

INYO COUNTY ASSESSMENT PRACTICES SURVEY

APRIL 2008

CALIFORNIA STATE BOARD OF EQUALIZATION

BETTY T. YEE, SAN FRANCISCO
BILL LEONARD, ONTARIO/SACRAMENTO
MICHELLE STEEL, ROLLING HILLS ESTATES
JUDY CHU, PH.D., LOS ANGELES
JOHN CHIANG

FIRST DISTRICT
SECOND DISTRICT
THIRD DISTRICT
FOURTH DISTRICT
STATE CONTROLLER

RAMON J. HIRSIG, EXECUTIVE DIRECTOR





STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0062
916 324-5827 • FAX 916 323-5689
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco

BILL LEONARD
Second District, Ontario/Sacramento

MICHELLE STEEL
Third District, Rolling Hills Estates

JUDY CHU, Ph.D.
Fourth District, Los Angeles

JOHN CHIANG
State Controller

RAMON J. HIRSIG
Executive Director

April 15, 2008

TO COUNTY ASSESSORS:

INYO COUNTY
ASSESSMENT PRACTICES SURVEY

No. 2008/025

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

The Honorable Thomas W. Lanshaw, Inyo County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the assessor's response, constitutes the final survey report which is distributed to the Governor, the Attorney General, and the State Legislature; and to the Inyo County Board of Supervisors and Grand Jury.

Fieldwork for this survey was performed by the Board's County-Assessed Properties Division from July through August 2006. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Mr. Lanshaw and his staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

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

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:ps
Enclosure

TABLE OF CONTENTS

INTRODUCTION.....	1
SCOPE OF ASSESSMENT PRACTICES SURVEYS	2
EXECUTIVE SUMMARY	3
RESULTS OF 2002 SURVEY	5
OVERVIEW OF INYO COUNTY.....	8
ADMINISTRATION	10
BUDGET AND STAFFING	10
APPRAISER CERTIFICATION.....	10
ASSESSMENT APPEALS.....	11
DISASTER RELIEF.....	12
ASSESSMENT ROLL CHANGES.....	14
LOW-VALUE PROPERTY EXEMPTION	15
EXEMPTIONS	15
ASSESSMENT OF REAL PROPERTY	18
CHANGE IN OWNERSHIP.....	18
NEW CONSTRUCTION.....	21
DECLINES IN VALUE	22
SUPPLEMENTAL ASSESSMENTS	23
TAXABLE GOVERNMENT-OWNED PROPERTIES	24
TAXABLE POSSESSORY INTERESTS	24
LEASEHOLD IMPROVEMENTS	25
WATER COMPANY PROPERTIES	26
MINERAL PROPERTIES	27
PIPELINE RIGHTS-OF-WAY	28
ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES.....	30
AUDIT PROGRAM	30
BUSINESS PROPERTY STATEMENT PROCESSING PROGRAM	32
BUSINESS EQUIPMENT VALUATION	33
LEASED EQUIPMENT	33
SERVICE STATION IMPROVEMENTS	34
MANUFACTURED HOMES.....	35
AIRCRAFT	35
VESSELS.....	38
ANIMALS	38
APPENDIXES	40
A. COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP	40
B. RELEVANT STATUTES AND REGULATIONS.....	41
ASSESSOR'S RESPONSE TO BOARD'S FINDINGS	47

INTRODUCTION

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

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

The assessor is required to file with the board of supervisors a response that states the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the Board, the Senate and Assembly, and to the Inyo County Board of Supervisors and Grand Jury. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Thomas W. Lanshaw, Inyo County Assessor, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendixes.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas, but they also contain information required by law (see *Scope of Assessment Practices Surveys*) and information that may be useful to other assessors. The latter information is provided in the hope the report will promote uniform, effective, and efficient assessment practices throughout California.

SCOPE OF ASSESSMENT PRACTICES SURVEYS

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor.

In addition, pursuant to Revenue and Taxation Code¹ section 75.60, the Board determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team—based on objective standards defined in regulation—that there are no significant assessment problems in the county. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.

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

Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.²

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

¹ Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code.

² All rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

EXECUTIVE SUMMARY

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

In our 2002 Inyo County Assessment Practices Survey, we made 24 recommendations to address problems in the assessor's policies and procedures. Of these 24 recommendations, the assessor fully implemented ten and failed to implement 3. Eleven of the prior recommendations no longer apply due to Board policy changes, topics under current review, or law revisions; otherwise, recommendations not implemented are repeated in this report.

Many of our recommendations concern portions of programs that are currently effective but need improvement. In many instances, the assessor is aware of the need for improvement and is considering changes as time and resources permit.

The assessor is doing a satisfactory job in handling many portions of the administration program: budget and staffing, appraiser certification, assessment appeals, low-value property exemption, and the exemption program are all in good order. Staff does an excellent job handling taxpayer concerns. In addition, the assessor is diligent in timely resolving appeals before they go before the assessment appeals board.

In the area of real property assessment, the assessor has effective programs for the handling of declines in value, supplemental assessments, changes in ownership, taxable government-owned properties, taxable possessory interests, leasehold improvements, mineral properties, power plants, and pipeline rights-of-way.

Overall, the business property section is doing an excellent job, considering one auditor-appraiser is responsible for the entire section. Leased equipment, aircraft, and vessel programs are all in good order, as is the business statement processing program.

We found no significant assessment problems as defined in Rule 371. Accordingly, pursuant to section 75.60, Inyo County continues to be eligible for recovery of costs associated with administering supplemental assessments.

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

- RECOMMENDATION 1:** Revise disaster relief assessment procedures by: (1) properly notifying applicants of their appeal rights, and (2) requesting the board of supervisors to revise the disaster relief ordinance to comply with section 170.....13
- RECOMMENDATION 2:** Apply the *Change of Ownership Statement* failure to file penalty within the time prescribed by section 482.19

RECOMMENDATION 3: Timely audit the books and records of professions, trades, and businesses pursuant to section 469.31

RECOMMENDATION 4: Assess service station fixtures at the lower of their market values or factored base year values.....34

RESULTS OF 2002 SURVEY

Appraiser Certification

We recommended the assessor revise the appraisal consultant's contract to comply with section 674(d). The assessor made the appropriate contractual changes and it is now in compliance.

Assessment Forms

We recommended the assessor: (1) use only current versions of Board-prescribed forms, (2) delete penalty language from the *Boat/Motor Property Statement*, (3) send Board-prescribed mineral property statements to assessees without attaching supplemental schedules, and (4) annually submit forms checklists and rearranged forms to the Board for approval.

Since the Board is currently interacting with the assessor's on changes to the forms review and approval process, we are not making recommendations on this topic at this time.

Disaster Relief

We recommended the assessor request that the board of supervisors revise the disaster relief ordinance to comply with section 170. The county ordinance was not in compliance because it referred to an incorrect lien date.

This recommendation has been implemented. The county's disaster relief ordinance was revised in October 2002 and now refers to the correct January 1 lien date.

Assessment Roll Changes

We recommended the assessor: (1) include the notation required by section 533 when enrolling escape assessments, and (2) advise the auditor-controller to apply penalties and interest on roll changes resulting from erroneously homeowners' exemption claims.

The requirement to enter escape assessments and their required captions on the assessment roll was deleted by Statutes of 2004, Chapter 1880, effective January 1, 2005. In addition, we did not find any erroneously granted homeowners' exemption claims. Therefore, we will not repeat these recommendations.

Exemptions

We recommended the assessor ensure that only qualifying properties receive the property tax exemptions. The assessor has implemented this recommendation by improving his procedures.

Change in Ownership

We recommended the assessor properly impose the penalty pursuant to section 480 for failure to file Form BOE-502-AH, *Change of Ownership Statement*. We found the assessor has not altered his former practice; therefore, this recommendation is repeated in this report.

New Construction

We recommended the assessor: (1) enroll all wells as land, and (2) enroll all land improvements as land. We could find no evidence the assessor includes costs of grading, filling, and draining as improvements; however, the assessor continues to enroll wells as improvements. Since this recommendation has no real impact on property tax revenues, we have elected to not repeat it.

Declines in Value

We recommended the assessor include factored base year value on the decline-in-value notice pursuant to section 619(c). This recommendation has been implemented; we found the decline-in-value notice used by the assessor now informs assessee of the factored base year values of their properties.

Taxable Possessory Interests

We recommended the assessor: (1) review private uses of the county fairgrounds to determine whether taxable possessory interests exist, and (2) review all older possessory interest assessments to discover reappraisable changes in ownership. The assessor has implemented these two recommendations.

Water Company Properties

We recommended the assessor: (1) obtain annual California Public Utilities Commission (CPUC) reports from all regulated water companies, and (2) obtain the articles of incorporation and other relevant property tax documents from each mutual water company. The assessor now sends letters requesting CPUC reports from all regulated water companies, and has received the reports for the major water company in the county. The other water company is of nominal value; therefore, we consider the assessor to be in compliance.

In addition, the assessor has researched his archives and found the articles of incorporation for several mutual water companies. The assessor is diligent in discovering assessable mutual water company property, since this recommendation will not be repeated.

Audit Program

We recommended the assessor: (1) bring the mandatory audit program to current status, and (2) obtain a waiver of the statute of limitations when a mandatory audit will not be completed timely. The assessor's mandatory audit program continues to be in arrears. However, the assessor now seeks a waiver of the statute of limitations when a mandatory audit will not be completed timely.

Business Property Statement Processing Program

We recommended the assessor send business property statements to direct billing assessees at least once every four years. The assessor implemented this recommendation.

Business Equipment Valuation

We recommended the assessor use Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors*, as intended. This recommendation was made because the assessor's minimum percent good policy was not supported by adequate documentation. In our current survey, we found that the assessor has adopted the prices indices and percent good factors recommended by the California Assessors' Association (CAA). Because the CAA minimum percent good recommendations are based on the salvage value study published by *Marshall Valuation Services*, inadequate documentation is no longer an issue.

Service Station Improvements

We recommended the assessor assess service station fixtures at the lower of their current market values or factored base year values. This recommendation has not been implemented and is therefore repeated.

Manufactured Homes

We recommended the assessor: (1) classify manufactured homes as personal property, and (2) assess manufactured home accessories only as authorized by section 5805. The first recommendation has not been implemented. However, since this recommendation has minimal impact on property tax revenues we will not repeat it. The second part of this recommendation has been implemented. The assessor now conforms to section 5805 when assessing manufactured home accessories.

OVERVIEW OF INYO COUNTY

Inyo County has a population of about 18,000 and encompasses over 10,000 square miles. Located in the Eastern Sierra Nevada Mountains, the county stretches from Death Valley, the lowest point in the United States; to Mount Whitney, the highest peak in the lower 48 states. Tulare and Fresno Counties are adjacent to the west, Kern and San Bernardino Counties to the south, the State of Nevada to the east, and Mono County to the north. Most of the population is concentrated in the Owens Valley in the City of Bishop.

Formed in 1866, the county seat is Independence. By total land area, Inyo County is the second largest county in the state. Inyo County's outdoor recreational activities include backpacking, fishing, horse packing, skiing, climbing, biking, and photography. Notable facts about land ownership in Inyo County include the following:

OWNERSHIP	PERCENT
Federal Government	92.0%
City of Los Angeles	3.9%
State	2.4%
Private	1.7%

The following table displays information pertinent to the 2006-07 assessment roll as provided by the assessor:

	PROPERTY TYPE	ASSESSMENTS	ENROLLED VALUE
Secured Roll	Residential	9,405	
	Commercial/Industrial	1,508	
	Rural/Agricultural	4,820	
	Miscellaneous	882	
	Total Secured	16,615	\$2,689,631,000
Unsecured Roll	Personal Property & Fixtures	2,644	\$554,069,000
	Total Assessment Roll	19,259	\$3,333,280,000

The next table illustrates the growth in assessed values for recent years:

ASSESSMENT ROLL	TOTAL ROLL VALUE	PERCENT CHANGE	STATEWIDE CHANGE
2006-07	\$3,243,700,000	8.7%	12.3%
2005-06	\$2,984,859,000	10.9%	11.1%
2004-05	\$2,691,993,000	1.9%	8.3%
2003-04	\$2,642,497,000	-0.2%	7.3%
2002-03	\$2,646,758,000	6.5%	7.3%

ADMINISTRATION

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

Budget and Staffing

The following table illustrates the assessor's gross budget and staffing over recent years.

BUDGET YEAR	GROSS BUDGET	CHANGE	PERMANENT STAFF ³
2005-06	\$781,777	1.00%	9.0
2004-05	\$774,069	6.62%	9.0
2003-04	\$725,981	0.04%	8.6
2002-03	\$725,655	-4.21%	10.0
2001-02	\$757,577		10.0

Appraiser Certification

Section 670 provides no person shall perform the duties of an appraiser for property tax purposes unless he or she holds a valid certificate issued by the Board.

There are a total of four certified appraisers on staff, two of whom hold advanced certification. We found the assessor's staff possesses the required certificates. Additionally, we found the auditor-appraiser performing mandatory audits meets the requirements referenced in section 670(d).

The assessor acts as the staff training officer. When the assessor receives the Board's annual training reports, he keeps the original in a binder and forwards a copy with a cover letter to the individual appraiser. In addition, he contacts those appraisers who will have deficient hours by the end of the fiscal period to ensure they are aware of their training status and their need to address the deficiencies during the fiscal year. Finally, to ensure compliance with section 671 training requirements, he creates an in-house report to track the annual training needs of each staff member.

We found the assessor and his staff in compliance with statutory requirements for appraiser certification.

³ Includes the assessor.

Assessment Appeals

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

In Inyo County, the board of supervisors sits as the county board of equalization. The clerk of the board is responsible for making available to the public applications for changed assessment. The clerk receives the completed applications and provides copies to the assessor. The board of supervisors schedules hearings as needed. All members of the board of supervisors receive assessment appeals training from the Inyo County Counsel.

Once the assessor receives copies of the appeal applications, he reviews the cases and contacts the taxpayers in an attempt to resolve each appeal informally. If no agreement can be reached, a hearing is scheduled. The assessor prepares and presents all real property appeals before the board of supervisors. If an appeal involves a business property account, the auditor-appraiser prepares the case and accompanies the assessor to the hearing.

The clerk of the board maintains a spreadsheet for tracking the progress of assessment appeals. This spreadsheet is especially useful for ensuring cases are resolved in a timely manner. No appeal in the last five years has gone unresolved for more than two years.

The following table illustrates the appeal workload during recent years:

APPEALS	FISCAL YEAR				
	2005-06	2004-05	2003-04	2002-03	2001-02
Total Appeals:					
Applications Received	44	35	40	16	24
Carried Over	42	42	35	34	17
Total	86	77	75	50	41
Resolution:					
Denied-lack of appearance	0	1	0	6	1
Hearing-denied	6	0	0	0	0
Hearing-reduced	2	0	3	2	0
Hearing-upheld	0	3	4	0	0
Stipulation	17	8	3	1	2
Withdrawn	1	23	23	6	4
Total	26	35	33	15	7
Carried over to next year	60	42	42	35	34

We reviewed several assessment appeal cases prepared by the assessor and found them to be clear and well documented. We found no problems with the assessment appeals program.

Disaster Relief

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

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

The Inyo County Board of Supervisors last updated the county's disaster relief ordinance in October 2002. The current ordinance grants the assessor the authority to initiate reassessment

without an application when he determines that within the preceding twelve months taxable property was damaged or destroyed.

The following table illustrates the assessor's disaster relief workload from recent years.

ROLL YEAR	CLAIMS FILED
2006-07	1
2005-06	5
2004-05	4
2003-04	4
2002-03	1

The assessor discovers calamities through review of building permits issued for repairs, newspaper articles, field investigation, and taxpayer notification. We reviewed several records of properties suffering calamities. In each case, the assessor noted the disaster information on the records and correctly adjusted the assessed values.

In our 2002 survey, we recommended the assessor request that the board of supervisors revise the disaster relief ordinance to comply with section 170. The county ordinance was not in compliance because it referred to an incorrect lien date.

This recommendation has been implemented. The county's disaster relief ordinance was revised in October 2002 and now refers correctly to the January 1 lien date. However, there are a few other areas needing revision.

RECOMMENDATION 1: Revise disaster relief assessment procedures by: (1) properly notifying applicants of their appeal rights, and (2) requesting the board of supervisors to revise the disaster relief ordinance to comply with section 170.

Properly notify applicants of their appeal rights.

Section 170 requires the assessor to notify a disaster relief applicant in writing of the amount of the proposed reassessment. The notice must state that the applicant may appeal the proposed reassessment to the local board of equalization within six months of the date of mailing the notice. In our 2002 survey, we found the notice used by the assessor to notify taxpayers of disaster relief reassessments was the same notice used by the assessor to notify assessees of reassessments due to changes in ownership or new construction. The assessor continues to use the *Notice of Changed Assessment, which advises that* the assessee has 60 calendar days from the date of mailing of the notice to file an appeal.

Effective January 1, 2002, section 170(c) was amended to provide a six-month period for the taxpayer to appeal the proposed reassessment to the local board of equalization. The assessor's practice means that applicants are not properly notified of their appeal rights.

Request the board of supervisors to revise the disaster relief ordinance to comply with section 170.

The Inyo County disaster relief ordinance uses a damage threshold of \$5,000. However, legislation effective in 2002 increased the damage threshold to \$10,000.

We recommend the assessor request the board of supervisors to revise the disaster relief ordinance to reflect the provisions of section 170.

Assessment Roll Changes

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

Assessment roll changes fall under two general categories: escape assessments and corrections. An escape assessment is an assessment of property that was not assessed or was underassessed, for any reason, on the original roll. A correction is any type of authorized change to an existing assessment except for an underassessment caused by an error or omission of the assessee.

The following table illustrates the roll change workload from recent years:

ROLL YEAR	ROLL CHANGES
2005-06	160
2004-05	399
2003-04	252
2002-03	343

Roll changes are initiated either by real property appraisers or the auditor-appraiser. All roll changes are reviewed and approved by the assessor. The data are entered into the computer system, and the amount of the change is automatically computed, and an appropriate notice to the taxpayer and auditor, generated.

The office manager prepares the transmittal documents routing roll changes to the auditor-controller's office. Approximately once a month, the office manager posts roll changes to the hard copy of the assessment roll maintained at the public counter of the assessor's office.

Roll changes are made within the authorized time, and the *Notice of Proposed Escape Assessment* is correctly mailed to the taxpayer at least ten days before the change is entered on the roll.

In our 2002 survey, we recommended the assessor: (1) include the notation required by section 533 when enrolling escape assessments, and (2) advise the auditor-controller to apply penalties and interest on roll changes where appropriate.

The requirement to enter escape assessments and their required captions on the assessment roll has been deleted by the Statutes of 2004, Chapter 1880, effective January 1, 2005. In addition, since we did not find any incorrectly allowed homeowners' exemption claims, the assessor does not need to advise the auditor-controller to apply penalties and interest for erroneously claimed homeowners' exemption. Therefore, we will not repeat these two recommendations.

We have no recommendation for the assessment roll change program.

Low-Value Property Exemption

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

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

In 2002, the Inyo County Board of Supervisors adopted Resolution 2002-57, authorizing the assessor to exempt low value taxable possessory interests up to \$50,000 for a temporary and transitory use, in a publicly owned fairground, fairground facility, convention center, or cultural facility, pursuant to section 155.20.

All taxable possessory interests at the Inyo County fairgrounds are below the \$50,000 limit and are therefore exempt. The low value exemption of taxable possessory interests is discussed under the taxable possessory interest section of this report.

We found no problems with the administration of the low-value property exemption program.

Exemptions

Church and Religious Exemptions

The church exemption is authorized by article XIII, section 3(f) of the California Constitution. This constitutional provision, implemented by section 206 of the Revenue and Taxation Code, exempts buildings, the land on which they are situated, and equipment used exclusively for religious worship, when such property is owned or leased by a church. Property reasonably and necessarily required for church parking is also exempt, under article XIII, section 4(d), provided the property is not used for commercial purposes. The church parking exemption is available for owned or leased property meeting the requirements of section 206.1.

Article XIII, section 4(b) authorizes the Legislature to exempt property used exclusively for religious, hospital or charitable purposes and owned or held in trust by a corporation or other entity. The corporation or entity, however, must meet the following requirements: (1) it must be organized and operated for those purposes; (2) it must be non-profit; and (3) no part of its net earnings can inure to the benefit of any private shareholder or individual. The Legislature has implemented this constitutional authorization in section 207 of the Revenue and Taxation Code, which exempts property owned by a church and used exclusively for religious worship and school purposes.

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

The following table illustrates religious and church exemption data for recent years:

ROLL YEAR	RELIGIOUS	EXEMPTED VALUE	CHURCH	EXEMPTED VALUE
2005-06	28	\$ 9,215,492	11	\$3,718,045
2004-05	29	\$10,776,616	9	\$1,024,121
2003-04	25	\$ 8,233,916	15	\$2,642,364
2002-03	24	\$ 8,002,292	15	\$3,833,816
2001-02	22	\$ 7,310,597	20	\$3,474,452

In Inyo County, first-time claimants for the religious exemption correctly file Form BOE-267-S, *Religious Exemption Claim*. Once the exemption is established, the assessor annually mails Form BOE-267-SNT, *Religious Exemption Change in Eligibility or Termination Notice*. If a claimant fails to return Form BOE-267-SNT, the assessor contacts the claimant by telephone or in person to re-establish the religious exemption or adjust the exemption as necessary. We found the assessor's religious exemption program to be well documented and properly administered.

Pursuant to sections 255 and 256, claimants for the church exemption are required to file an annual claim using Form BOE-264-AH. As with the religious exemption program, we found the assessor's church exemption program to be well documented and properly administered.

Welfare Exemption

The welfare exemption from local property taxation is available for property owned and used exclusively for qualifying religious, hospital, scientific, or charitable purposes by organizations formed and operated exclusively for those purposes. Both the organizational and property use requirements must be met for the exemption to be granted.

The welfare exemption is co-administered by the Board and county assessors. The Board is responsible for determining whether an organization itself is eligible for the welfare exemption

and for issuing the *Organizational Clearance Certificate* (OCC) to qualified organizations. The assessor is responsible for determining whether the use of a qualifying organization's property is eligible for exemption and for approving or denying exemption claims.

The assessor may not grant a welfare exemption on an organization's property unless the organization holds a valid OCC issued by the Board. The assessor may, however, deny an exemption claim, based on non-qualifying use of the property, notwithstanding the claimant's possession of a valid OCC.

The following table summarizes welfare exemptions granted for recent years:

ROLL YEAR	WELFARE	EXEMPTED VALUE
2005-06	31	\$28,888,734
2004-05	36	\$28,646,382
2003-04	78	\$24,474,904
2002-03	34	\$15,270,343
2001-02	32	\$19,706,081

The assessor makes a concerted effort to obtain the OCC from each applicant, and, at a minimum, verifies each OCC from a list maintained on the Board website. The assessor's staff verifies the actual use for each type of exemption by field inspections.

In our 2002 survey, we recommended the assessor ensure only qualifying properties receive the applicable property tax exemptions. The assessor now makes a concerted effort to investigate to ensure compliance.

ASSESSMENT OF REAL PROPERTY

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

- Revaluation of properties that have changed ownership.
- Valuation of new construction.
- Annual review of properties that have experienced declines in value.
- Annual revaluations of certain properties subject to special assessment procedures, such as property subject to taxable government-owned property.

Article XIII A of the California Constitution provides that, absent post-1975 new construction or changes in ownership, the taxable value of real property shall not exceed its 1975 full cash value, adjusted annually for inflation by a factor not to exceed 2 percent.

Change in Ownership

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

Document Processing

The assessor's primary means of discovering properties changing ownership is a review of deeds and other documents recorded with the county recorder. The recorder scans recorded documents, copies the images to a CD, and gives the CD and any *Preliminary Change of Ownership Reports* (PCORs) to the assessor.

Each document image is examined by an assessment clerk; those determined to evidence changes in ownership are printed and uploaded to the assessor's computer system. The clerk matches the printed documents to the PCORs and forwards them to the appraisal staff.

Discovery of unrecorded contracts of sale occur through fieldwork, review of obituary notices, and public inquiries. Additionally, the county health department provides the assessor with a monthly list of recorded deaths.

The following table illustrates the deeds processed and those found evidencing reappraisable events in recent years:

ROLL YEAR	DEEDS PROCESSED	REAPPRAISABLE EVENTS
2005	5,615	1,258
2004	5,826	1,308
2003	6,518	1,426

Change of Ownership Statement

Section 480 requires transferees of locally assessed real property to file a *Change of Ownership Statement* (COS) with the county recorder or assessor. The section also provides for a penalty for failure to file such a statement within 45 days from the date of a written request by the assessor. Most transferees meet this requirement by filing a PCOR, pursuant to sections 480.3 and 480.4, at the time the document evidencing a change in ownership is recorded. Transferees who choose not to file a PCOR are charged \$20 by the recorder and are sent a COS by the assessor.

In our 2002 survey, we found that the assessor's practice was to send as many as three COS requests over a lengthy time period. The assessor applied the statutory penalty only after a third notice, mailed well after the lapse of the 45 day period, before applying penalty. We therefore recommended he observe the statutory filing period of 45 days when imposing these penalties. During our current review we found the assessor has not altered his former practices; therefore, we repeat our prior recommendation.

RECOMMENDATION 2: Apply the *Change of Ownership Statement* failure to file penalty within the time prescribed by section 482.

We found that the assessor continues to send out numerous COS requests over a four month period before finally imposing a penalty for failure to file. The first COS is mailed with a due date of 45 days. If the deadline passes, the assessor sends a second COS with a due date of three weeks. If this second request is not returned, a final notice is sent by certified mail stating a penalty will be applied if the COS is not returned within two weeks.

Section 482(a) provides that if a person fails to file a COS within 45 days from the date of a written request, a specific penalty shall be applied. Thus, if a transferee fails to file a COS within 45 days of a written request by the assessor, the assessor should apply the section 482(a) penalty instead of mailing a second request.

The assessor's practice fails to follow the provisions of section 482(a). The assessor should impose the COS nonfiling penalty after the failure of the assessee to timely file the COS.

Legal Entity Ownership Program (LEOP)

Section 64 provides that certain transfers of ownership interests in a legal entity constitute a change in ownership of all real property owned by the entity and its subsidiaries. Rule 462.180 interprets and clarifies section 64, providing examples of transactions that either do or do not

constitute a change in entity control and hence either do or do not constitute a corresponding change in ownership of the real property owned by the entity. Discovery of these types of changes in ownership is difficult for assessors because ordinarily there is no recorded notice of the real property transfer.

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

We reviewed the action taken by the assessor in response to the change in control lists received from the Board's LEOP unit from 2001 through 2005, and found no errors pertaining to identification and change in ownership enrollment. We found the assessor is processing LEOP notifications properly.

Section 408.1 Transfer Lists

Section 408.1(a) requires the assessor to maintain a list of transfers occurring within the preceding two-year period. Section 408.1(c) requires that the transfer list include the name of the transferor and transferee, the assessor's parcel number, the situs address, the date of the transfer, the date of recording, the recording reference number, and, when known, the consideration paid for the property. The assessor shall not include information on the list that is not otherwise public information.

Pursuant to section 408.1, the assessor maintains a two-year transfer list on a computer located at the public service counter. The transfers on this list are update quarterly and conform to the requirements of section 408.1. The confidentiality provisions of section 481 are observed.

Section 63.1 Exclusions and Section 69.5 Base Year Value Transfers

Section 63.1 excludes from reappraisal certain purchases or transfers between parents and children. Certain transfers between grandparents and grandchildren are also excluded.

Section 69.5 allows qualified homeowners 55 years of age or older, and those who are severely and permanently disabled, to transfer the base year value of their present principal residence to a replacement dwelling purchased or newly constructed within the same county. Section 69.5 also allows counties to adopt ordinances to expand these benefits to include intercounty transfers. Inyo County adopted an implementing ordinance for intercounty transfers in 1989 but subsequently repealed the ordinance in 1994.

The following table represents the filings for section 63.1 and 69.5 claims for recent years.

ROLL YEAR	SECTION 63.1	SECTION 69.5
2004-05	101	3
2003-04	108	7
2002-03	126	6
2001-02	83	6
2000-01	99	5

We found the assessor's staff is processing section 63.1 and section 69.5 claims effectively. We commend the assessor for his well-run change in ownership program.

New Construction

Section 70 defines newly constructed property, or new construction, as (1) any addition to real property since the last lien date; or (2) any alteration of land or improvements since the last lien date that constitutes a major rehabilitation of the property or converts the property to a different use. Further, section 70 establishes that any rehabilitation, renovation, or modernization converts an improvement to the substantial equivalent of a new improvement, constitutes a major rehabilitation of the improvement.

Section 71 requires the assessor to determine the full cash value of newly constructed real property on each lien date while construction is in progress and on its date of completion, and provides that the full cash value of completed new construction becomes the new base year value of the newly constructed property.

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

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

Building Permits

Building permits are the main source the assessor uses to discover assessable new construction. There are three permit-issuing agencies in Inyo County: the county building inspection department, the City of Bishop, and the county environmental health services department. To ensure all qualifying new construction is assessed, the assessor must receive copies of all approved building permits pursuant to section 72(a).

The county environmental health services department issues building permits for water wells used for both agricultural and domestic purposes. These permits are forwarded to the assessor's office.

Permit Processing

The assessor processed 63 permits for the 2006-07 roll year. A permit specialist logs the permit data into the assessor's system, and then forwards only permits for assessable new construction to the appraiser assigned to the geographical area. The assessor's system regularly generates a list of all permits that allows the assessor to review the status of all assessable events. Permits issued for maintenance, replacement, or repairs are considered non-assessable permits because they generate no value change; however, all are filed with the property record. These permits include re-roofs, electrical work, plumbing, and mechanical work.

Construction in Progress (CIP)

The assessor sends questionnaires to all property owners who have been issued assessable building permits. Approximately 75 percent of the questionnaires are returned to the assessor. The assigned appraiser inspects and values the new construction. Field inspections verify information received from the questionnaires and aid in the discovery of non-permitted construction. We found proper documentation both on the appraisal records and on the assessor's system for the valuation of the new construction.

Valuation

Section 71 requires the assessor to value construction in progress at its full value on each lien date. Completed new construction is assessed by estimating its full value as of the date of completion. An appraiser determines the completion status of new construction from an on-site review, or a notice of completion from the building inspection department, or from information supplied by the taxpayer. Most new construction is valued by reference to its estimated replacement cost. Several cost sources are used in valuing new construction, including Assessors' Handbook Section 531, *Residential Building Costs*; the owner's actual cost; and *Marshall Valuation Service* for commercial and industrial properties.

Declines in Value

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

Discovery of value declines in commercial, industrial, residential, and agricultural properties is accomplished through several means. The Inyo County Assessor relies on the appraisers' familiarity with their assigned geographic areas and specialties. In addition, taxpayer requests for review and assessment appeals trigger reviews for value declines in surrounding properties.

The assessor tracks all properties experiencing declines in value electronically. These properties are coded for annual review and to ensure the annual inflation factor is not applied. During our examination of assessment records for these properties, we found them to be well documented, complete and the values reasonable.

Due to a strengthening of the local real estate market over recent years, the number of properties experiencing a decline in value below their FBYV has dropped. The following table illustrates the decline-in-value workload for recent years:

ROLL YEAR	DECLINE-IN-VALUE PROPERTIES
2006-07	622
2005-06	1000
2004-05	1095

The assessor properly reviews and adjusts parcels receiving decline-in-value assessments pursuant to section 51. We reviewed several residential and commercial property records with decline-in-value assessments, and found comparable sales listings and income analysis included in their files. The appraisals were well documented, complete, and reasonable.

In our 2002 survey, we recommended the assessor include the FBYVs on the decline-in-value notice pursuant to section 619(c). This recommendation has been implemented.

We have no recommendations for the assessor's decline-in-value program.

Supplemental Assessments

Sections 75 through 75.80 mandate supplemental assessments for changes in ownership and the completion of new construction. A supplemental assessment is an assessment that reflects the increase or decrease in assessed value resulting from a change in ownership or completion of new construction for the fiscal year. If a change in ownership or completed new construction occurs between January 1 and May 31, two supplemental assessments result from the same event: one for the remainder of the current fiscal year, another for the entire next fiscal year. Clarification regarding supplemental assessments resulting from the completion of new construction is contained in Rule 463.500.

The assessor issues supplemental assessments whenever there is a change in ownership or completed new construction. Appraisers submit values on valuation worksheets. An assessment specialist reviews the worksheet to ensure supplemental assessments have been correctly prepared.

After the worksheets are reviewed by the assessment office manager and the assessor, the assessment specialist keys the values into the system. The system generates the supplemental notices that are mailed to taxpayers. Sixty days after the issuance of the supplemental notices, the system forwards the values to the auditor-controller for issuance of the tax bills. The total supplemental assessment process, from the date the appraisal is made to issuance of the tax bill, takes approximately three to six months.

The assessor enrolls all value changes, regardless of dollar amount, due to reassessments for changes in ownership and completed new construction. Supplemental assessments generated may be either positive (resulting in a bill) or negative (resulting in a refund).

We found the assessor's supplemental assessment program to be current and accurate.

Taxable Government-Owned Properties

Article XIII, section 3 of the California Constitution exempts from property taxation any property owned by local governments, except as provided in article XIII, section 11. Section 11 provides that land, and improvements thereon, located outside a local government's or local government agency's boundaries are taxable at a restricted value if the property was taxable at the time of acquisition. Improvements that were constructed to replace improvements that were taxable when acquired are also taxable. These lands and taxable improvements are commonly referred to as taxable government-owned properties.

In Inyo County, taxable government-owned property is determined by multiplying the 1966 assessed value by the factor provided annually by the Board. The Inyo County Assessor is not required to compare market value or the factored base year value when valuing taxable government-owned property.

The Los Angeles Department of Water and Power (LADWP) own 1,413 taxable properties in Inyo County, valued at \$1,148,551,939. Taxable government-owned properties comprise about one-third of the county's assessment roll. When the LADWP occasionally exchanges taxable land for non-taxable land with the Federal Bureau of Land Management or other exempt federal agencies, it has a significant effect on the assessment roll.

We compared the tax-rate area (TRA) codes of a number of parcels with the TRA index of government-owned properties to verify whether any listed government agencies owned properties located outside their district boundaries. We found no evidence of taxable government-owned property escaping assessment. We found the assessor's program for assessing these properties is effective.

In our 2002 survey, we found the assessor erroneously processed supplemental assessments for improvements on taxable government-owned properties that changed ownership. In our current review, we found the assessor no longer processes such supplemental assessments.

Overall, we found no problems with the assessor's program for tracking and valuing taxable government-owned properties.

Taxable Possessory Interests

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

For the 2005-06 roll the assessor enrolled about 1,000 taxable possessory interests with a total value of \$64,490,300. The assessor annually contacts 13 public agencies by letter to request updated listings of tenants and lease terms related to the taxable possessory interests. The letter

includes an attachment which lists all current information the assessor has for the agency. Changes to these leases are noted by the agency and returned to the assessor. Upon receipt, the assessor reviews the information and determines if any new valuations need to be made.

We reviewed several taxable possessory interests, including several on taxable government-owned lands, and found the assessor is performing the value calculations correctly.

In our 2002 survey, we recommended that the assessor review all older taxable possessory interest assessments to discover reappraisable changes in ownership. The assessor has implemented this recommendation. The assessor's computer system notes when the current term of possession will end. This alerts the assessor when a taxable possessory interest needs to be reviewed due to the end of a term.

County Fairgrounds

In our 2002 survey, we recommended the assessor review private uses of the county fairgrounds to determine whether taxable possessory interests exist. Subsequently, the Inyo County Board of Supervisors adopted Resolution 2002-57, authorizing the assessor to exempt taxable possessory interests of a temporary and transitory nature in a publicly-owned fairground when the interest has a value of less than \$50,000. The adoption of this resolution means that our prior recommendation is no longer relevant.

We found the assessor's taxable possessory interest program to be well-administered.

Leasehold Improvements

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

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

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

When new construction by a tenant adds value to a property, the assessor must review those changes and reflect them in a property's assessed value. Procedures to assess this new construction include identifying leasehold improvement construction permits, sending new construction questionnaires to tenants, examining rent rolls to look for tenant changes and rent changes, and

coordination between the business property and real property staff. The BPS, an annual filing requirement of many business owners, is a useful source for discovering leasehold improvements.

A determination should be made as to whether or not the leasehold improvements are structure items, fixtures, or non-assessable items such as maintenance, repairs, or remodeling. Proper classification of leasehold improvements as structure items or fixtures is important because fixtures are treated differently than structures. Fixtures are a separate appraisal unit when measuring declines in value; in certain cases, fixtures are not subject to supplemental assessments. Additionally, fixtures and personal property are components in the value criteria for qualification of a mandatory audit.

The assessor allocates responsibility for the assessment of leasehold improvements classified as structures to the real property staff. Leasehold improvements classified as fixtures are assessed by the business property staff. We found that the Inyo County Assessor properly classifies reported structural improvements on the secured roll and fixtures on the unsecured roll.

The most common methods of discovery for leasehold improvements are the BPS and building permits. The auditor-appraiser refers expenditures reported on Schedule B, columns 1, 2, and or 4 of the BPS, exceeding \$5,000, to the real property appraisers for review. The BPSs are flagged for referral; copies are forwarded to the real property staff and later filed with the appraisal records.

We have no recommendations for the assessor's leasehold improvement program.

Water Company Properties

Taxable water company property may include the property of private water companies, mutual water companies, and some property of government-owned water systems. Each type of water company property presents different assessment issues.

Regulated Water Companies

Private water companies, both regulated and unregulated, are utility companies earning a profit from the sale of water. The California Public Utilities Commission (CPUC) regulates the rates charged by private water companies, limiting profits to an authorized return on the companies' investment. The market values of real property owned by regulated companies are tied directly to those rates. Rate regulation may result in the current market value of the real property being lower than its factored base year value.

Inyo County has two regulated water companies on the 2005-06 assessment roll with an assessed value of \$111,728. We found that the assessor is properly assessing the properties owned by these regulated water companies.

Mutual Water Companies

A mutual water company is a private association created for the purpose of providing water at cost to its members or stockholders. Usually, the individual ownership interests in a mutual water

company are appurtenant to individual parcels of land eligible for water service from the company. In such cases, little value should be assigned to the land, improvement, and delivery system owned by the mutual water company, since the values of these properties are reflected in the assessments of the member or stockholder parcels.

Inyo County has 16 mutual water companies on the 2005-06 assessment roll. We found the value of the properties owned by the mutual water companies was properly reflected in the value of the individual parcels of land appurtenant to the water companies.

In our 2002 survey, we recommended the assessor: (1) obtain CPUC filings from all private water companies, and (2) obtain articles of incorporation and other relevant property tax documents for each mutual water company.

The assessor now obtains the complete CPUC annual report for the larger of the two regulated private water companies in Inyo County. The other company is of nominal value.

Regarding the second recommendation, the assessor researched his archives and found articles of incorporation and other relevant documents in the file. Therefore, we will not repeat this recommendation.

We have no recommendation for the assessor's assessment program for properties owned by water companies.

Mineral Properties

By statute and case law, mineral properties are taxable as real property. They are subject to the same laws and appraisal methodology as all real property in the state. However, there are three mineral-specific property tax rules that apply to the assessment of mineral properties. They are Rule 468, *Oil and Gas Producing Properties*, Rule 469, *Mining Properties*, and Rule 473, *Geothermal Properties*. These rules are interpretations of existing statutes and case law with respect to the assessment of mineral properties.

There are no assessable petroleum properties in Inyo County.

Mining Property

Mining property mineral rights are the rights to explore, develop, and produce minerals, other than oil, gas, and geothermal resources. There may be other real property associated with these rights. Pursuant to Rule 469, the rights to enter in or upon the land for the purpose of exploration, development, or production of minerals are taxable real property interests to the extent they individually or collectively have ascertainable value.

Inyo County has a significant mineral history. Mineral producers in the county extract gold, sand and gravel, pumice borate, talc, clays, and other volcanic material. A significant number of the mineral properties, over 1,700, are unpatented mining claims. The county's one operating gold mine is now beginning its reclamation phase as well as continuing exploration. The larger mineral properties are valued by a mineral consultant. The remaining properties are valued by the assessor.

Section 53.5 provides that each leach pad, settling pond, or tailings facility be considered a separate appraisal unit for purposes of determining its taxable value. While the assessor has not created separate appraisal units for leach pads, settling ponds, and tailings facilities, it does appear that a separate determination of value is made of the factored base year value and the current market value of the leach pads and ponds. This value was then added to the other land value.

There would be no difference in the aggregate value if the assessor were to create separate appraisal units for the leach pads, settling ponds, and tailings facilities. Should continued exploration result in new mining operations, we would suggest that the assessor enroll any leach pads, settling ponds, or tailings facilities as separate appraisal units.

For complex mining properties, the assessor uses the services of a consultant. After reviewing many of the mining appraisal files, we have no recommendations regarding the assessment of mineral properties for Inyo County.

Geothermal Property

Geothermal property mineral rights are the rights to explore for, develop, and produce useful geothermal energy, and the real property associated with these rights. Pursuant to Rule 473, the rights to enter in or upon the land for the purpose of exploration, development, or production of proved reserves are taxable real property interests to the extent that they individually or collectively have ascertainable value. "Proved reserves" means the quantity of geothermal energy capable of supporting the economic life of the geothermal project(s) which geological and engineering information indicate with reasonable certainty to be recoverable in the future, taking into account reasonably projected physical and economic operating conditions.

Geothermal electric generation takes steam or hot water from the ground and moves it through a turbine to generate electricity. There is one geothermal project that generates less than 50 megawatts of electricity located in Inyo County. The geothermal property is appraised by a mineral consultant and the value is reviewed by the assessor. The geothermal property is assessed at \$482 million. It represents nearly 15 percent of the taxable property in the county. We found the assessment procedures to be proper and have no recommendations regarding the assessment of geothermal properties in Inyo County.

Pipeline Rights-of-Way

Intercounty pipeline rights-of-way were assessed by the Board from approximately 1982 until 1993, when an appellate court ruled that such assessments were outside the Board's constitutional authority.⁴ The court ruled that while the pipelines themselves are properly assessed by the Board, the rights-of-way through which the pipelines run must be locally assessed. Subsequent to this court ruling, the Legislature added sections 401.8 through 401.12, which govern the valuation of intercounty pipeline lands and rights-of-way.

The assessor has three pipeline right-of-way assessments on the 2005-06 roll, with a total assessed value of \$185,460. The assessor combines the assessed values of each separate

⁴ *Southern Pacific Pipe Lines Inc. v. State Board of Equalization* (1993) 14 Cal.App.4th 42.

right-of-way assessment into a single assessment assigned to a countywide tax-rate area as required by section 401.8.

We found that rights-of way within Inyo County are correctly valued pursuant to sections 401.8 through 401.12.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

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

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

In this section of the survey report, we review the assessor's audit, business property statement processing, business property valuation, and leased equipment discovery and assessment programs, and the assessment of manufactured homes, aircraft, vessels, and animals. Business personal property is valued and audited by one full-time auditor-appraiser.

Audit Program

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

The following table shows the total number of audits completed over recent years by the Inyo County Assessor:

ROLL YEAR	TOTAL AUDITS	MANDATORY AUDITS	NONMANDATORY AUDITS
2005	12	10	2
2004	15	15	0
2003	13	13	0

Mandatory Audits

Pursuant to section 469, audits are mandatory for taxpayers reporting business tangible personal property and trade fixtures valued at \$400,000 or more for four consecutive years.

There are approximately 61 accounts in Inyo County subject to mandatory audit requirements. Each year the assessor generates a computer listing of accounts attaining values of \$400,000 or more for four consecutive years. This list forms the basis of the mandatory audit list. To remain current, the assessor must audit approximately 15 accounts each year.

Nonmandatory Audits

A nonmandatory audit program serves several purposes in the assessment of personal property. Besides helping to mitigate taxpayer reporting errors, a nonmandatory program also allows for the investigation and resolution of special problems uncovered during the processing of property statements.

There were two non-mandatory audits completed for roll year 2005-06, and the assessor plans to continue to audit non-mandatory accounts. We found these audits to be in order and well documented.

Audit Quality

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

We found that the assessor performs change in control (ownership) reviews, verifies leased equipment, enrolls construction in progress, accounts for supplies, and properly classifies equipment, among other things. In all cases mandatory and non-mandatory audits were accurate, well documented, and supported by a comprehensive audit checklist defining the areas of investigation.

Summary

In our 2002 survey, we recommended the assessor: (1) bring the mandatory audit program to current status, and (2) seek a waiver of the statute of limitations if a mandatory audit will not be completed timely. Although the assessor has made progress in bringing the mandatory audit workload current, the mandatory audit program continues to be in arrears. Therefore, this recommendation is repeated below. The second recommendation will not be repeated, as we found no evidence in our current review that the assessor fails to request a waiver of the statute of limitations when a mandatory audit will not be completed timely.

RECOMMENDATION 3: Timely audit the books and records of professions, trades, and businesses pursuant to section 469.

The assessor continues to be in arrears in completing mandatory audits. Pursuant to section 469 the assessor shall audit at least once every four years the books and records of professions, trades, or businesses with trade fixtures or business tangible personal property that has a full value of \$400,000 or more.

The mandatory audit program verifies the reporting of the largest business property accounts and forestalls any potential large assessment errors. The further removed the audit is from the year being audited, the more difficult it can be to obtain the necessary records to accurately audit the account.

Failure to timely audit mandatory accounts is contrary to the provisions of section 469.

Business Property Statement Processing Program

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

Workload

The following table illustrates the Inyo County Assessor's Office BPS processing workload for the 2005-06 assessment period:

CATEGORY	SECURED	UNSECURED	TOTAL	ASSESSED VALUE
General Business	303	964	1,267	\$308,172,193
Agriculture	55	35	90	\$ 16,391,183
Apartments	83	0	83	\$ 26,576,207
Financial	4	2	6	\$ 3,383,581
Service Stations	17	1	18	\$ 10,945,159

Data submitted on the BPS serves as the basis for the subsequent BPSs. In addition, BPSs provide important information regarding changes in business ownership, location of the property, and the business start date at the current location.

In addition to sending out a BPS to each of the prior assesseees, the assessor also includes a computer generated listing of assessed assets from the prior year. This list simplifies the completion of the BPS. The taxpayer merely identifies assets having been disposed of and adds newly acquired assets. Processing BPSs becomes easier as well because the auditor-appraiser, after reviewing the asset listing, merely adjusts for changes made.

Direct Billing

Many California assessors utilize an assessment procedure called direct billing or direct assessment. It is a method of assessing qualified lower-value business accounts without the annual filing of a BPS. The assessor establishes an initial value and continues it for several years. Property statement filings or field reviews are required periodically. Examples of businesses suitable for direct billing include small apartments, barbershops, beauty parlors, coin-operated laundrettes, small cafes and restaurants, and professional firms with small equipment holdings.

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

The Inyo County Assessor utilizes such a program. The direct-billed accounts are generally stable and have less than \$100,000 in full cash value of reportable business property.

In our 2002 survey, we recommended the assessor send BPSs to direct billing assesseees at least once every four years. In our current review we found that the assessor implemented the recommendation; he now sends a BPS cyclically to direct-billed taxpayers to determine if there have been any substantial changes of business property, including increases or decreases in equipment, changes in ownership, or changes in location. If the assessor determines the account is not suitable for direct billing, he converts the account to a regular account and resumes yearly BPS mailings.

There are currently 52 accounts in Inyo County qualifying for direct billing. The direct billing program is well-administered and we have no recommendations.

Business Equipment Valuation

Commercial, Industrial, and Agricultural Equipment

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

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

The assessor uses the California Assessors' Association (CAA) tables, combining the equipment index factor and the percent good factor into one factor (valuation factor). These valuation factors are integrated into the assessor's computer system.

Computer Valuation

In order to promote uniformity in appraisal practices and assessed values, and to comply with the requirements of section 401.5, the Board issued in AH 581, Table 7: Computer Valuation Factors, valuation factors for computers.

We found that the assessor has adopted the Board factors and uses them in valuing computer equipment.

Leased Equipment

The auditor-appraiser is responsible for the discovery, valuation, and assessment of leased equipment. This type of property is one of the more difficult to assess correctly. Common

problems include difficulty in establishing taxability and taxable situs, reporting errors by lessees and lessors, valuation (whether the value of the equipment should be the lessor's cost or the cost for the consumer to purchase), and double or escape assessments resulting from lessor and lessee reporting. These issues are discussed in detail in Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*.

When property is leased, both lessors and lessees should report such property on their annual property statements. At the end of a lease, the lessee may acquire the equipment or return it to the lessor. Procedures should be in place to identify the disposition of leased equipment upon termination of a lease.

When a lessee obtains ownership and retains possession of equipment at the end of the lease, the assessor should confirm the lessee reports the property. A cross-check of information reported by lessors and lessees verifies the accuracy of the reported information.

We reviewed the procedures for assessing leased equipment along with a number of lessors and lessees accounts. We found the leased equipment program is well managed, with staff doing an excellent job in the discovery, processing, tracking, and cross-checking of leased equipment information.

Service Station Improvements

Prior to the passage of article XIII A of the California Constitution, service station improvements were generally assessed as a single unit, with no distinction made between structure and fixture improvements. Now, it is important to segregate fixture improvements from structures because Rule 461(e) provides that fixtures and other machinery and equipment classified as improvements constitute a separate appraisal unit for purposes of recognizing declines in value. In addition, the replacement of a structural item may be considered normal maintenance and, hence, not assessable as new construction, whereas the replacement of a fixture qualifies as newly constructed property.

RECOMMENDATION 4: Assess service station fixtures at the lower of their market values or factored base year values.

We found that service station fixture assessments are not annually reviewed for declines in value. The assessor determines a base year value for all fixtures and, in subsequent years, they are adjusted by the appropriate inflation factor.

Because fixtures are classified as real property, they must be assessed at the lower of their current market values or factored base year values. Rule 461(e) provides that fixtures and other machinery and equipment classified as improvements constitute a separate appraisal unit for purposes of recognizing declines in value. Typically, fixtures have shorter economic lives than real property, and they usually depreciate in value over time. In most instances the factored base year values would exceed current market values.

Manufactured Homes

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

There are 1,799 manufactured homes in Inyo County with a total roll value of \$35,425,251. Manufactured homes in Inyo County are classified as improvements and are on the secured roll. The assessor is notified of assessable manufactured homes by information from the State Department of Housing and Community Development, dealer reports of sale, tax collector tax clearance certificates, and building permits.

In determining the full cash value of a manufactured home on rented or leased land, the assessor, pursuant to section 5803, must take into consideration sales prices listed in recognized value guides for manufactured homes, e.g., the *NADA Manufactured Housing Appraisal Guide*.

One real property appraiser values all manufactured homes in the county, including those located in isolated, rural parts of the county, such as the Death Valley and Furnace Creek areas.

Section 5801(b)(2) provides that manufactured homes shall not be classified as real property. The assessor continues to enroll manufactured homes as real property improvements on the secured roll. Since this practice has no real revenue impact we have elected not to repeat this recommendation.

Aircraft

General Aircraft

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

The following table details the general aircraft assessments for Inyo County over recent years:

ROLL YEAR	ASSESSMENTS	ENROLLED VALUE
2005-06	99	\$7,648,191
2004-05	97	\$7,102,939
2003-04	94	\$6,908,190
2002-03	90	\$7,537,530

The auditor-appraiser is responsible for valuing general aircraft.

Valuation

An aircraft property statement is mailed annually to the known owner of each aircraft in the county. The assessor uses the initial value indicator from the *Bluebook* and adjusts for airframe hours, avionics, hours before major overhaul, sales tax, and condition. Pursuant to Letter To Assessors 97/03, he also reduces listed retail values by 10 percent to provide reasonable estimates of fair market values for aircraft in truly average condition on the lien date.

The values of newer aircraft are most affected by the presence or lack of optional equipment, while the values of older aircraft are influenced more by the condition of the aircraft. Field checks are made on a case by case basis according to taxpayer claims of deferred maintenance, airworthiness, or other issues.

The assessor's discovery procedures are to obtain *Airport Tenant Reports* from the six airports in Inyo County. On the lien date, or shortly thereafter, the assessor's staff visits the county airports, records tail numbers, and then compare the tail numbers to the *Airport Tenant Reports*. Exceptions, if any, are investigated via the Federal Aviation Administration website. If ownership cannot be determined, then the assessor sends a property statement to the registered owner.

We found the assessor's aircraft discovery procedures to be sound and the estimates of value to be properly calculated. The assessor's procedures for valuing general aircraft are correct and conform to statutory provisions.

Certificated Aircraft

Certificated aircraft are aircraft operated by air carriers (including air taxis are operated in scheduled air taxi operation). Unlike general aircraft, which are normally assessed at a rate of 100 percent at the place where they are "habitually located" on the lien date, the assessments of certificated aircraft are allocated among taxing jurisdictions based upon ground and flight time, and the number of arrivals and departures during a representative period designated by the Board. Certificated aircraft are assessed in accordance with the methods described in section 401.17.

Inyo County has two airfreight carriers subject to local assessment. The auditor-appraiser is responsible for these assessments.

The value of the commercial aircraft for recent years is as follows:

ROLL YEAR	ENROLLED VALUE
2005-06	\$563,010
2004-05	\$385,550
2003-04	\$527,004
2002-03	\$588,594

As there are only two commercial airlines in the county, the audits of the airlines are conducted by other counties having several major commercial airlines. We found no problems with the certified aircraft assessment program.

Historical Aircraft

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

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

The following details the assessor's historical aircraft exemption statistics for recent years:

ROLL YEAR	EXEMPTIONS GRANTED	EXEMPTED VALUE
2005-06	7	\$510,200
2004-05	6	\$448,000
2003-04	5	\$399,493
2002-03	5	\$399,613

We reviewed all declarations of historical aircraft claimants and found no problems.

Vessels

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

All vessels on the assessment roll are less than \$100,000 value. The assessor discovers most assessable vessels from DMV reports, referrals from other counties, and information provided by the vessel owners themselves. The assessor mainly uses the National Automobile Dealer Association's Marine Appraisal Guide (NADA) to value vessels. In certain instances other sources may be used such as classified advertisements in local newspapers.

All registered vessel owners are sent a local questionnaire on January 1 of each year. Most vessel owners return the form to the assessor by April 1. The vessel is valued using the value indicator derived from the current NADA value guide, plus sales tax. Vessel owners failing to return the questionnaire by April 1 are sent Form BOE-576-D, *Vessel Property Statement*. If they fail to return the completed form to the assessor prior to the filing deadline, a 10 percent penalty is added to the NADA derived value and sales tax.

The following is the vessel assessment data from recent years:

ROLL YEAR	PLEASURE VESSELS	ASSESSED VALUE
2005-06	643	\$2,513,023
2004-05	611	\$2,409,486
2003-04	656	\$2,650,897
2002-03	598	\$2,106,000
2001-02	579	\$2,022,756

We have no recommendations for this well-run program.

Animals

The California Constitution mandates that all property is taxable unless specifically exempted by the Constitution, the laws of the United States, or, in the case of personal property, by act of the Legislature. Most animals are exempt from taxation. Pets are exempted under section 224. Many animals that are considered business inventory are exempted by sections 129 and 219, and by Rule 133.

Inyo County has a number of assessable animals. Most animals are reported either on Form BOE-571-F, *Agricultural Property Statement*, or on Form BOE-571-F2, *Registered and Show Horse Statement*. It is the assessor's practice to send both Form BOE-571-F and Form BOE-571-F2 to all agricultural businesses.

Methods of discovering taxable animals include the review of telephone yellow pages, local newspapers, the BOE-571-F, and audits of agricultural property.

We reviewed the procedures for discovering and assessing taxable animals and found the program is well administered.

APPENDIXES

A. County-Assessed Properties Division Survey Group

Inyo County

Chief

Dean Kinnee

Survey Program Director:

Arnold Fong

Principal Property Appraiser

Survey Team Supervisor:

Robert Reinhard

Supervising Property Appraiser

Survey Team Leader:

Carlos Zaragoza

Senior Specialist Property Appraiser

Survey Team:

Mike Ash

Associate Property Appraiser

Paula Eagleman

Associate Property Appraiser

Nick Winters

Associate Property Appraiser

Lloyd Allred

Associate Property Auditor-Appraiser

Alan Dannen

Associate Property Auditor-Appraiser

B. Relevant Statutes and Regulations

Government Code

15640. Survey by board of county assessment procedures.

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure all classes are treated equitably, and no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

15641. Audit of records; appraisal data not public.

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of the assessee's property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine data.

15642. Research by board employees.

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for office sufficient funds to ensure the proper performance of its duties.

15643. When surveys to be made.

- (a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines a need exists to conduct a survey.
- (d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

15644. Recommendations by board.

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

15645. Survey report; final survey report; assessor's report.

- (a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.
- (b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report.

The board may, for good cause, extend the period for filing the response.

- (c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

15646. Copies of final survey reports to be filed with local officials.

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

Revenue and Taxation Code

75.60. Allocation for administration.

(a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6 (commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.

(b) For purposes of this section:

- (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
- (2) "Eligible county or city and county" means a county or city and county has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
 - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of county or city and county performed pursuant to Section 15640 of the Government Code.
 - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
- (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey includes a sampling of assessments, the board may continue to certify county or city and county following a survey does not include sampling if the board finds in the survey conducted without sampling there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling significant assessment problems exist, the board shall conduct a sampling of assessments in county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided it agrees to pay for the cost of the survey.

Title 18, California Code of Regulations

Rule 370. Random selection of counties for representative sampling.

(a) SURVEY CYCLE. The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.

(b) RANDOM SELECTION FOR ASSESSMENT SAMPLING. The three counties selected at random will be drawn from the group of counties scheduled in year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.

(1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in year for random selection will be divided into three groups (small, medium, and large), such each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.

(2) If one or more counties are scheduled for an assessment sampling in year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in year for random selection will be pooled into one group.

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

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

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

Rule 371. Significant assessment problems.

(a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, "significant assessment problems" means procedure(s) in one or more areas of an assessor's assessment

operation, which alone or in combination, have been found by the Board to indicate a reasonable probability either:

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

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

- (1) Uniformity of treatment for all classes of property.
- (2) Discovering and assessing newly constructed property.
- (3) Discovering and assessing real property has undergone a change in ownership.
- (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
- (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
- (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
- (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
- (8) Discovering and assessing property has suffered a decline in value.
- (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.

(c) A finding of "significant assessment problems," as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor's practices.

ASSESSOR'S RESPONSE TO BOARD'S FINDINGS

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

The Inyo County Assessor's response begins on the next page. The Board has no comments on the response.

RECEIVED

FEB 21 2008



THOMAS W LANSHAW
ASSESSOR

COUNTY OF INYO

OFFICE OF THE ASSESSOR
P O BOX "J"
168 N EDWARDS
INDEPENDENCE CA 93526

County-Assessed Properties Division
State Board of Equalization
PHONE: (760) 878-0302
Local Toll Free Nos.
BISHOP AREA: 872-2702
LONE PINE AREA: 876-5559 ext 0302
DEATH VALLEY: 1(800) 447-4696 ext 0302

February 14, 2008

Dean R. Kinnee, Chief
County-Assessed Properties Division
State Board of Equalization
PO Box 942879
Sacramento, CA 94279-0062

Re: Response to the Inyo County Assessment Practices Survey

Dear Mr. Kinnee:

Pursuant to Section 15645 of the California Government Code, we provide the Assessor's response to the State Board of Equalization's Assessment Practices Survey of Inyo County.

I wish to thank you and the members of your staff who conducted the survey in a professional, instructional and courteous manner.

Sincerely,

Thomas W. Lanshaw
Inyo County Assessor

Recommendation 1:

Revise disaster relief assessment procedures by: (1) properly notifying applicants of their appeal rights, and (2) requesting the board of supervisors to revise the disaster relief ordinance to comply with section 170.

Assessor's Response:

We agree.

Recommendation 2:

Apply the Change in Ownership Statement failure to file penalty within the time prescribed by section 482.

Assessor's Response:

We agree and will revise our procedures.

Recommendation 3:

Timely audit the books and records of professions, trades, and businesses pursuant to section 469.

Assessor's Response:

We agree.

Recommendation 4:

Assess service station fixtures at the lower of their market values or factored base year values.

Assessor's Response:

We agree. We have completed audits of all service stations and corrected our classification of improvements and fixtures and we are now able to compare the factored base year value of the fixtures with their market value.