	48	\$1,726,684
2003-04	53	\$1,576,970

Aircraft statements are mailed annually to established owners and to aircraft owners new to the county. Listings of aircraft owners within the county are obtained from Airport Operator Reports, Federal Aviation Administration reports, county referrals, and field canvasses.

An assessment technician is responsible for aircraft statement processing. Upon receipt of completed aircraft statements, the technician processes the statement and derives a value using the *Vref*. Adjustments for overall aircraft condition, airframe hours, engine hours since last major overhaul, and added equipment are properly incorporated into the calculation to determine a market value estimate.

After processing, statements are reviewed by the assessor. We reviewed several aircraft statements for valuation methodology, signatures, and the application of penalties for late-filing or non-filing pursuant to section 5367. During our review of these records, we found a few problems with the aircraft assessment program needing improvement.

**RECOMMENDATION 7:** Use the *Bluebook* and include sales tax as a component of value when appraising aircraft.

We found that the assessor does not use the *Bluebook* as the primary value guide, but uses the *Vref* instead. In addition, we found that the assessor does not add sales tax to the listed aircraft value.

Section 5363 provides that the assessor must adhere to the guidelines prescribed by the BOE when assessing aircraft. Pursuant to this section, the BOE approved the *Bluebook* as the primary guide for valuing aircraft, and approved the *Vref* as an alternate only for aircraft not listed in the *Bluebook*. Additionally, the Assessors' Handbook Section 577, *Assessment of General Aircraft* (AH 577), at page 15, provides that where a value guide is used for a comparative sales approach, sales tax, which is an element of value, should be added to the listed value to arrive at the full cash value for property tax purposes since the guides do not include sales tax in their values.

In using *Vref* as the primary and only value guide, the assessor fails to comply with section 5363 or BOE guidelines. In addition, since sales tax is not included in the assessor's aircraft appraisals, aircraft are being underassessed.

**Historical Aircraft**

Aircraft of historical significance can be exempted from taxation if they meet certain requirements. Section 220.5 defines "aircraft of historical significance" as: (1) an aircraft that is an original, restored, or replica of a heavier than air, powered aircraft 35 years or older; or (2) any aircraft of a type or model of which there are fewer than five such aircraft known to exist worldwide.

The historical aircraft exemption is not automatic. Each year, the owner of a historical aircraft must submit an affidavit on or before 5:00 p.m., February 15<sup>th</sup>, paying a filing fee of \$35 upon the initial application for exemption. Along with these requirements, aircraft of historical significance are exempt only if the following conditions are met: (1) the assessee is an individual owner who does not hold the aircraft primarily for purposes of sale; (2) the assessee does not use the aircraft for commercial purposes or general transportation; and, (3) the aircraft was available for display to the public at least 12 days during the 12-month period immediately preceding the lien date for the year for which exemption is claimed.

There were a total of eight historical aircraft assessed on the 2007-08 roll in Trinity County with a total assessed value of \$383,190. Historical aircraft statements are accepted with properly signed affidavits, and the public display requirement is verified. The assessor receives the affidavits for the exemption of these aircraft on or before the statutory deadline each year. The assessor collects the one-time \$35 application fee with the initial filing. We reviewed several historical aircraft statements and found no problems.

**Vessels**

Assessors must annually appraise all vessels at market value. The primary sources used for the discovery of assessable vessels include reports from the State Department of Motor Vehicles (DMV), referrals from other counties, and information provided by the vessel owners themselves.

The following table summarizes the number and value of vessels in Trinity County over the past five years:

<b>ROLL YEAR</b>	<b>PLESSURE VESSELS</b>	<b>ASSESSED VALUE</b>
2007-08	617	\$4,600,334
2006-07	589	\$3,924,941
2005-06	737	\$5,599,693
2004-05	797	\$6,096,796
2003-04	781	\$5,947,273

An assessment technician is responsible for vessel-related statement processing. After processing, statements are reviewed by the assessor. Trinity County has a large population of houseboats located in various recreational lakes. The assessor's primary discovery sources include DMV reports, marina operator reports, USFS reports, and referrals from other counties.

In certain instances other sources may be used, such as classified advertisements in local newspapers.

The assessor mainly uses the *ABOS Marine Blue Book (ABOS)* and, if needed, the *NADA Marine Appraisal Guides (NADA)* to value vessels. Upon receipt of completed vessel statements, the technician processes the statement and derives a value using one of the published value guides. Adjustments are made to the value indicator for vessel condition, type of motor and motor condition, and accessories.

A comprehensive study was conducted to determine a confident level of depreciation for vessels. The assessor takes *ABOS* values for two consecutive years using average values for 10 to 20 popular models, making a composite percentage average. For vessels not new to the county, the composite average from the study is applied to vessels. The assessor reviews all vessel values established by the assessment technician. During our review of vessel assessment records, we found one area needing improvement.

**RECOMMENDATION 8:** Include sales tax as an element of value when appraising vessels.

In the sample of vessel statements reviewed, we found that no sales tax was added to the indicated value from the value guides.

Pursuant to Assessors' Handbook Section 576, *Assessment of Vessels (AH 576)*, at page 13, when a value guide is used for a comparative sales approach, sales tax, an element of value, should be added to the listed value to arrive at the full cash value for property tax purposes since the guides do not include sales tax in their values. Accordingly, since sales tax is not included in the assessor's values, vessels are being underassessed.

## APPENDIXES

### A. County-Assessed Properties Division Survey Group

#### Trinity County

*Chief*

Dean Kinnee

*Survey Program Director:*

Benjamin Tang

Principal Property Appraiser

*Survey Team Supervisor:*

Sally Boeck

Supervising Property Appraiser

*Survey Team Leader:*

Alan Dannen

Associate Property Auditor-Appraiser

*Survey Team:*

James McCarthy

Senior Petroleum and Mining Engineer

Paula Montez

Associate Auditor-Appraiser

Michael Brennan

Associate Property Appraiser

Bob Marr

Associate Property Appraiser

Chandra Williams

Associate Tax Auditor

Prubjit Singh

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 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 ten 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 ten 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 ten largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) RANDOM SELECTION FOR ASSESSMENT SAMPLING. The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
  - (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
  - (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.

- (3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.

(c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.

(d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

**Rule 371. Significant assessment problems.**

(a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, "significant assessment problems" means procedure(s) in one or more areas of an assessor's assessment operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:

- (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
- (2) the sum of all the differences between the board's appraisals and the assessor's values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor's entire roll, exceeds 7.5 percent of the assessment level required by statute.

(b) For purposes of this regulation, "areas of an assessor's assessment operation" means, but is not limited to, an assessor's programs for:

- (1) Uniformity of treatment for all classes of property.
- (2) Discovering and assessing newly constructed property.
- (3) Discovering and assessing real property that has undergone a change in ownership.
- (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
- (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.

- (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
  - (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
  - (8) Discovering and assessing property that has suffered a decline in value.
  - (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.
- (c) A finding of "significant assessment problems," as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor's practices.

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

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

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



# TRINITY COUNTY

ASSESSOR / CLERK / RECORDER

**DEANNA L. BRADFORD**

P. O. BOX 1255

WEAVERVILLE CA 96093-1255

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RECEIVED

OCT 02 2009

County-Assessed Properties Division  
State Board of Equalization

Dean R. Kinnee  
County Assessed Properties Division  
State Board of Equalization  
P O Box 942879  
Sacramento CA 94279-0062

September 30, 2009

Dear Mr. Kinnee,

In accordance with Section 15645 of the California Government Code, enclosed is the Assessor's response to the recommendations of the Assessment Practices Survey for Trinity County conducted by the State Board of Equalization staff.

Some of the recommendations made in this survey have already been implemented. Others will be as staff and budget permits.

I would like to thank the entire survey team for their constructive recommendations and professional and courteous manners in which the survey was conducted.

Respectfully submitted,

Deanna L. Bradford  
Trinity County Assessor/Clerk/Recorder

**Trinity County Response**  
**Assessment Practices Survey**  
**September 2009**

**Recommendation 1:** Request that the Trinity County Board of Supervisors conform its disaster relief ordinance to the current provisions of section 170

**Response:** We concur and will request our County Counsel to prepare.

**Recommendation 2:** Include all the information required by section 619 on the value notice

**Response:** We concur and revised procedures are presently in place.

**Recommendation 3:** Revise the taxable possessory interest program by: (1) assessing all taxable possessory interests; and (2) using proper valuation procedures

**Response:** (1) & (2) We concur and will implement as staff and budget allow.

**Recommendation 4:** Modify the mining assessment program by: (1) assessing the mineral rights portion of all mining properties; (2) establishing a base year value for unpatented mining claims and enroll the lower of factored base year value or current market value on each lien date; and (3) including the present value of future rental payments to the public owner when developing a value indicator

**Response:** (1) & (2) We concur and will implement as staff and budget allow.

**Recommendation 5:** Use economic life when developing a value indicator for power plants by the income approach

**Response:** We concur and revised procedures are presently in place.

**Recommendation 6:** Assess manufactured homes at the lesser of the factored base year value of the current market value, as required by section 5813

**Response:** We concur and will implement as staff and budget allow.

**Recommendation 7:** Use the Bluebook and include sales tax as a component of value when appraising aircraft

**Response:** We concur and revised procedures are presently in place.

**Recommendation 8:** Include sales tax as an element of value when appraising vessels

**Response:** We concur and revised procedures are presently in place.