



To: All Members/State Board of Equalization

From: CATA/James R. DePasquale, Chair & President

Re: 2026 Intangible Work Group, Public Hearing June 25, 2026

Dear Honorable Members of the Board,

Today, we are addressing an important issue regarding **the treatment of intangibles in property assessment**, and why updates to the Assessor Handbook and related processes are necessary.

At its core, this issue centers on **inconsistency, lack of transparency, and gaps** in current procedures when it comes to recognizing and valuing intangible assets in property transfers or annual assessments.

Overview of the Problem

Issue 1: Lack of Uniformity Across Counties

First, there is no consistent approach among counties in how intangibles are recognized or treated.

Some assessors have informal or “unspoken” processes for handling intangible value, while others take the position that intangibles should not be recognized at all.



Even within the same county, there can be conflicting interpretations. For example, an appraiser may attempt to quantify intangible assets collaboratively with taxpayers, only for that work to be rejected at a supervisory level.

In some cases, policies effectively force disputes forward—for instance, limiting reductions and requiring escalation to the Assessment Appeals Board. Often, Assessors will not grant reductions that exceed a certain percentage forcing the issue to the AAB. If a valuation is supported by the data/evidence presented, there should be no threshold of value for resolving the matter on its evidence/merits.

The result is a system where outcomes depend more on location and personnel than on consistent standards, which undermines fairness and predictability.

Issue 2: Gaps in Reporting Forms and Initial Data Collection

Second, the issue begins at the front end of the assessment process.

Key forms such as:

- Preliminary Change in Ownership Reports (PCOR),
- Change in Ownership Statements (COS), and
- 441(d) questionnaires

These statutory forms do not request any information about intangible assets.

Currently, these forms only include a limited prompt regarding personal property value, with no requirement to identify, allocate, or document intangible components of a transaction/or annual valuation.

This creates a systemic problem whereby Assessors are expected to determine the taxable value under Proposition 13 without a complete picture of what was actually purchased or subsumed in the annual determination of assessment i.e.,



Assessors merely push the inflation button without regard for the nuance of inclusion of business value, goodwill, or other intangible elements.

As a result, intangibles are often overlooked at the outset, continuing in annual assessments and leading to inaccuracies that must be corrected through appeals or, the court system.

Issue 3: Challenges at the Assessment Appeals Board Level

Third, there is a knowledge gap at the Assessment Appeals Board level.

Many administrative boards are not fully familiar with:

- Intangible asset concepts,
- Accepted valuation methodologies, or
- The legal and transactional structures behind these assets.

Because of this, outcomes can vary significantly from case to case. For example, in same county, the outcome can vary whereby one AAB determines in favor of the taxpayer; another AAB in the same county denies. I have personally been in front of AABs that categorically denied the existence of intangibles resulting in litigation that ultimately remanded the matter to the AAB for proper treatment. In both instances, we prevailed but not without great legal expense to the taxpayer.

This inconsistency often forces taxpayers into costly and time-consuming litigation to resolve disputes that could have been addressed earlier in the process. We are at a point where the issue should not be a question of whether it exists or not, but more specifically should be about the value attributable to the intangibles/nontaxable components. If reasonable data, and evidence is presented, it should not be presumed the assessor is correct when they themselves have presented no evidence.

Recommended Solution

To address these issues, a structured and practical solution is proposed.



First, the BOE should update standard forms—PCOR, COS, and 441(d)—to include:

- A dedicated section for intangibles,
- Value allocation details, and
- Relevant transactional and cash flow information.

Second, assessors should be required to consider all elements of a transaction/value, including both taxable and non-taxable components, when determining assessed value.

Third, taxpayers should provide documented evidence supporting any claimed intangible value or allocation.

Finally, once sufficient documentation is provided, the burden of proof should shift to the assessor, consistent with case law such as *Westin St. Francis v. City and County of San Francisco*.

In Summary

The current system lacks consistency, clarity, and completeness in how it treats intangible assets.

By improving forms, data collection, standardizing practices across counties, and ensuring informed decision-making, we can create a more fair, transparent, and efficient assessment process for all concerned.

Respectfully,

A handwritten signature in blue ink, appearing to read "James R. DePasquale".

James R. DePasquale, Chair/President
California Alliance of Taxpayer Advocates (CATA)