




MEMORANDUM

TO: Hon. Antonio Vazquez, Member, Board of Equalization, District 3  
Hon. Ted Gaines, Chairman, Board of Equalization  
Hon. Sally J. Lieber, Vice-Chair, Board of Equalization  
Hon. Mike Schaefer, Member, Board of Equalization, District 4  
Hon. Malia Cohen, California State Controller

FROM: James D. Pasquale, Chairman and President, California Alliance of Taxpayer Advocates  


RE: Assessor and Assessment Appeals Board Issues Board Work Group hearing on April 30, 2025

DATE: April 11, 2025

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This memorandum addresses the California Alliance of Taxpayer Advocates response to the Board of Equalization Work Group established as a forum to address issues with the Assessor and Assessment Appeals Board.

**1. The Assessment Appeals Process: Key Aspects and Administrative Burdens on Local Agencies.**

*1) Delays with Assessment Appeal Resolution*

Assessment appeals include many different types of taxpayer grievances such as assessment versus market value disparity, erroneous re-appraisals, tangible personal property audit results, methodology regarding complex property classes and legal interpretations thereof. Broad property types are residential (single family homes), commercial, and specialty use (or complex) properties. Residential are the least complicated property class because valuation is based on comparable sales data. Assessment appeals for residential properties are often resolved before hearing; if a hearing is needed, those hearings usually last 15 to 30 minutes. All other property classes rely mainly on an income approach or other complex valuation/appraisal methodologies. Delays with appeals predominantly impact commercial and complex properties because assessment appeal hearings for those properties generally take more than one day.

*2) Causes of Delays with Assessment Appeal Resolution*



It has been determined by a survey of practitioners and local assessors that delays are a result of a combination of factors including volume of appeals filed annually, staffing limitations in local assessor's offices, adequate training/support/experience of assessment appeals board members, and information requests and exchanges. In addition to these factors, the waiver of the 2-year statute of limitations (which is intended to bring appeals to hearing within two years of filing) has become the source of delays beyond two years due to all interested parties often agreeing to waive the 2-year limitations period. As a result, over the years unresolved assessment appeals pile-up which increases assessors', assessment appeals boards', and taxpayers' workloads in any given year.

The Great Recession, health crises (COVID-19), and other natural disasters have compounded the delays as resources are stretched for everyone. Appeals comprise only a portion of daily responsibilities for assessor's offices, and so at any given time during a year, assessor resources are redirected to processing of changes in ownership, new construction, annual roll maintenance, and other administrative aspects of assessment management. Appeals are not a year-around priority for assessor's offices, which adds to the delays.

The causes of delays also vary depending on the size (population) of the county.

a) Major Metropolitan Counties, i.e., Los Angeles, San Diego, Riverside

Commercial and complex property appeals that may/will take more than one day are scheduled before the assessment appeals board for one day, perhaps with other cases on the same calendar (such as homeowner cases and other smaller cases). When the hearing on the commercial/complex property case is not completed on the first day, it is continued, usually to an unspecified day three to six months in the future. This occurs because the assessment appeals board hearing the case is already booked several months out. Or it is an in-person hearing, and the in-person hearings are held less frequently (Los Angeles County). Or the assessor's staff is not available for several months. The bottom line, a "one-day case" that should really have had three or more consecutive days set aside for hearing may end up taking 18 to 24 months to reach a decision. The impact of the delays is exacerbated when an assessment appeals board member passes away (which has happened in Los Angeles), retires, or is not re-appointed for another 3-year term.

b) Most other Counties (Smaller)

In most counties, other than the major metropolitan counties, the assessment appeals boards meet infrequently, e.g., only one or two days a month, etc. Scheduling multi-day hearings for commercial and complex properties before these assessment appeals boards has the added complication that board members are not available, or there is no board meeting room available (boards share chambers with the county board of supervisors), or the board clerk is not available (due to other county clerk duties), etc.



### 3) Suggestions for Streamlining the Assessment Appeal Process

We have identified the key aspects causing delays in the assessment appeal process. The final item is to identify ways to streamline the process to improve the timing of resolution of appeals. Based on several surveys by counties, the SBE, and CATA, steps need to be taken to streamline the assessment appeal process in order to shorten the time to resolve appeals. CATA has identified the following ways to streamline the processing of assessment appeals:

#### a) Stricter Adherence to Property Tax Rule 323 (Postponements and Continuances) and Letter to Assessors No. 2020/033 (Postponements and Continuances)

SBE Property Tax Rule 323, which addresses postponements and continuances in assessment appeals board proceedings, was amended in late 2018. The amendments, which became effective January 1, 2020, provided assessment appeals boards with better tools for handling and limiting postponement/continuance requests by both assessors and taxpayers. In addition, and in conjunction with the amendments to Rule 323, the SBE issued Letter to Assessors No. 2020/033 (July 9, 2020) which supplemented Pages 97 and 98 pertaining to postponements and continuances in the SBE's *Assessment Appeals Manual*. LTA No. 2020/033 also discusses tools available to boards for handling postponement and continuance requests. Those tools include:

##### Rule 323 – For postponements (before hearing has commenced);

- Requiring subsequent postponement requests to be in writing
- Requiring “good cause” to be shown for subsequent postponement requests

##### Rule 323 – For continuances (during ongoing hearing);

- Requiring boards to “make every reasonable effort to maintain continuous hearings”
- Requiring continuances to be for no more than 90 days unless the parties stipulate to a longer period
- Allowing continuances for more than 90 days where “reasonable cause” is shown
- Not granting the assessor a continuance after the taxpayer has presented its case
- Not granting the taxpayer a continuance after the assessor has presented its case

##### LTA No. 2020/033:

- Boards should insure “good cause” for postponements and continuances
- Boards should make every reasonable effort “to hold the hearing expeditiously”
- Boards should not grant “serial continuances or postponements” relating to requests for information



- Requests for postponement must be made in writing and good cause shown for the postponement (agreement between the assessor and taxpayer constitutes good cause)
- List of five (5) primary reasons for continuing a hearing (amendment of application; taxpayer provides information requested under R&T Code Section 441(d) during the board hearing; assessor provides information requested under R&T Code Section 408(d) or (e) during the board hearing; after an exchange of information pursuant to R&T Code Section 1606 occurs, a party provides additional information; and board believes it needs further information).

Recommendation: Ensure better training of assessment appeals board members so that the requirements of Rule 323 and the guidance in LTA No. 2020/033 is followed.

b) *Limit Use of Prehearing Conferences to Resolve Compliance with Discovery Disputes under Revenue and Taxation Code Section 441(d)*

In some counties, such as San Francisco, Kern, and Ventura, assessors will request a Prehearing Conference before the assessment appeals board when a taxpayer does not supply the information (or all of the information) the assessor has requested under Section 441(d). The Prehearings are requested under Property Tax Rule 305.2. Rule 305.2(a) permits assessors to request prehearing conferences to determine “the status of ... requests for information.”

The difficulty here arises when assessors ask that Prehearings be continued multiple times after the taxpayer has appeared at a first or second Prehearing and stated the requested information does not exist, or the requested information cannot or will not be supplied, or otherwise does not provide information to the satisfaction of the assessor’s personnel. LTA No. 2020/030 counsels against continuances in such circumstances: “Granting serial continuances ... in such instances could effectively deny an applicant a hearing on the merits of the case.”

Recommendation: Ensure better training of assessment appeals board members so that the requirements of Rule 305.2 and the guidance in LTA No. 2020/033 are followed.

c) *Consider Use of Docketing Systems to Track Status of Appeals, Promote Earlier Valuation Hearings, and Address Needs of Commercial and Complex Appeals*

Superior Courts use docketing systems to track the status of cases. This allows the courts to keep cases on track toward trial by scheduling case management (or status) conferences, trial-setting conferences, and trials.

The same type of docketing systems could be adopted for use by assessment appeals boards in counties which have large volumes of appeals, including commercial and complex property appeals. Once an assessment appeal application has been released for scheduling of a valuation hearing, the assessment appeals board clerk could schedule (docket) a status hearing date and an



anticipated valuation hearing date. At the status hearing (which would be a Prehearing Conference under Rule 305.2 and could be optional), the board could set (or confirm) a valuation hearing date or dates agreeable to the parties.

Use of docketing procedures would put more attention on appeal workflow by all concerned parties. It would also promote assessor/taxpayer dialogue before valuation hearings occur. The question of whether to follow this procedure might depend on the issue(s) to be presented to the board and the type of property at issue. But such information is currently available on assessment appeal applications. Adopting the “docketing” procedure would allow taxpayers who need better control of scheduling to obtain earlier hearing dates, and hearing dates that are suitable to the needs of their specific case.

The Los Angeles assessment appeals board has implemented a form of docketing system which is available online. That system has improved the processing of appeals by managing the appeal data more efficiently (e.g., appeal status, scheduled hearings). While there is always room for improvement, Los Angeles’ system is currently the “standard” for other counties to follow in addressing delays within their own assessment appeal processes.

Recommendation: Consider acquiring, setting up, and using case docketing systems that allow for tracking of cases and earlier scheduling of status hearings, prehearings, and valuation hearings.

*d) Adopt Property Tax Rules Relating to Procedures for Large / High-Value Commercial Property and Complex Property Appeals*

Assessment appeals boards in some counties, such as Santa Barbara and Merced, have adopted local board rules for the processing of assessment appeals for large/high-value and complex properties. These rules remove large/high-value and complex property appeals from other appeals, thereby avoiding the problems caused by the “one-size-fits-all” processes used for most appeals (processes which are more tailored to homeowner and smaller property appeals). Putting large/high-value and complex property appeals on a separate track keeps such appeals from “clogging up” the processing of homeowner and smaller property appeals which take much less time for hearing.

The rules for large/high-value and complex property appeals adopted in some counties establish not only the manner in which such appeals are to be tried during the board hearing, but also regulate how such appeals are scheduled and prepared for valuation hearings. A review of the assessment appeals board rules for California’s 58 counties would show which counties have rules for large/high-value and complex properties appeals. Such rules could serve as a model for rules the SBE could adopt for use with such appeals statewide.

Recommendation: Study large/high-value and complex property appeal rules of selected California assessment appeals boards and adopt such rules as part of Title 18 of the California Code of Regulations (in addition to Property Tax Rules 301-326). Or, alternatively, include such



large/high-value and complex property rules in guidance materials issued by the SBE such as a Letter to Assessors, a “Guidelines” document, or the *Assessment Appeals Manual*.

## **2. The Property Tax Refund Process: Key Aspects and Administrative Burdens on Local Agencies.**

*We propose updating the California State Controller’s County Tax Collectors’ Reference Manual to address this issue. Alternatively, we propose a legislative solution to resolve this issue. Summaries of these options are outlined below. For the legislative solution, a fact sheet and draft bill language are included as Addendum 1 and 2 at the bottom of this memorandum (Pages 15-20).*

### *1) Summary of Issue*

Currently, taxpayers throughout the state are experiencing delays of 6 to 12 months or more in receiving refunds of property taxes even after the Assessor has enrolled or Assessment Appeals Board (AAB) has processed a reduction of assessed value. There is no penalty for this delay, although interest continues to accrue until the refunds are paid to the taxpayer, which costs counties more in interest payments. Taxpayers are required to pay their property tax bills on time; counties should reciprocate by paying property tax refunds owed to taxpayers within a reasonable timeframe.

The issue with delayed property tax refunds is so significant that California's Auditor-Controllers (A-Cs) sponsored a bill in 2024 (AB 3134) to terminate interest on property tax refunds in certain situations, including when an A-C takes more than 90 days to release a refund. Fortunately, during the last week of the legislative session, the A-Cs accepted amendments by taxpayer groups to remove the harmful provisions that would have terminated interest. Such amendment was appropriate given the significant penalties property taxpayers incur for not timely paying property taxes: (a) a delinquency penalty of 10% of the installment due for failure to timely pay; and (b) if the property tax assessment remains unpaid at the beginning of the next fiscal year (July 1), an additional penalty equal to one and one-half percent per month (18% per year) until the tax is paid.

### *2) Solution #1: Update State Controller’s Manual to Include Timely Refund Requirements*

The *County Tax Collectors’ Reference Manual*, which is issued by the California State Controller’s Office, addresses issues relating to property tax refunds. Chapter 1000 of the *Manual* (updated 10/2019) addresses “Secured Tax Collections.” ([County Tax Collector's Reference Manual - Chapter 1000: Secured Tax Collections.](#)) Chapter 2000 of the *Manual* (updated 8/2019) addresses “Unsecured Tax Collections.” ([County Tax Collectors' Reference Manual - Chapter 2000: Unsecured Tax Collections.](#)) Both Chapter 1000 and Chapter 2000 contains specific sections relating to property tax refunds.



Chapter 1000 of the *Manual* (Secured Tax Collections) discusses the following topics relating to property tax refunds:

- Refunds: General Requirements
- Refunds: Types Permissible
- Refunds: Permissible Requirements to Initiate
- Refunds: Alternative Procedures

These topics are also discussed in Chapter 2000 of the *Manual*, but in less detail. The *Manual* summarizes both the law and policies relating to the handling of property tax refunds. The pertinent sections also address the actions that different county officials (assessors, auditor-controllers, and tax collectors) are to take in processing property tax refunds.

In order to ensure timely processing and payment of property tax refunds on secured property tax assessments, the following provisions should be added to Chapter 1000 of the *Manual*:

In Section 1601. BY TAX COLLECTOR OR AUDITOR, at the top of Page 49 of Chapter 1000, there is a sentence that reads “All other refunds are made after approval by the board of supervisors (§5096-§5097).” The following language should be added after that sentence (as part of the same paragraph):

“The tax collector or auditor should enroll corrected assessed values, as approved by the board of supervisors (or county assessment appeals board if applicable), within thirty (30) days of the date of the board’s decision (§1614). The tax collector or auditor should release property tax refunds resulting from enrollment of corrected assessed values within thirty (30) days of the date the corrected assessed values are placed on the assessment roll.”

In Section 1624. TIME LIMITATIONS, on Page 52 of Chapter 1000, add the following language at the end of Section 1624 (as a separate paragraph):

“The tax collector or auditor should enroll corrected assessed values, as approved by the board of supervisors (or county assessment appeals board if applicable), within thirty (30) days of the date of the board’s decision (§1614). The tax collector or auditor should release property tax refunds resulting from enrollment of corrected assessed values within thirty (30) days of the date the corrected assessed values are placed on the assessment roll.”

In order to ensure timely processing and payment of property tax refunds on unsecured property tax assessments, the following provisions should be added to Chapter 2000 of the *Manual*:

In Section 2173. TIME LIMITATIONS, on Page 24 of Chapter 2000, add the following language at the end of Section 2173 (as a separate paragraph):



“The tax collector or auditor should enroll corrected assessed values, as approved by the board of supervisors (or county assessment appeals board if applicable), within thirty (30) days of the date of the board’s decision (§1614). The tax collector or auditor should release property tax refunds resulting from enrollment of corrected assessed values within thirty (30) days of the date the corrected assessed values are placed on the assessment roll.”

### *3) Solution #2: Adopt Legislation Mandating Timely Refund Requirements*

As an alternative to updating the State Controller’s *County Tax Collectors’ Reference Manual*, legislation should be adopted that mandates deadlines for enrolling stipulations and all other AAB decisions relating to assessment reductions (that result in property tax refunds). County officials should be required to correct the rolls within 30 days from the date of the AAB decision. To effect this change, AAB decisions will need to be transmitted to A-Cs more frequently than the statutory deadline of the second Monday of each month (as required by Revenue and Taxation Code Section 1614). Some counties are taking up to six months or longer to correct the rolls after receiving AAB decisions. When there are value reductions, these delays can be devastating for taxpayers, who must continue to receive their tax bills based on the old, higher values. Delays in processing refunds also increases the amount of interest that counties must pay when refunds are eventually issued.

The proposed legislation should not only establish enrollment deadlines but should also mandate the refund deadlines for stipulations and all other AAB decisions that result in property tax refunds. A-Cs should be required to release refunds within 30 days from the enrollment date. Currently, there are delays of 6 to 12 months and longer after a reduction of assessed value has been enrolled. There is no penalty for this delay, but interest continues to accrue during the delay, which costs counties higher interest payments. As stated previously, taxpayers are required to pay their property tax bills on time. By the same token, county officials should be required to pay property tax refunds to taxpayers within a reasonable timeframe.

### **3. Impediments to Incorporating Technology in Small-, Medium-, and Large-Sized Counties.**

#### *1) This issue applies to Real Property and Personal Property.*

With Real Property, this issue crops up with Letters of Authorization and/or Appeal Applications. While it is an issue with real property, personal property is a much larger issue with larger consequences.

We are running into counties in northern California that are applying 10% penalties to returns filed without a wet signature. Our understanding is the primary argument from the Assessors with regard to electronic or facsimile signatures is a concern with signature verification. I





believe the Assessor can request the BOE's blessing for a specific process, but many counties appear not to use that option.

A part of the problem is we do not have a list of the counties that require a wet signature and under what circumstances. This was an issue that was brought up in the past but appears to have not been resolved.

AB 1879 appears to be a small step in the direction of correcting this, but only addresses a portion of the problem. To discuss further solutions, the current state of personal property filing needs to be understood.

### *2) Current state*

There are two primary systems for efilings in CA – SDR/eSDR and Megabyte. The SDR/eSDR system is a statewide system that was created by the assessors some time ago. SDR is a batch system that allows multiple returns to be filed at once and requires that the returns be in XML format. eSDR is an individual return system that lets you file a single return directly online. Megabyte is a private company that offers a system similar to eSDR for single returns. When using eSDR or Megabyte, it can be a cumbersome process as you must do one return at a time. 37 of the 58 counties have opted in to the SDR system, of those, 21 have opted into the eSDR system and 21 have neither. Of the last 21, 18 use the Megabyte system and 3, Colusa, Inyo and Santa Cruz have no efilings at all.

One of the issues that leads to the electronic signature issue is the eSDR and Megabyte systems are extremely cumbersome to use. It ends up being much easier to simply do everything on paper. When paper filing is used, the wet signature issue crops up.

### *3) Examples*

A 1602(c) 2-year statute waiver submitted by a taxpayer in Orange County was rejected due to an electronic signature. Orange County and Santa Clara are large counties that appear to be strict with wet signatures.

The biggest issue is that some counties are issuing 10% penalties when a properly completed and timely submitted 571L paper filing is submitted without a wet signature. Shasta will impose the penalty if it cannot be corrected before the filing deadline. This means that if a taxpayer submits the filing on the deadline, there is no opportunity to correct it and a 10% penalty is applied (If submitted early, they will return and offer an opportunity for it to be corrected). We are familiar with an instance in which this occurred – in this instance, the taxpayer was able to eventually abate the penalty, but there is certainly no guarantee of that.

Of the 58 counties, it appears only 37 have opted in to the SDR system for batch filing large volumes of returns. That leaves 21 counties where they need to be filed one at a time. In addition, when a taxpayer has locations across a large number of counties, because some are SDR and some are not, it ends up being more efficient to simply do them all by paper greatly reducing the usefulness of the SDR system. As noted earlier, the eSDR and Megabyte systems



are quite cumbersome, making paper filing the more efficient option. Most of the filers I spoke with primarily use paper filing overall as it does not make sense to use multiple systems to file.

#### *4) Solutions*

The first, easiest and most immediate solution is for the BOE to compile and publish a public list of counties that require wet signatures and/or list the options for signature under the different conditions. This will help mitigate the issue until a more satisfactory solution is implemented.

AB 1879 attempted to address the issue of electronic signatures. It requires any county that allows e-filing to allow electronic signatures on the e-filed applications. Unfortunately, due to the issues noted above, this ends up only addressing a very small slice of the problem.

More complete solutions:

One solution that would mitigate much of the issues is to get more counties on to the state based SDR system. Currently there are 37 counties that have opted in to this system.

- i. BOE staff would need to research what the issues are, and specifically budgetary issues that are preventing counties from opting in to this system. It does not appear on the surface to be too heavy a lift – the system is built; they simply need to opt-in.
- ii. Not sure of the time commitment for this. I believe it would require a survey of the counties.
- iii. I don't believe there is a funding requirement other than implementing the survey. The survey results would dictate if/what the funding requirements for the counties would be.

On the other side of the equation, the eSDR/Megabyte single filing system should be upgraded and made more efficient. This would be a heavier lift.

- i. This would require rewriting the eSDR code and/or finding a system that is better.
- ii. This would require substantial resources of the BOE and possibly the CAA.
- iii. I do not have an estimate of the funding requirement for this. This would likely be considered a stretch goal.



Combining the 2 issues above, what would make the biggest difference is to have one complete system that would handle all filing. This would push most filers to use this system which would be most efficient. The work, time and resources noted above would apply here.

The above solutions are focused on minimizing the electronic signature issue to begin with. The more direct and complete solution with regard specifically to the electronic signature issue is to mitigate the issue with signature verification. Per a BOE response to a Request for Opinion – Use of Electronic Signatures on Assessment Appeal Applications issued December 8, 2000, the BOE noted:

*The use of a digital signature shall have the same force and effect as the use of a manual signature if and only if it embodies all of the following attributes:*

- (1) It is unique to the person using it*
- (2) It is capable of verification*
- (3) It is under the sole control of the person using it*
- (4) It is linked to data in such a manner that if the data are changed, the digital signature is invalidated.*
- (5) It conforms to regulations adopted by the Secretary of State*

The key here appears to be number (2):

- (2) It is capable of verification*

In speaking with one county, the issue with electronic signatures is whether it is verified. I believe that is likely the issue in the majority of counties that are currently requiring wet signatures.

There may be a very simple solution to this. Like financial institutions, a signature card on file should be all that is needed to verify a signature. This could be done at the county level, though a better solution would be to have this done at the state level. The BOE could promulgate a system of having taxpayers sign a signature verification card and maintain it at the state level. The signature card would have the digital/facsimile signature used by the taxpayer/agent with a wet signature.

- i. If done at the BOE level, BOE staff would need to setup the system, process the cards and maintain the records. If done on a county level, the same requirements would be needed of the assessor. It should be noted there would be time and cost savings to the assessor as there would be less work done in verifying signatures individually.
- ii. BOE staff would need to comment on the time this would take to implement and maintain.



- iii. BOE staff would need to comment on the funding needed to accomplish this.

One important thing to keep in mind is that AB1879 authorizes the county to “require payment of a fee to cover the costs associated with accepting the electronic signature”. This should eliminate any budgetary considerations.

This would eliminate work for both the taxpayer and the assessor. The assessor would spend less time and resources asking for wet signatures on each individual filing and/or the need for hearings after the fact by taxpayers asking for an abatement.

One of the most important issues that should be addressed is the 10% penalty on filing when completed and submitted timely. It should be noted that it is standard practice among the Clerks of the Boards throughout the state to offer the opportunity to correct an application that has an error on it (including signature issues). This is routinely done after the deadline, so long as the application was filed by the deadline. There should not be any reason 571Ls are different. A 10% penalty is a very stiff penalty for a very minimal clerical issue when all the substantive requirements were met.

#### **4. Proposition 19 Challenges: Administrative Burdens and Implementation Questions.**

*1) Technical issues processing, administrating and monitoring of Proposition 19 Claims.* Technical issues include processing, administrating and monitoring Proposition 19 claims. The main technical issue is that a part of Proposition 19 allows for heirs of a parent’s single family primary residence to claim the same Proposition 13 factored base year up to \$1,000,000 in value with inflation adjustments continuing for as long as the inherited property remains a primary residence. There is a loss of the parent’s Proposition 13 basis if at any time the subject residence is no longer a primary residence. In this instance, a taxpayer no longer claims property as primary residence, they lose the benefit of parent’s basis reverting the assessment to the market value when last transferred plus statutory inflation factoring. This means assessors must maintain the reappraised Proposition 13 factored basis, at the time of transfer, while also maintaining any exemptions granted to an heir as a primary residence. Essentially, this requires assessors to manage the status of inherited property relative to occupancy.

##### *1a) Solutions:*

Unclear at this time how assessors will manage the change in status over time. Current solutions in place include requirement by taxpayers to complete annually the “Homeowner’s Exemption” form, which is an affidavit claiming a property is used as a primary residence. Most taxpayers do not understand the significance of the “Homeowner’s Exemption” even before Proposition 19 came about. It is critical to provide better direction from assessors, State Board of Equalization and direct mailers explaining the significance front and center of the form. A simple header with a mailer to taxpayers annually that could help bring attention to the importance of



completing a “Homeowner’s Exemption” Claim. It can simply say in bold, “You May Be Reappraised If Form Is Not Returned”.

*2) Education for taxpayers to reduce confusion.*

Informing the public is one of the most difficult because most taxpayers do not pay attention to such things until it is specifically impacting them. However, it remains the responsibility of assessors to include notices with every possible mailer.

*2a) Solutions:*

Annual notices, tax bills and other correspondence should include informational pages specific to “Homeowner Exemption” and the importance for Proposition 19 claims whether pertaining to inherited property or senior base year replacement property. Taxpayers must be made aware the Homeowner’s Exemption Form is impactful as to preventing reappraisal of property.

In addition, the legal community must be made aware of the impacts of Proposition 19 with respect to estate planning. Assessor and State Board notices about the program should be part of the notification system in place such as legislative updates.

If there is consistent notification to taxpayers through a number of channels like annual value notices, homeowner exemption mailers, and tax bills, taxpayers will become more informed about the process and reasons for requiring the submission of certain annual forms like the homeowner’s exemption. There are a number of phrases that can be included to grab the attention of the taxpayers relative to information about Proposition 19.

*3) Reduce or manage assessor administrative burdens.*

This area includes both public awareness and administrating the Proposition 19 program. The public awareness aspect may be handled through existing mailers which is used frequently by assessors for many areas of educating the taxpayer. The more difficult aspect is administrating the program. Monitoring when a taxpayer no longer resides as “primary residence” leaves counties with the responsibility to determine status of property.

*3a) Solutions:*

From an assessor standpoint, in place today is the “Homeowner’s Exemption” program which is not really something many homeowners pay attention. Increased awareness with specific language tying the exemption to Proposition 19 with annual exemption forms will start to raise awareness. Counties can also utilize other standard mailers to include informational literature with notices, tax bills or other forms of mailing done routinely – clerk recorder deed program. The deed program is done to prevent fraud so including information about Proposition 19, “Homeowner’s Exemption and importance to file forms.

From the SBOE standpoint, focused information on website will help get the message to taxpayers. Also, providing continued system support, education and training to assessors is critical in the success of managing Prop 13 base year reappraisal vs Prop 19 exclusion as the use of inherited property changes over the ownership thereof.



From the practitioner standpoint, the legal community can hold seminars for estate planning, issue newsletters and provide taxpayers informational guidance on Prop 19 impact. The planning stages before an event triggers Prop 19, will ensure taxpayers are more than prepared to deal with the result.

All of these mechanisms are already in place with counties, state and private sector, and so the additional cost or burden should be minimal.



## ADDENDUM 1

### **Draft Fact Sheet - Legislation to Resolve Delays in Refunds to Property Taxpayers**

#### **Summary**

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Currently, taxpayers throughout the state are experiencing delays of 6 to 12 months or more in receiving refunds of property tax even after the Assessor has enrolled or Assessment Appeals Board (AAB) has processed a reduction of assessed value. There is no penalty for this delay, but interest continues to accrue until the funds are paid to the taxpayer, which costs counties higher interest payments. Taxpayers are required to pay their bills on time, and they expect their refunds within a reasonable timeframe.

The issue with delayed property tax refunds is so significant that California's Auditor-Controllers (A-Cs) sponsored a bill in 2024 (AB 3134) to terminate interest on property tax refunds in certain situations, including when an A-C takes more than 90 days to release a refund. Fortunately, during the last week of the legislative session, the A-Cs accepted amendments by taxpayer groups to remove the harmful provisions that would have terminated interest.

On the other hand, if a property taxpayer fails to pay the assessed property tax in a timely manner, the most common penalty for late payment of secured property taxes is 10% of the installment amount due. If the second installment is late, an additional \$10.00 cost is added per state law. If the payment is still outstanding by the beginning of the next fiscal year (July 1), then a one and one-half percent per month penalty begins to accrue until paid.

This measure seeks to apply a similar penalty to counties that fail to pay property tax refunds within 60 days of an AAB's "Notice of Board of Action" (NOBA) on other notice of changed assessment, negative supplemental assessment, or similar notice requiring a refund.

#### **Background**

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Generally, tax collectors administer the billing and collections process for property taxes. However, when

an AAB or the assessor makes a change to the assessed value on the property tax roll, they notify both the taxpayer and the auditor, who then recalculates the value. The auditor then reconciles the taxpayer's recalculated tax with the tax collector to determine if the taxpayer has a liability or is entitled to a refund. If the taxpayer has filed a claim for refund, the auditor must process a refund. In other circumstances, the auditor must notify a taxpayer in writing when a roll correction results in a refund. The notice must state the taxpayer is entitled to a refund and that they must file a refund claim within 60 days of the date of the notice.



Currently, taxpayers, or their guardians, executors, trustees, or administrators can generally file a claim for refund within four years after making the payment, with some different periods for overpayments, assessment appeals, and claims for the disabled veterans' exemption, among others. If the county denies the refund claim, the person who paid the tax may bring an action only in the Superior Court to recover the tax.

### **Existing Law**

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Section 32 of Article XIII of the California Constitution directs the Legislature to create a process for taxpayers to recover illegally assessed taxes, with interest. State law allows counties to issue refunds of property taxes that are:

- Paid more than once;
- Collected, assessed, or levied erroneously or illegally;
- Paid on an assessment in excess of the amount owed by reason of the assessor's clerical error, or excessive or improper assessments attributable to erroneous property information supplied by the taxpayer;
- Paid on an assessment of improvements when the improvements did not exist on the lien date; or
- Paid on an assessment in excess of the value of the property, including pursuant to a determination by the county assessment appeals board.

(Amended by Stats. 2011, Ch. 352, Sec. 10. (SB 948) Effective January 1, 2012.)

In 1995, the Legislature allowed a refund to be paid to the recorded owner of a property in specified circumstances rather than to the person who actually paid the tax, in response to a high volume of property tax appeals due to a declining real estate market. This was only permitted in cases where the property had not changed ownership and the refund was less than \$5,000 (AB 2975, Granlund). In 2018, the Legislature allowed auditors to generally pay refunds without a claim if the property had not changed ownership, the refunds was less than \$5,000, and the board of supervisors adopts a resolution or ordinance making this process operative (SB 1248, Gaines).

Interest calculation. Counties must pay interest at the greater of 3% or the county pool apportioned rate on refunds in specified circumstances. The date interest begins to accrue varies based on the event that triggers the refund:

- The date the taxes were paid when a taxpayer wins their appeal, or the assessor or auditor makes a roll correction;
- The date the deed is recorded when the property is acquired by an agency through eminent domain; or





- The date the claim for refund is filed, or the date the taxes are paid, whichever is later, for other cases.

Computation of interest ceases as of a date within 30 days of when the refund payment is mailed or personally delivered.

### **Problems with Getting Property Tax Refunds to Property Taxpayers**

According to the California Association of State Auditors, the reason they sponsored AB 3134 (Chen) — which included a proposed provision to terminate property tax refund interest “if the county auditor fail[ed] to issue the refund within 90 days from receipt of a duly submitted claim for refund” — was because they cannot get the refunds out on time and it is costing the counties too much in interest.

In addition, the California Association of State Auditors made it clear that many of the A-Cs in the state incorrectly believe that a refund claim form is required even if the box is checked on the BOE-issued form.

To combat this problem, Los Angeles County put together a Property Tax Modernization Task Force. A few significant issues with property tax refund processing were identified by the LA County Property Tax Modernization Task Force — such as incorrect addresses, payor identification problems, and proof of payment discrepancies.

For example, in Los Angeles County, during FYs 2021-22 and 2022-23, the AAB transmitted to the Assessor and A-C a series of NOBAs relating to 63,460 parcels (51,711 secured parcels and 11,749 unsecured parcels). Of the secured parcels, 9,796 (19%) resulted in refunds. Unsecured parcels resulted in 5,926 (50%) refunds.

In Los Angeles County, after the issuance of a NOBA, the Assessor and A-C are responsible for several interim steps to issue secured refunds, while the A-C is fully responsible for issuing unsecured refunds.

The average timeframe to process the refund after receiving the NOBA varies based on the following distinct categories for secured (e.g., real property, land, buildings) or unsecured (e.g., business equipment, boats) refunds:

- Secured Automated Refunds – **Approximately six months**
- Secured Automated Refunds Beyond the Statute of Limitations – **Approximately eight months**
- Secured Delinquent Refunds – **Approximately 11 months**
- Secured Manual Refunds – **Approximately 10 months**



- Unsecured Refunds – **Approximately four months**

The average timeframe to process the refund after receiving the NOBA varies based on specific case types and billing issues:

- Refunds resulting from district single-issue Decline-in-Value cases not requiring manual processing – **Approximately five months**
- Base-year cases, multiple issue cases, complex commercial, and refunds that require manual processing – **Approximately seven months**
- Statute of Limitation cases that are four to eight years old – **Approximately nine months**

The above examples above, although from Los Angeles County, are not unique to a single county. Rather they exist in many counties around the state.

Another major contributing factor of refund delays occurs when the property owner successfully appeals, and designates the Application for Changed Assessment as a “Claim for Refund”, the auditor-controller or tax collector, dependent on jurisdiction, issues the refund to the processor of the initial tax payment, but not to the taxpayer who filed the appeal as a “Claim for Refund”. In this instance, the taxpayer who filed the appeal, Application for Changed Assessment, and designates the Application for Changed Assessment a “Claim for Refund”, the resultant refund should be issued to the taxpayer no matter the amount.

For example, if a taxpayer who pays their taxes through an escrow account successfully appealed and was due a refund, the refund often gets sent to the escrow agent. Upon receipt, the escrow agent has no context or understanding of the appeal, since they are not a party to the appeal, or what they just received is a result of the taxpayer pursuing the appeal, and it often goes ignored and the payment goes stale.

After this, the taxpayer has to go through the ministerial processes of getting a check reissued to them, which can take upwards of a year.

Statutory changes to the Revenue and Taxation Code should be made that can alleviate these problems and ensure that property owners get timely refunds.

### **Solution**

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1. Mandate enrollment deadlines for stipulations and all other AAB decisions. County officials should be required to correct the rolls within 30 days from the date of the AAB decision. To effect this change, AAB decisions will need to be transmitted to the A-C more frequently than the statutory deadline of the second Monday of each month. Some counties are taking up to six months or longer to correct the rolls after receiving AAB



transmits. For value reductions, these delays can be devastating for taxpayers, as they continue to receive their tax bills based on the old, higher values. It also means that the counties must pay more in interest on the refunds.

2. Mandate refund deadlines for stipulations and all other AAB decisions. A-Cs should be required to release refunds within 30 days from the enrollment date. Currently, there are delays of 6 to 12 months and longer after a reduction of assessed value has been enrolled. There is no penalty for this delay, but interest continues to accrue during the delay, which costs counties higher interest payments. Taxpayers are required to pay their bills on time, and they expect their refunds within a reasonable timeframe.



## ADDENDUM 2

5104. Any refund of taxes or assessments authorized pursuant to this article as a result of a reduction in the value of taxable property or as the result of corrections to the roll or cancellations after taxes or assessments were paid, shall be paid to the ~~latest recorded owner of that property as shown on the tax roll, rather than to the individual or entity who paid the amount of tax or assessment to be refunded.~~ applicant that lodged an applicant for assessment appeal filed pursuant to sections 1604, et seq., in the following circumstances:

- (a) *The applicant is the sole owner of the property as shown on the tax roll for the period to which the refund applies,*
- (b) *The applicant is among the owners of the property as shown on the tax roll for the period to which the tax refund applies,*
- (c) *The applicant is the beneficial owner under a lease of the property as shown on the tax roll for the period to which the refund applies,*
- (d) *The applicant is the holder of a taxable possessory interest as shown on the tax roll for the period to which the refund applies,*
- (e) *The applicant is a life tenant in the property as shown on the tax roll for the period to which the tax refund applies,*
- (f) *The applicant is a spouse of the sole owner of the property as shown on the tax roll for the period to which the refund applies,*
- (g) *The applicant is the conservator, trustee, or representative of the owner of the property as shown on the tax roll for the period to which the refund applies.*

5097.4. (a) Notwithstanding subdivision (a) of Section 5097, the county assessment appeals board shall issue a refund decision, in connection with a correction to the roll that lowers tax liability, within 30 days of receiving an assessee's claim pursuant to Sections 4836 and 5097.

(b) (1) Notwithstanding subdivisions (c) and (e) of Section 5097.2, if the county assessment appeals board orders a refund, that refund payment shall be paid to the latest recorded owner of that property as shown on the tax roll as defined by Section 5104, rather than to the individual or entity who paid the amount of tax or assessment to be refunded, and shall be paid within 60 days of the order.

(2) If a refund is not paid by the county by the 60-day deadline under paragraph (1), the refund amount due to the taxpayer shall increase by 10 percent. Any refund that remains unpaid after the county misses the 60-day deadline, including the 10 percent increase, shall accrue interest at 1.5 percent each month until the full amount is paid to the taxpayer or assessee.

SEC. 3. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.