



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
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September 14, 2007

To Interested Parties:

**Notice of Proposed Regulatory Action
By the
State Board of Equalization**

**Proposed to Adopt Property Tax Rule 101, *Board-Prescribed Exemption Forms*, and
Property Tax Rule 171, *Board-Prescribed Forms for Property Statements***

NOTICE IS HEREBY GIVEN:

The State Board of Equalization (Board), pursuant to the authority under Government Code section 15606 and Revenue and Taxation Code sections 251 and 452, proposes to adopt amendments to California Code of Regulations, Title 18, section 101, *Board-Prescribed Exemption Forms*, and section 171, *Board-Prescribed Forms for Property Statements* (Property Tax Rules 101 and 171, respectively). A public hearing on the proposed amendments will be held in room 121, 450 N Street, Sacramento, at 9:30 a.m., or as soon thereafter as the matter may be heard, on Thursday, November 15, 2007. Any interested person may present statements or arguments orally or in writing at that time and place. Written statements or arguments will be considered by the board if received by the time of the November 15, 2007, hearing.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Under existing law, all tangible property, including real and personal, is subject to property tax. (Cal. Const. art. XIII, §1.) In response to alleged widespread fraud in the assessment of property taxes within county assessors' offices, the Legislature enacted the 1966 Assessment Reform Program (Stats. 1966, ch. 147, §§ 2.7, 37, 39 (Assem. Bill No. 80), which amended Government Code section 15606 and Revenue and Taxation Code sections 441 and 452 to mandate that the Board (1) issue rules and regulations governing county assessors and boards of equalization and (2) prescribe in detail the content of property statements and other county property tax forms. In response to these mandates, the Board adopted Property Tax Rule 101, *Board-Prescribed Exemptions Forms*, in January 1967 (as an emergency regulation) and Property Tax Rule 171, *Board-Prescribed Forms for Property Statements and Oil and Dissolved Gas Production*, in October 1967. In 1969, both rules were amended to include procedural provisions for the county assessors to submit proposed property tax forms to the Board for

approval prior to use by the counties. The Board's procedural process for approving county property tax forms has remained virtually unchanged since 1969.

Under Government Code section 15606 *et seq.*, the Board is charged with the duty of prescribing rules and regulations interpreting the statutes governing the local assessment of property taxes. Government Code section 15606, subdivisions (c) through (f), provides the Board with the authority to prescribe and enforce the use of all forms for the assessment of property and to prepare and issue instructions to county assessors to promote the uniform assessment of property. This authority also includes, but is not limited to, the issuance of rules, regulations, instructions, and forms relating to classification of property and evaluation procedures.

Under Revenue and Taxation Code section 251, the Board is responsible for prescribing all procedures and forms required to carry into effect any property tax exemptions enacted by statute or constitutional amendment. Revenue and Taxation Code section 441 provides that, under certain specified circumstances, each person owning taxable personal property, other than a manufactured home, is required to file a property statement with the county assessor each year. Revenue and Taxation Code section 452 provides the Board with the authority to prescribe in detail the content of the property statements, including the specific wording to be used by all county assessors.

Currently, the Board is in the process of preparing electronic versions of all county property tax forms (approximately 150 forms) to enable the counties to place the forms on their Web sites so that taxpayers may complete and file them online. The Board is also developing procedures for an entirely electronic form-approval process so that approval of property tax forms used by county assessors can be accomplished via e-mail and/or the Internet. Currently, however, Property Tax Rules 101 and 171 require county assessors to submit hard copies of their property tax forms to the Board as part of the Board's form-approval process. Therefore, the Board proposes to amend Property Tax Rules 101 and 171 to permit the Board to review and approve property tax forms for county assessors via e-mail and/or the Internet. The proposed amendments to Property Tax Rules 101 and 171 will eliminate the hard-copy requirement, streamline the form-approval process, and make the process more efficient and easier for county assessors and Board staff.

In addition, Property Tax Rule 171 currently contains rules prescribing the use of long- and short-form property statements. These rules presently require that long-form property statements be used when the value of the personal property and fixtures being reported is greater than a certain specified amount set forth in Revenue and Taxation Code section 469 and Property Tax Rule 171. Property Tax Rule 171 allows, but does not require, short-form property statements to be used if the value of the personal property and fixtures being reported is less than the specified amount. The rules regarding the use of long- and short-form property statements, however, have not operated as originally intended. Rather, experience has shown that the threshold amount set forth in Property Tax Rule 171 regarding the use of long- and short-form property statements must be amended each time the Legislature increases the amount specified in Revenue and Taxation Code section 469; thus, for the sake of convenience, a majority of county assessors have chosen to use the long-form property statements for all purposes. Accordingly, the Board has determined that it would be more cost effective and efficient to delete the rules regarding the use of long- and short-form property statements from Property Tax Rule 171 and simply discuss the distinction between long- and short-form property statements in a section of the Assessors' Handbook, which is available on the Board's Web site at:
<http://www.boe.ca.gov/proptaxes/ahcont.htm>.

The express terms of the proposed regulatory actions, written in plain English, are available from the agency contact person named in this notice.

COST OR SAVINGS TO STATE AND LOCAL AGENCIES AND SCHOOL DISTRICTS

The Board has determined that the proposed amendments to Property Tax Rules 101 and 171 do not impose a mandate on local agencies or school districts. Further, the Board has determined that the proposed amendments will not result in direct or indirect costs or savings to any state agency, any costs to local agencies or school districts that are required to be reimbursed under part 7 (commencing with Section 17500) of division 4 of title 2 of the Government Code, or other non-discretionary costs or savings imposed on local agencies, or cost or savings in federal funding to the State of California.

STATEMENT OF EFFECT ON BUSINESS

The Board has made the initial determination required by Government Code section 11346.5, subdivision (a)(7) that the proposed regulatory actions will not have a significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states. The proposed amendments to Property Tax Rules 101 and 171 merely clarify existing statutory provisions and do not create any new burdens that directly affect business.

The adoption of the proposed amendments will give county assessors the option to submit property tax forms to the Board for approval electronically, but will neither create nor eliminate jobs in the State of California, nor result in the elimination of existing businesses, nor create or expand business in the State of California, nor impact the ability of California businesses to compete with businesses in other states.

The proposed regulatory actions will not affect small business since the proposed amendments to Property Tax Rules 101 and 171 only clarify existing statutory provisions relating to forms used by assessors and do not impose any additional compliance or reporting requirements on businesses.

COST IMPACT ON PRIVATE PERSONS OR BUSINESSES

The Board is not aware of any cost impacts that a representative private person or business would necessarily incur due to the proposed regulatory actions as the adoption of the proposed amendments to Property Tax Rules 101 and 171 do not impose any additional compliance or reporting requirements on private persons or businesses.

SIGNIFICANT EFFECT ON HOUSING COSTS

The Board has made an initial determination that the proposed regulatory actions will not have a significant effect on housing costs within the meaning of Government Code section 11346.5, subdivision (a)(12).

FEDERAL REGULATIONS

Property Tax Rules 101 and 171 do not have any comparable federal regulations.

AUTHORITY

The proposed regulatory actions are authorized by Government Code section 15606 and Revenue and Taxation Code sections 251, subdivision (a), and 452.

REFERENCE

The proposed regulatory actions will implement, interpret, or make more specific Revenue and Taxation Code sections 251, subdivision (a), and 452.

CONTACT

Questions regarding the substance of the proposed amendments to Property Tax Rules 101 and 171 should be directed to: Ms. Denise Riley, Tax Counsel, at 450 N Street, MIC:82, Sacramento, CA 94279-0082, email denise.riley@boe.ca.gov, telephone (916) 445-3540, or FAX (916) 323-3387.

Written comments for the Board's consideration, requests to present testimony, bring witnesses to the public hearing and inquiries concerning the proposed administrative action should be directed to Ms. Diane Olson, Regulations Coordinator, telephone (916) 322-9569, fax (916) 324-3984, e-mail Diane.Olson@boe.ca.gov, or by mail to: State Board of Equalization, Attn: Diane Olson, MIC: 80, P.O. Box 942879-0080, Sacramento, CA 94279-0080 by November 15, 2007.

ALTERNATIVES CONSIDERED

The Board must determine that no reasonable alternative considered by the Board, or identified and brought to the Board's attention, would be more effective in carrying out the purpose for which this regulatory action is proposed, or be as effective and less burdensome to affected private persons than the proposed regulatory action. In order to make the required determination, the Board sent letters to all the interested parties (see Letter to Assessors No. 2007/027, dated June 5, 2007, which is available on the Board's Web site at <http://www.boe.ca.gov/proptaxes/pdf/lta07027.pdf>) wherein the Board advised all the interested parties of the proposed amendments to Property Tax Rules 101 and 171 and requested their comments and/or suggested alternative language. The Board received several supportive comments from the interested parties regarding the proposed amendments and did not receive any negative comments nor any suggested alternative language. Having received no suggested alternatives, the Board reviewed the proposed language and determined that no alternative language would be more effective in carrying out the purposes for which the amendments were proposed, or be as effective or less burdensome to affected private persons than the proposed amendments.

September 14, 2007

AVAILABILITY OF INITIAL STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS

The Board has prepared an Initial Statement of Reasons, and underscored and strike-out versions of Property Tax Rules 101 and 171 showing the Board's proposed regulatory action. These documents and all the information upon which the proposed regulatory action is based are available to the public upon request. The rulemaking file is available for public inspection at 450 N Street, Sacramento, California. The express terms of the proposed regulations are available on the Board's Web site at: <http://www.boe.ca.gov>. Requests for copies of the proposed regulations should be addressed to Ms. Diane Olson, Regulations Coordinator, (916) 322-9569, at P. O. Box 942879, 450 N Street, MIC:80, Sacramento, CA 94279-0080.

AVAILABILITY OF FINAL STATEMENT OF REASONS

The Board will prepare the Final Statement of Reasons for the proposed regulatory action in accordance with Government Code section 11346.9 after the Board conducts the public hearing on November 15, 2007. The Final Statement of Reasons will be made available on the Board's Web site once it is prepared. The Final Statement of Reasons will also be available for inspection at 450 N Street, Sacramento, California.

ADDITIONAL COMMENTS

Following the hearing, the Board may, in accordance with law, adopt the amended rules, if the text remains substantially the same as described in the text originally made available to the public. If the Board makes modifications which are substantially related to the originally proposed text, the Board will make the modified text, with the changes clearly indicated, available to the public for 15 days before adoption of the amended regulations. The text of the modified rules will be mailed to those interested parties who commented on the proposed regulatory actions orally or in writing or who asked to be informed of such changes. The modified rules will be available to the public and may be obtained from Ms. Olson. The Board will consider written comments on the modified rules for 15 days after the date on which the modified rules are made available to the public.

Sincerely,


Gary Evans, Acting Chief
Board Proceedings Division

GE:mnt

Enclosures

101. Board-Prescribed Exemption Forms.

Authority Cited: Section 15606, Government Code.
Reference: Section 251, Revenue and Taxation Code.

(a) The procedure and forms prescribed by the board for claiming the exemptions named in Article 2, Chapter 1, Part 2, Division 1, of the Revenue and Taxation Code shall be employed by each assessor in the administration of the laws relating to such exemptions. Except as specifically authorized by the board with respect to heading, name and address of the property owner, location of the property, assessor's use columns, the sequence of questions, and the like, the assessor shall not change, add to, or delete the specific wording of the exemption form prescribed by the board, but ~~he~~ the assessor may otherwise arrange the content and alter the size and design of an exemption form to meet the needs of ~~his~~ office procedures and facilities.

(b) Annually, on or before December 1, the assessor shall notify the board, on a ~~check list~~ checklist provided by the board, of those board-prescribed exemption claim forms, including instructions, which ~~he~~ the assessor:

(1) will reproduce from the current prototype forms and instructions distributed by the board for use for the succeeding assessment year; ~~these forms and instructions which he~~

(2) will produce by other means for use for that year; ~~and these for which he~~

(3) will have no need.

(c) When filing the ~~check list~~ checklist, ~~he~~ the assessor shall submit to the board ~~in duplicate (either in hard copy or electronically)~~ for approval a ~~draft~~ copy of each form, including instructions, which ~~he~~ the assessor will produce by means other than reproduction of the prototypes. If a ~~draft copy form~~ does not conform with the specifications prescribed by the board, as required by ~~Section~~ section 251 of the Revenue and Taxation Code and this rule, the assessor shall be notified in writing of the variances. ~~He~~ The assessor shall submit a revised ~~draft form~~ within 30 days of the date of the notice. ~~Not later than February 10, annually, the assessor shall submit to the board a printed copy of each exemption form and its accompanying instructions.~~

History: Adopted January 3, 1967, effective January 4, 1967.
Amended September 12, 1969, effective October 18, 1969.
Amended July 31, 1973, effective September 7, 1973.

171. Board-Prescribed Forms for Property Statements.

Reference: Sections 441, 441.5, 452, 469, Revenue and Taxation Code.

(a) **Content, Arrangement, And Approval Of Property Statements.** Except as specifically authorized by the board with respect to heading, name and address of the taxpayer, location of the property, assessor's use columns, and the like, the assessor shall not change, add to, or delete the specific wording of property statement forms or mineral production report forms prescribed by the board or change the sequence of the questions, but ~~he~~ the assessor may otherwise arrange the content and alter the size and design of a property statement or mineral production report form to meet the needs of ~~his~~ office procedures and facilities.

(b) Annually, on or before October 15, the assessor shall notify the board, on a ~~check list~~ checklist provided by the board, of those board-prescribed property statement and report forms, including instructions, which ~~he~~ the assessor:

(1) will reproduce from the current prototype forms and instructions distributed by the board for use for the succeeding assessment year; ~~these forms and instructions which he~~

(2) will produce by other means for use for that year; ~~and these for which he~~

(3) will have no need.

(c) When filing the ~~check list~~ checklist, ~~he~~ the assessor shall submit to the board ~~in duplicate~~ (either in hard copy or electronically) for approval a ~~draft~~ copy of each form, including instructions, which ~~he~~ the assessor will produce by means other than reproduction of the prototypes. If a ~~draft copy form~~ does not conform with ~~to~~ the specifications prescribed by the board, as required by ~~Section~~ section 452 of the Revenue and Taxation Code, ~~Section~~ section 15606 of the Government Code, and this rule, the assessor shall be notified in writing of the variances. ~~He~~ The assessor shall submit a revised ~~draft form~~ within 30 days of the date of the notice. ~~Not later than February 10, annually, the assessor shall submit to the board a printed copy of each property statement and mineral production report form and its accompanying instructions.~~

(b) (d) **Attachments To Property Statements.** The assessor is not required to obtain board approval for instructions pertaining to the format of attachments that an assessee elects to furnish in lieu of entering the information on the prescribed property statement. However, such instructions shall include requirements that at least one copy of the property statement as printed by the assessor must be executed and contain appropriate references to the data on the attachment, and that all information required by the property statement must be furnished on the property statement or the attachments.

(e) (e) **Time For Filing Mineral Production Reports.** The assessor shall not require the filing of mineral production reports prior to April following the calendar year for which the report is prepared.

(d) (f) **Assessor To Furnish Property Statements.** The pertinent property statement form and instructions shall be furnished by the assessor to every person required by law or requested by the assessor to file a property statement, and the pertinent report form shall be furnished by ~~him~~ the assessor to every person requested to file a mineral production report. ~~If a person had business personal property and fixtures subject to general property tax at a given location in the previous year whose assessment was based on a full cash value amounting to \$200,000 or more and is not required to report such property on another of the board prescribed forms, the assessor shall employ the long form of business property statement for any such person who is required to file a statement. If a person had personal property subject to general property tax at a given location in the previous year whose assessment was based on a full cash value of less than \$200,000 and is not required to report such property on another of the board prescribed forms, the assessor may employ either the long or the short form of business property statement for any such person who is required to file a statement. If a person had personal property subject to general property tax, whether business property or not, whose assessment at a given location in the previous year was based on full cash value of less than \$10,000 and is not required to report his property on another of the board prescribed forms, the assessor may employ either the long or the short form of the business property statement or the miscellaneous property statement for any such person who is required to file a statement.~~

History: Adopted October 4, 1967, effective November 4, 1967.
Amended October 8, 1968, effective October 10, 1968.
Amended September 12, 1969, effective October 18, 1969.
Amended July 31, 1973, effective September 6, 1973.
Amended December 9, 1981, effective April 3, 1982.
Amended June 21, 1983, effective October 29, 1983.

Regulation History

Type of Regulation: Property Tax Rule
Regulation: 101 & 171
Title: 101. Board-Prescribed Exemption Forms
171. Board-Prescribed Forms for Property Statements
Preparation: Sherrie Kinkle
Legal Contact: Denise Riley

Proposed amendments to Property Tax Rules 101 and 171 permits the Board to review and approve property tax forms for county assessors via e-mail and/or the Internet. The proposed amendments to Property Tax Rules 101 and 171 will eliminate the hard-copy requirement, streamline the form-approval process, and make the process more efficient and easier for county assessors and Board staff. The proposed amendments also permits the Board to delete rules prescribing the use of long-and short-form property statements to eliminate unnecessarily repetitive rule amendments and make minor, non-substantive grammatical and text-style improvements.

History of Proposed Regulation:

February 23, 2008: Estimated effective date
January 24, 2008: Final day for Office of Administrative Law (OAL) approval
December 10, 2007: Regulation submitted to OAL for approval
November 15, 2007: Public hearing
October 29, 2007: 45-day public comment period over
September 14, 2007: Notice of public hearing published in California Regulatory Notice Register, Register 2007, No. 37-Z, e-mailed and US mail to interested parties.
September 4, 2007: Notice to OAL
August 14, 2007: Property Taxes Committee, Board authorized publication of proposed regulations (Vote 5-0)
July 9, 2007: Comments or alternative language due from interested parties
June 5, 2007: LTA No. 2007/027 sent

No Interested Parties meetings were held.

Sponsor: N/A
Support: NA
Oppose: NA

**INITIAL STATEMENT OF REASONS
NON-CONTROLLING SUMMARY**

**Property Tax Rules 101 and 171
Board-Prescribed Exemption Forms and
Board-Prescribed Forms for Property Statements**

Specific Purpose

The purposes of the proposed amendments to California Code of Regulations, title 18, sections 101, *Board-Prescribed Exemption Forms*, and 171, *Board-Prescribed Forms for Property Statements* (Property Tax Rules 101 and 171, respectively), are to permit the Board to review and approve property tax forms for county assessors via e-mail and/or the Internet, delete rules prescribing the use of long-and short-form property statements to eliminate unnecessarily repetitive rule amendments, and make minor, non-substantive grammatical and text-style improvements.

Necessity

The Board needs to jointly amend Property Tax Rules 101 and 171 because these rules both describe the Board's process for approving county property tax forms and both must be amended consistently and concurrently.

The Board is in the process of preparing electronic versions of all county property tax forms so that the counties can place these forms on their Web sites for taxpayers to complete and file online. The Board also is developing procedures for an entirely electronic form-approval process so that approval of property tax forms used by county assessors can be accomplished via e-mail and/or the Internet. Currently, however, Property Tax Rules 101 and 171 require county assessors to submit hard copies of their property tax forms to the Board as part of the Board's form-approval process. Therefore, the proposed amendments to Property Tax Rules 101 and 171 are necessary to add new language permitting county assessors to electronically submit their property tax forms to the Board for approval, in lieu of furnishing hard copies. The amendments also will improve and streamline the process.

The proposed amendments also are necessary to delete language from Property Tax Rule 171 regarding the use of long-and short-form property statements that has required unnecessarily repetitive rule amendments every time the Legislature increases the threshold amount set forth in Revenue and Taxation Code section 469.

Furthermore, the proposed amendments are necessary to make minor, non-substantive grammatical and text-style improvements, such as deleting the hyphen from the word "check-list" and replacing the masculine pronoun "he" with gender neutral references to "assessors." These changes will correct non-substantive, grammatical errors in the existing text and bring the rules into conformity with modern usage and standards.

Factual Basis

Under existing law, all tangible property, including real and personal, is subject to property tax. (Cal. Const. art. XIII, §1.) In response to alleged widespread fraud in the assessment of property taxes within county assessors' offices, the Legislature enacted the 1966 Assessment Reform Program (Stats. 1966, ch. 147, §§ 2.7, 37, 39 (Assem. Bill No. 80)), which amended Government Code section 15606 and Revenue and Taxation Code sections 441 and 452 to mandate that the Board (1) issue rules and regulations governing county assessors and boards of equalization and (2) prescribe in detail the content of property statements and other county property tax forms. In response to these mandates, the Board adopted Property Tax Rule 101, *Board-Prescribed Exemptions Forms*, in January 1967 (as an emergency regulation) and Property Tax Rule 171, *Board-Prescribed Forms for Property Statements and Oil and Dissolved Gas Production*, in October 1967. In 1969, both rules were amended to include procedural provisions for the county assessors to submit proposed property tax forms to the Board for approval prior to use by the counties. The Board's procedural process for approving county property tax forms has remained virtually unchanged since 1969.

Under Government Code section 15606 *et seq.*, the Board is charged with the duty of prescribing rules and regulations interpreting the statutes governing the local assessment of property taxes. Government Code section 15606, subdivisions (c) through (f), provides the Board with the authority to prescribe and enforce the use of all forms for the assessment of property and to prepare and issue instructions to county assessors to promote the uniform assessment of property. This authority also includes, but is not limited to, the issuance of rules, regulations, instructions, and forms relating to classification of property and evaluation procedures.

Under Revenue and Taxation Code section 251, the Board is responsible for prescribing all procedures and forms required to carry into effect any property tax exemption enacted by statute or constitutional amendment. Revenue and Taxation Code section 441 provides that, under certain specified circumstances, each person owning taxable personal property, other than a manufactured home, is required to file a property statement with the county assessor each year. Revenue and Taxation Code section 452 provides the Board with the authority to prescribe in detail the content of the property statements, including the specific wording to be used by all county assessors.

Currently, the Board is in the process of preparing electronic versions of all the county property tax forms (approximately 150 forms) to enable the counties to place the forms on their Web sites so that taxpayers may complete and file them online. The Board proposes to amend Property Tax Rules 101 and 171 to provide procedures for an electronic form-approval process that can be accomplished via e-mail and/or the Internet. The proposed amendments to Property Tax Rules 101 and 171 will eliminate the hard-copy requirement, streamline the form-approval process, and make the process more efficient and easier for county assessors and Board staff.

In addition, Property Tax Rule 171 currently contains rules prescribing the use of long and short-form property statements. These rules presently require that long-form

property statements be used when the value of the personal property and fixtures being reported is greater than a certain specified amount set forth in Revenue and Taxation Code section 469 and Property Tax Rule 171. Property Tax Rule 171 allows, but does not require, short-form property statements to be used if the value of the personal property and fixtures being reported is less than the specified amount. However, the rules regarding the use of long-and short-form property statements have not operated as originally intended. Rather, experience has shown that the threshold amount set forth in Property Tax Rule 171 regarding the use of long-and short-form property statements must be amended each time the Legislature increases the amount specified in Revenue and Taxation Code section 469; thus, for the sake of convenience, a majority of county assessors have chosen to use the long-form property statements for all purposes. Accordingly, the Board has determined that it would be more cost effective and efficient to delete the rules regarding the use of long-and short-form property statements from Property Tax Rule 171 and simply discuss the distinction between long-and short-form property statements in a section of the Assessors' Handbook, which is available on the Board's Web site at: <http://www.boe.ca.gov/proptaxes/ahcont.htm>.

In summary, the proposed amendments to Property Tax Rules 101 and 171 include:

1. Deletion of language that requires county assessors to submit duplicate hard copies of property tax forms to the Board.
2. Addition of language to accommodate an electronic forms-approval process.
3. Deletion of language regarding filing long-and short-form property statements.
4. Non-substantial grammatical and text-style improvements.

No Mandate Regarding Use of Specific Technologies

The proposed amendments do not mandate the use of specific technologies or equipment.

Initial Determination Regarding Alternatives

The Board does not believe that the proposed amendments will have any adverse impact on small business, and has made an initial determination that there are no reasonable alternatives to the proposed amendments, which would lessen any adverse impact on small business.