



STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
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March 23, 2004

TIMOTHY W. BOYER
Interim Executive Director
No. 2004/018

TO COUNTY ASSESSORS AND INTERESTED PARTIES:

PROPERTY TAX RULE 1045,
ADMINISTRATION OF THE ANNUAL RACEHORSE TAX

Enclosed is a draft of proposed amendments to Property Tax Rule 1045, *Administration of the Annual Racehorse Tax*. The primary purpose for amending Rule 1045 is to raise the threshold dollar amount for mandatory audits of racehorse accounts to conform to the provisions of Revenue and Taxation Code Section 469. In 1983, when the rule was last amended, the "Statement of Reasons" for the requested amendment language provided:

Part (a)(3) of this rule is being amended to increase the mandatory audit level from \$1,000 tax liability to \$2,000. Such limit is being increased to comport with Revenue and Taxation Code Section 469 which now sets an audit limit at \$200,000 thereby resulting in a tax liability level of \$2,000 under a one percent current tax rate liability. Since the audit level expressed for racehorses is in tax liability rather than assessed value, the \$2,000 tax liability expression is used to conform to current statutory mandatory audit level.

Since the current mandatory audit threshold in Section 469 is \$400,000, Rule 1045 should be amended to reflect a tax liability threshold of \$4,000. In addition, various language preferences are suggested, and the portions of the rule regarding the tax collector duties and the auditor duties would be deleted.

Rule 1045 will be scheduled for a public hearing following review of comments received on the proposed revisions to the rule. Suggestions or comments should be submitted by April 2, 2004 to Ms. Sherrie Kinkle, Assessment Policy and Standards Division, at sherrie.kinkle@boe.ca.gov, or (916) 322-2921, Fax (916) 323-8765.

Sincerely

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:sk
Enclosure

State of California
BOARD OF EQUALIZATION
PROPERTY TAX RULES

Chapter 1. State Board of Equalization — Property Tax
Subchapter 12. Miscellaneous

RULE 1045. ADMINISTRATION OF THE ANNUAL RACEHORSE TAX.

Authority Cited: Section 15606, Government Code; and Section 5781, Revenue and Taxation Code.

References: Article XIII, Section 1 and Article XIII A, Section 1, California Constitution.

Sections 93, 435, 469, 5701, 5721, 5765, 5768, 5781, and 5790, Revenue and Taxation Code.

(a) The annual tax imposed by ~~§~~section 5721 of the Revenue and Taxation Code on the privilege of breeding, training, caring for, or racing racehorses in this state shall be administered as provided herein.

~~(a) Assessor's Responsibilities.~~

~~(1)(b)~~ Submission of Forms for Board Approval. (1) Annually, on or before October 15, the assessor shall notify the board, on a form provided by the board;

~~(1)(i)~~ of his the assessor's intent to reproduce (a) the Annual Racehorse Tax Return form (BOE-571-J) and (b) the Annual Report of Boarded Racehorses form (BOE-571-J1) by a photocopy process from the current prototype forms and instructions distributed by the board for use for the succeeding reporting period; or

~~(2)(ii)~~ of the forms and/or instructions which ~~he~~ the assessor will produce by means other than a photocopy of the prototype for use for that period; or

~~(3)(iii)~~ that ~~he~~ the assessor will have no need for the forms.

(2) When filing a notification that ~~he~~ the assessor will use a form and/or instructions which ~~he~~ the assessor will produce by means other than a photocopy of the prototype, ~~he~~ the assessor shall submit to the board in duplicate for approval a draft copy of each ~~such~~ form and/or instructions. The copies shall be submitted together with the board-prescribed property statement forms required to be submitted by ~~section~~ Regulation 171 of this title. The provisions of ~~section~~ Regulation 171 relative to arrangement and variation of content of such property statement forms shall also be applicable to these forms.

~~(2)(c)~~ Distribution of Forms and Retention of Reports. (1) Copies of the forms prescribed by the board for reporting the tax due and for reporting the names of persons whose racehorses are boarded with others shall be furnished by the assessor no later than December 15 prior to the calendar year in which the tax is due by mailing them to persons believed to be required to use them and by making them available at the assessor's office to any person requesting them.

(2) The assessor shall maintain a record of those persons believed to be liable for the annual racehorse tax to whom ~~he~~ the assessor has furnished copies of the forms. A copy of the record shall be delivered to the tax collector within 10 days of the date when copies of the forms are furnished so that the tax collector can be cognizant of the taxpayers who can reasonably be expected to file returns.

(3) The assessor shall retain his a copy of all tax returns filed by taxpayers for a period of five years from the date the returns became due. They shall be arranged or identified so as to indicate whether or not an audit is required under subsection ~~(3)~~ (d) of this ~~rule~~regulation.

~~(3)(d)~~ Audits. (1) The assessor shall audit the tax records relative to his or her county of any racehorse owner who, according to the assessor's records, had a gross tax liability (before addition of any penalties) that exceeds ~~\$2,000~~ \$4,000 for each of four consecutive calendar years. This audit shall be performed within five years of the date on which the annual racehorse tax first became due and shall include, but need not be limited to, a comparison of the annual racehorse tax return with records maintained by the

taxpayer. The assessor, when performing an audit pursuant to this ~~section~~ Regulation of a taxpayer's records of racehorses taxable at a home ranch or other business location, ~~shall may~~ also audit records of the same taxpayer pertaining to ~~(1) personal property taxes and fixtures~~ on property having tax situs at the same location ~~and (2) livestock taxable at the same location.~~

(2) When an assessor schedules an audit of the records of any racehorse owner, whether as part of an audit required by section ~~192 of this title~~ 469 of the Revenue and Taxation Code or independently thereof, ~~he~~ the assessor shall advise the assessor of any other county in which racehorses of ~~this~~ the taxpayer were taxable, as shown in the ~~a~~Annual ~~Racehorse~~ Tax returns Return or in any other source, of the date on which the audit will be performed. Upon completion of the audit, ~~he~~ the assessor shall make that portion of the audit findings relevant to the annual racehorse tax available to ~~any such~~ the assessor of any other county in which racehorses of the taxpayer were taxable.

(3) On discovery that horses escaped taxation, the assessor shall determine whether they were subject to the annual racehorse tax, were subject to the property tax, or were exempt, ~~and, if they were~~ If determined taxable, the assessor shall either provide the tax collector with copies of the audit workpapers so that a determination of additional racehorse tax due can be calculated, or enroll an ad valorem assessment of escaped personal property.

(e) Nothing herein shall be construed to prohibit the assessor from auditing the records of taxpayers for which audits are not required by this ~~rule~~ regulation.

~~(b) Tax Collector. The tax collector shall accept returns and payments, verify the mathematical accuracy of the tax returns, and issue receipts upon request and for all cash payments. He shall forward to the assessor and to the auditor their respective copies of each return within 15 days of receipt.~~

~~The tax collector shall issue bills when his review of the tax return indicates additional tax due or when he has determined that additional tax is due under (a) above. He shall also take such action as is appropriate to insure collection of taxes due his county. He shall inform the auditor and the tax collector of any other county of additional tax found to be due that county.~~

~~(c) Auditor. The auditor will receive his copy of all tax returns filed in his county from the tax collector. He shall within 15 days of receipt transmit, in duplicate, to the auditors of other counties copies of returns which show tax liabilities in their respective counties. He will receive tax returns from the auditors of other counties and, on receipt thereof, shall forward copies of each return to both the assessor and the tax collector.~~

~~The auditor shall use the information on the forms to allocate taxes as prescribed in Section 5790 of the Revenue and Taxation Code. Amounts due to other counties may be forwarded periodically rather than as received, but must under any method chosen be accompanied by information which will enable the auditor of the receiving county to make a proper allocation in his county.~~

~~(d) Claims for Refund. Overpayments of this tax are subject to refund pursuant to the provisions of Chapter 1 of Part 3 of Division 3.6 of Title 1 (commencing with § 900) and Chapter 4 of Division 3 of Title 3 (commencing with § 29700) of the Government Code.~~

History: Adopted October 26, 1972, effective December 1, 1972.
Amended October 18, 1973, effective November 25, 1973.
Amended December 7, 1982, effective March 4, 1983.