

KINGS COUNTY ASSESSMENT PRACTICES SURVEY

FEBRUARY 2003

CALIFORNIA STATE BOARD OF EQUALIZATION

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2003/023

February 28, 2003

TO COUNTY ASSESSORS:

KINGS COUNTY
ASSESSMENT PRACTICES SURVEY

A copy of the Kings County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE 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 George J. Misner, Kings County Assessor-Clerk-Recorder, 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, the State Legislature, the Kings County Board of Supervisors, and the Kings County Grand Jury.

Fieldwork for this survey was performed by the BOE's County Property Tax Division between September 2001 and February 2002. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Mr. Misner 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 your questions, comments, and suggestions for improvement.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:jm
Enclosure

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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 comes from the fact that half or more of all property tax revenues are used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

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 (BOE) periodically reviews (surveys) every county assessor's office. This report reflects the BOE's findings in its current survey of the Kings County Assessor's Office.

Readers of previous assessment practices survey reports will note several distinct changes in the format of the report. Among other things, the previous reports commonly contained multi-part recommendations and formal suggestions. Each recommended change is now listed as a separate recommendation. Items that would have been formal suggestions under the previous format are now either recommendations or are stated informally within the text of the report. Both of these changes increased the number of recommendations in the survey reports.

The assessor is required to file with the board of supervisors a response that indicates the manner in which he/she 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 BOE, the Senate and Assembly, and the Kings 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 George J. Misner, Kings County Assessor-Clerk-Recorder,¹ elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendices.

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 that the report will promote uniform, effective, and efficient assessment practices throughout California.

¹ This report covers only the assessment functions of his office.

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 performance of other duties enjoined upon the assessor, and the volume of assessing work as measured by property type. As directed by Government Code section 15644, this survey report includes recommendations for improvement to the practices and procedures found by the BOE's survey team.

In addition, Revenue and Taxation Code section 75.60² requires the BOE to certify whether the county assessment roll meets a minimum assessment level. This certification may be accomplished either by conducting an assessment sample pursuant to Government Code section 15640(c), or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix C.

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

This survey also included an assessment sample of the 2001-2002 assessment roll to determine the average level (ratio) of assessment for all properties and the disparity among assessments within the sample. The ideal assessment ratio is 100 percent, and the minimum acceptable ratio is 95 percent. Disparity among assessments is measured by the sum of absolute differences found in the sample; the ideal sum of absolute differences is zero percent and the maximum acceptable number is 7.5 percent. If the assessment roll meets the minimum standards for ratio and disparity, the county is eligible to continue to recover the administrative costs of processing supplemental assessments. The sampling program is described in detail in Appendix B.

This survey report offers recommendations to help the assessor resolve problems we have identified. An assessment practices survey is not an audit of the assessor's entire operation. We do not examine internal fiscal controls or the internal management of the assessor's office outside those areas related to assessment.

² All statutory references are to the Revenue and Taxation Code, unless otherwise indicated.

EXECUTIVE SUMMARY

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

- In our prior survey we made 14 recommendations. Of these, the assessor implemented seven recommendations, partially implemented one, and failed to implement five. Due to a statutory change, one recommendation no longer applies. Most of the recommendations that the assessor did not implement are repeated in this report.
- The auditor-controller certified to the Department of Finance that the assessor met the contractual obligations of the State-County Property Tax Administration Loan Program agreement.
- We found no deficiencies in appraisal staff certification, assessment roll change procedures, and the new construction, aircraft, and animal assessment programs. Kings County has no timeshare properties, historical properties, land zoned for timberland production, or racehorses subject to the in-lieu tax.
- The county board of supervisors resolution inappropriately imposes a refundable deposit as a condition of granting an assessment appeal hearing.
- The Kings County disaster relief ordinance contains a reference to an incorrect lien date and contains outdated procedures for assessment restoration when properties are fully reconstructed. In addition, the *Notice of Proposed Reassessment* used by the assessor to notify property owners of their time period to appeal disaster relief assessments does not conform to the provisions of section 170.
- The assessor improperly grants the full homeowners' exemption to homeowners who file claims after the statutory deadline.
- The assessor does not file quarterly reports listing intercounty base year value transfers as required by section 69.5(b)(7).
- The assessor does not have a proactive program to recognize decline-in-value trends.
- The assessor fails to enroll supplemental assessments for manufactured homes and unrestricted portions of California Land Conservation Act (CLCA) parcels.
- For properties subject to CLCA contracts, the assessor does not assign a base year value to dairy mounding, nor does he document the capitalization rates, income data, expense data, and other variables used in his computerized CLCA valuation program. In addition, the

assessor improperly sets an upper-value limit on individual parcels within an appraisal unit, giving unauthorized benefits to property owners.

- We found three problems with the assessment of taxable government-owned property. First, the assessor does not compare tax-rate area codes to discover taxable government-owned properties. Second, the assessor does not correctly calculate the assessed values of taxable government-owned properties. Third, the assessor improperly enrolls supplemental assessments for taxable government-owned property.
- The assessor does not review all private uses of the county fairgrounds to discover taxable possessory interests. In addition, the assessor improperly processes supplemental assessments when possessory interests terminate during the assessment year. These errors and problems were discovered and addressed in our prior survey report but have not yet been corrected by the assessor. Consequently, we revisit them in this report.
- We found that the real property and business property divisions do not use the existing interoffice memorandum to coordinate the assessment of leasehold improvements.
- We found a number of technical problems with the water company property assessment program. The assessor does not calculate the current market value of regulated water companies, obtain articles of incorporation for mutual water companies, review inspection reports from various state and county agencies to discover assessable water company properties, or require water companies to file business property statements.
- Assessments of pipeline rights-of-way are not combined into a single assessment for each taxpayer as required by section 401.8. In addition, the assessor does not require each pipeline owner to file an annual *Pipeline Property Statement*.
- The assessor does not complete his mandatory audits timely and does not obtain waivers of the statute of limitations when those audits will not be completed timely.
- The assessor continues to accept business property statements without screening them for authorized signatures. We also discussed this issue in our last survey report.
- The assessor uses arbitrary (non-BOE approved) minimum valuation factors without supporting market evidence.
- The assessor does not use the information provided by the BOE reporting business property leased by state-assessed public utilities and railroads.
- The assessor could not produce documentation to support the depreciation rate he used to value vessels, and he inappropriately included penalty language on locally developed vessel reporting forms.
- The assessor continues to improperly classify manufactured homes as real property.

- Despite the problems noted above, we found that most properties and property types are assessed correctly.
- The Kings County assessment roll meets the requirements for assessment quality established by section 75.60. Our sampling of the 2001-02 assessment roll indicated an assessment ratio of 99.27 percent, and the sum of the absolute differences from the required assessment level was 2.85 percent. Accordingly, the BOE certifies that Kings County is eligible to continue receiving reimbursement of the costs associated with administering supplemental assessments.

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

RECOMMENDATION 1:	Request that the board of supervisors repeal the resolution imposing assessment appeals filing fee.....	13
RECOMMENDATION 2:	Request that the board of supervisors revise the current disaster relief ordinance to conform to section 170.	15
RECOMMENDATION 3:	Revise the <i>Notice of Proposed Reassessment</i> to conform to the provisions of section 170(c).	15
RECOMMENDATION 4:	Grant only partial exemptions to homeowners who file late homeowners' exemption claims, as required by rule 135.	17
RECOMMENDATION 5:	File quarterly reports with the BOE listing the transfers of base year values as required by section 69.5(b)(7).	20
RECOMMENDATION 6:	Review the assessments of residences in homogeneous areas to discover properties that have declined in value.	21
RECOMMENDATION 7:	Enroll supplemental assessments for changes in ownership and new construction of manufactured homes.....	22
RECOMMENDATION 8:	Exempt Section 11 property from supplemental assessments. ..	23
RECOMMENDATION 9:	Enroll supplemental assessments for residential home sites on land restricted under CLCA contracts.....	23
RECOMMENDATION 10:	Establish base year values for dairy mounding.....	24
RECOMMENDATION 11:	Document capitalization rates, expenses, and other factors used in the computerized CLCA valuation program.....	25
RECOMMENDATION 12:	Enroll CLCA properties at the lowest of their restricted values, their factored base year values, or their current market values.....	25

RECOMMENDATION 13: Enroll all taxable government-owned properties. 26

RECOMMENDATION 14: Review section 11 properties for proper valuation. 27

RECOMMENDATION 15: Review all uses of the county fairgrounds to discover taxable possessory interests..... 27

RECOMMENDATION 16: Discontinue enrolling supplemental assessments for terminations of taxable possessory interests. 28

RECOMMENDATION 17: Use the existing interdepartmental memorandum to improve coordination of leasehold improvement assessments between the real property and business property divisions. 29

RECOMMENDATION 18: Enroll the real properties owned by regulated water companies at the lower of their factored base year values or current market values. 29

RECOMMENDATION 19: Obtain articles of incorporation for mutual water companies.... 30

RECOMMENDATION 20: Obtain county and state water system inspection reports to discover taxable water company property..... 31

RECOMMENDATION 21: Annually mail Form BOE-540-S, *Mutual or Private Water Company Property Statement*, to all private and mutual water companies..... 31

RECOMMENDATION 22: Combine pipeline rights-of-way assessments into a single, countywide parcel per taxpayer, as required by section 401.8..... 32

RECOMMENDATION 23: Require all pipeline owners to file an annual *Right-of-Way Property Statement*. 32

RECOMMENDATION 24: Bring the mandatory audit program to current status, as required by section 469. 33

RECOMMENDATION 25: Obtain a signed waiver of the statute of limitations when an audit will not be completed in a timely manner..... 34

RECOMMENDATION 26: Ensure that business property statements contain authorized signatures as required by rule 172..... 34

RECOMMENDATION 27: Use BOE-approved factors in Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* as intended..... 35

RECOMMENDATION 28: Review the Forms BOE-600-B provided by the BOE to discover taxable personal property leased by state assesseees..... 36

RECOMMENDATION 29: Document that depreciation rates used to assess pleasure vessels result in market value..... 37

RECOMMENDATION 30: Delete penalty language from the locally developed vessel reporting form. 37

RECOMMENDATION 31: Classify manufactured homes as personal property..... 38

RESULTS OF 1997 SURVEY

Addition of Improvement Bond Value

We recommended that the assessor add to the selling price of real property the cash equivalent value of outstanding improvement bonds issued under the 1911, 1913, or 1915 Bond Acts. Subsequent amendments to section 110 established a rebuttable presumption that the value of improvements financed by bonded indebtedness is reflected in the total consideration for a property, exclusive of the amount of that indebtedness. Thus, our recommendation no longer applies.

New Construction

We recommended that the assessor: (1) assess landscaping as new construction, (2) assess subdivision improvements consistent with advice contained in Letter To Assessors (LTA) No. 84/51, (3) ensure that interest during the construction period is included in the cost approach for large commercial projects, and (4) enroll supplemental and escape assessments for all applicable years allowed under the statute of limitations.

We found that the assessor has revised his commercial and industrial cost questionnaire to request information pertaining to loan interest during the construction period. In addition, we found no further problems with the assessment of landscaping, the processing of new construction supplemental and escape assessments, and the assessment of subdivision improvements.

California Land Conservation Act Property

We recommended that the assessor: (1) use the typical or actual crop rotation practice when calculating crop income, (2) deduct from gross rent all expenses that are paid by the lessor and deduct a capital replacement charge for irrigation wells that contribute to the income stream, (3) revise assessments of pistachio trees to recognize that they do not reach mature production until 20 years of age, and (4) use the straight-line declining income premise when capitalizing income from pistachio orchards with tree root stock subject to the *Verticilium Wilt*.

The assessor has implemented these recommendations. The assessor has also revised the crop rotation pattern to reflect current crop rotation practices. The assessor now deducts expenses from the gross rent that a typical farmer would expect for the replacement of irrigation wells and for irrigation district charges. The assessor values pistachio trees using a two-year average for production and for prices, thus adjusting for the alternate-bearing cycle. The assessor now uses the proper income stream and proper maturity age to value pistachio orchards.

Taxable Government-Owned Property

We recommended the assessor enroll all government-owned properties located outside the jurisdiction of the agencies owning those properties. It appears that many such properties continue to escape assessment; thus, we repeat this recommendation.

Taxable Possessory Interests

We recommended that the assessor: (1) allocate value to both land and improvements, (2) not allow a veterans' organization exemption unless a claim is filed and properly processed, (3) ascertain whether possessory interests exist at the county fairgrounds, and (4) review the procedures used for determining a negative assessment at the termination of a possessory interest. The assessor implemented parts 1 and 2 of our recommendation, but not parts 3 and 4. We repeat those recommendations in this report.

Equipment Index Factors

We recommended that the assessor use the index factors provided in Assessors' Handbook Section 581, *Equipment Index Factors*, as instructed, instead of calculating several average index tables. The assessor implemented this recommendation.

Business Property Statements

Our two recommendations addressing business property statements advocated that the assessor improve screening procedures to insure that signatures on property statements meet regulatory requirements, and that he obtain BOE approval for all property statement forms. Since the assessor did not implement either of these recommendations, they are repeated in this report.

Vessels and Aircraft

We made two recommendations in the area of vessels and aircraft. First, we recommended that the assessor annually value vessels (pleasure boats) at fair market value. Second, we recommended that the assessor value aircraft at fair market value and make adjustments based on engine hours. The assessor adopted the recommendation concerning aircraft but not the recommendation pertaining to vessels. The vessel recommendation is repeated in this report.

Manufactured Homes

We made a two-part recommendation concerning the assessment of manufactured homes. The first part concerned the proper classification of manufactured homes on the secured roll. The second part addressed the assessor's failure to enroll supplemental assessments for manufactured homes when appropriate. The assessor did not implement these recommendations; they are therefore repeated in this report.

OVERVIEW OF KINGS COUNTY

Located in the heart of the San Joaquin Valley, Kings County has an area of 889,270 acres³ and a population of 129,461.⁴ The county has four incorporated cities: Hanford (the county seat), Lemoore, Corcoran, and Avenal.

The economy is anchored by agriculture, with raw milk and cotton the leading products. Approximately 700,000 acres have agricultural uses.⁵ Among all California counties, Kings County is ranked twelfth in the total value of its agricultural production. The placement of three state correctional facilities in Kings County has diversified the economic base of the area. Other major contributors to the local economy include the Lemoore Naval Air Station and the Santa Rosa Rancheria (Tachi-Yokut Indian Tribe), which has a substantial casino operation.

Kings County shares common borders with the counties of Kern, Tulare, Fresno, and Monterey. Kings County is a general law county that was created by the Legislature in 1893 from the western portion of Tulare County.⁶

The assessor's budget totaled \$1,420,105 for the 2000-01 fiscal year. A total of 24 positions were allocated to the assessment function.

The following table displays pertinent information from the 2001-02 assessment roll.

Property Type	Number of Assessments in County	Enrolled Values
Total Secured Roll	41,075	\$4,434,321,937
Total Unsecured Roll (except manufactured homes)	4,979	\$ 193,454,116
Total Roll	46,054	<u>\$ 4,627,776,053</u>

³ California Department of Finance, www.dof.ca.gov, County Statistical Data

⁴ U.S. Census Bureau, 2000 Census of Population and Housing

⁵ U.S. Department of Agriculture, 1997 Census of Agriculture, Kings County

⁶ California State Association Counties; Counties Close-Up, www.csac.org

ADMINISTRATION

This portion of the survey report focuses on the administrative policies and procedures of the assessor's office that affect both the real property and business property assessment programs. We examined the following areas: the State-County Property Tax Administration Loan Program, appraiser certification, assessment appeals, disaster relief, and changes to the completed assessment roll. We also reviewed how the assessor handles property tax exemptions.

State-County Property Tax Administration Loan Program

Section 95.31 established the State-County Property Tax Administration Loan Program (PTAP). This program provides state-funded loans to eligible counties for the improvement of property tax administration.⁷ If an eligible county elects to participate, the county and the State Department of Finance enter into a written contract, as described in section 95.31. A PTAP loan is considered repaid if the county satisfies agreed-on performance criteria set forth in the contract. The contract provides that the county must maintain a base funding and staffing level in the assessor's office equal to the funding and staffing levels for the 1994-95 fiscal year. This requirement prevents a county from using PTAP funds to supplant the assessor's existing funding.

For most counties, as a provision of the contract, verification of performance is provided to the State Department of Finance by the county auditor-controller.

Kings County participated in the PTAP during years 1996-97, 1997-98, 1998-99, 1999-00, and 2000-01. During fiscal year 2000-01, the county borrowed \$138,653. The county's required base funding is \$1,094,198 and the minimum staffing level for the assessor's office is 20 positions. (The office is currently staffed with 24 positions.) The Kings County Auditor-Controller has certified to the State Department of Finance that the county has met the contractual requirements for loan repayment.

Kings County has used PTAP funds to reduce backlogs of new construction assessments, changes in ownership, assessment appeals, and decline-in-value reviews. Funds have also been used to review properties under the California Land Conservation Act (CLCA) that have non-renewing contracts, to field check possibly invalid homeowners' exemption claims, and to decrease the backlog of mandatory audits.⁸

⁷ Chapter 914, Statutes of 1995 (AB 818) and later enacted statutes.

⁸ The Property Tax Administration Loan Program expired June 30, 2001. During the time when we were performing our fieldwork for this survey, the Governor approved Chapter 521, Statutes of 2001 (AB 589). AB 589 established the Property Tax Administration Grant Program for the fiscal years 2002-03 through 2006-07. The new grant program will operate in essentially the same manner as the loan program except that if a county fails to meet its contractual performance criteria, the county will not be obligated to repay the grant but will be ineligible to continue to receive a grant.

Appraiser Certification

Section 670 provides that no person may perform the duties of an appraiser for property tax purposes unless he or she holds a valid certificate issued by the BOE. At the time of our fieldwork, there were twelve BOE-certified appraisers employed in the assessor's office. The breakdown by position is as follows:

- 1 Assessor-Clerk-Recorder
- 1 Assistant Assessor-Clerk-Recorder
- 1 Chief appraiser
- 2 Auditor-Appraisers
- 7 Real Property Appraisers

Assessment Appeals

The assessment appeals function is required by article XIII, section 16 of the California Constitution. Sections 1601 through 1641.2 are the statutory provisions governing county boards of equalization and assessment appeals boards in the appeals functions. Government Code section 15606(c) directs the BOE to prescribe rules and regulations to govern local boards of equalization; pursuant thereto, the BOE has adopted rules 301 through 326⁹ to regulate assessment appeals.

The Kings County Board of Supervisors sits as the local board of equalization. On July 18, 2000, the board of supervisors adopted a resolution requiring a \$200 appeal filing fee, as a deposit, that is refunded when the applicant appears at the hearing. At the time of our survey, Kings County had received 24 timely filed appeals for the current year. The following table shows a breakdown of appeals for the current and past three years:

⁹ Unless otherwise stated, rule references are to the Property Tax Rules, Title 18, Public Revenues, California Code of Regulations.

Year	Appeals Filed	Withdrawal	Stipulations	Hearings	Denied for Lack of Appearance	Pending
2001-02	24 ¹⁰	N/A	N/A	N/A	N/A	N/A
2000-01	138	26	91 (63 as one unit)	5 (Applicants upheld)	6	10
1999-00	78	25	46 (23 as one unit)	0	7	0
1998-99	67	16	34	16	1	0

Appeals are tracked using a computer spreadsheet and are heard within the required two-year time frame. The chief appraiser represents the assessor at the hearings, with most appeals prepared by the appraisal staff. Many appeal cases are withdrawn prior to hearing. Our review of stipulations and board rulings for 1999 and 2000 indicated that the appeals were filed timely, resolved timely, and the assessor's opinions and value conclusions were reasonable, well documented, and organized in a professional manner.

The assessor's assessment appeals program appears to be in compliance with all applicable rules, statutes, and regulatory provisions.

Filing Fee

RECOMMENDATION 1: Request that the board of supervisors repeal the resolution imposing assessment appeals filing fee.

On July 18, 2000, the board of supervisors adopted a resolution requiring a \$200 appeal filing fee that is refunded when the applicant appears at the hearing. However, the board of supervisors does not have statutory authority for requiring an applicant to pay a refundable deposit as a condition of being granted a hearing.

Section 1601 and following sections and rules 302 through 326, which interpret, clarify and implement those sections, provide the relevant statutory authority for the functioning of local appeals boards. Those statutes and rules set forth detailed rules of procedure for the conduct of assessment appeals proceedings.

Section 1605.6 provides in relevant part that: "After the filing of an application for reduction of an assessment, the clerk of the county board of equalization shall set the matter for hearing and

¹⁰ This reflects data available at the time fieldwork for this survey was performed.

notify the applicant, or his or her designated representative, of the time and date of the hearing." Once a hearing has been granted, section 1611 permits any party to request a transcript or recording of the hearing at that party's expense and section 1611.5 provides that a party who requests findings of fact shall bear the expense of preparing the findings. However, none of the sections pertaining to assessment appeals hearings allow the county board of supervisors to require that an applicant pay a refundable deposit as a condition of being granted a hearing.

In view of the existing statutory scheme which specifically provides for some fees but not others, we believe that the Legislature has determined that monetary charges required as a condition of an assessment appeal are a matter of statewide concern requiring statewide uniformity. In this regard state law by implication fully occupies this area of the assessment appeals process. If a local ordinance, such as the local rule in this case, duplicates or entered an area fully occupied by state law, either expressly or by legislative implication, the local ordinance is in conflict and, therefore, void.¹¹ As a result, state law effectively preempts the county's authority to require a deposit.¹²

We recommend that the assessor request that the board of supervisors rescind this local assessment appeals board rule requiring an applicant to submit a \$200 deposit at the time of filing an assessment appeal.

Disaster Relief

Section 170 authorizes a county board of supervisors to adopt an ordinance providing property tax relief to assessees whose properties have been damaged or destroyed by a misfortune or calamity through no fault of the assessees. The ordinance may apply to a major misfortune or calamity within a region that has been declared to be in a state of disaster by the governor, as well as to any other misfortune or calamity. The ordinance may specify a period of time within which the ordinance shall be effective, or it may remain in effect until repealed.

The Kings County Board of Supervisors adopted Ordinance No. 442 in December 1984 to provide for this relief. Only four to five applications for disaster relief are filed with the assessor per year. Otherwise, the assessor discovers calamities through newspaper articles, building permits, property taxpayer notifications, and field investigations.

In our 1997 survey report, we suggested that the assessor regularly obtain fire reports from all fire departments within the county to discover property eligible for relief. However, the assessor has developed an even more proactive notification process. When a property owner suffers a loss due to a fire, the local fire departments supply those owners with a packet of information containing documents from governmental agencies that may provide help. Within this packet is an application for disaster relief. We found this to be an innovative method of ensuring that taxpayers receive necessary relief information.

¹¹ *People ex rel. Deukmejian v. County of Mendocino* (1984) 36 Cal.3d 476, 484.

¹² In a November 20, 2002 legal opinion addressed to the BOE, the Kings County Counsel, Denis A. Eymil, disagreed with the BOE opinion on this matter.

We examined appraisal records relating to three fires. While we found the appraisal records of properties receiving relief to be well documented and complete, there are two problems with the program that are addressed in the next two recommendations.

Disaster Relief Ordinance

RECOMMENDATION 2: Request that the board of supervisors revise the current disaster relief ordinance to conform to section 170.

We found that the county's present disaster relief ordinance references an incorrect lien date and contains outdated procedures for assessment restoration when properties are fully reconstructed.

At present, the disaster relief ordinance still references March 1 as the lien date. However, chapter 499 of the statutes of 1995 (operative January 1, 1997) revised the lien date in section 170 from March 1 to January 1.

In addition, the ordinance provides that, upon full restoration, the assessor is to enroll the restored value on the lien date following the completion of the restoration. However, chapter 1222 of the statutes of 1994 amended section 170 to provide for the use of supplemental assessments to enroll a fully repaired, reconstructed, or restored property. Although the assessor correctly restores the assessed value of property receiving disaster relief, the present ordinance does not authorize that practice.

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

Taxpayer Notification

RECOMMENDATION 3: Revise the *Notice of Proposed Reassessment* to conform to the provisions of section 170(c).

We found that the notice used by the assessor to inform taxpayers of their proposed reassessments following a claim for disaster relief does not contain the correct appeals filing period. This notice, which is actually the assessor's supplemental assessment notice, provides that the assessee has 60 calendar days from the date of mailing of the notice to file an appeal.

At the time of our fieldwork, section 170(c) provided that the notice shall state that the applicant may appeal the proposed reassessment to the local board of equalization within 14 days of the date of mailing the notice. Effective January 1, 2002, the applicant has six months from the date of mailing the notice.

We recommend the assessor include the correct assessment appeals information on his *Notice of Proposed Reassessment* as described in section 170(c).

Assessment Roll Change Procedures

Sections 616 and 617 require the assessor to complete the local assessment roll on or before July 1 of each year and deliver it to the auditor. After delivery to the auditor, the assessor may not change the assessment roll unless authorized by statute or by the board of supervisors. Authorizations for roll changes are based on specific statutes, and the assessment roll must contain appropriate statutory references for those changes.

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 on the July 1 roll for any reason. The assessor is required to enroll any escaped property upon discovery, and the taxpayer must be notified of the proposed escape assessment at least 10 days prior to enrollment. The entry on the roll must reference the year the property escaped assessment and applicable sections of the Revenue and Taxation Code. Sections 531 through 538 describe authorized changes that result from property escaping assessment.

A roll correction is any type of authorized change to an existing assessment. Sections 4831 through 4880 set forth the provisions for correction of errors.

The assessor processed 1,100 roll changes for the 1999-00 assessment year. We found no deficiencies in the processing of assessment roll changes.

Exemptions

Article XIII, section 3(f) of the California Constitution exempts from property taxation buildings, land on which they are situated, and equipment used exclusively for religious worship. Article XIII, section 4(b) of the California Constitution also permits the exemption of property used exclusively for religious, hospital, or charitable purposes and owned or held in trust by a nonprofit organization operated for those purposes.

Church, Religious, and Disabled Veteran's Exemptions

County assessors administer the church, religious, and disabled veterans' exemptions. The church exemption may be claimed on property owned, leased, or rented by a religious organization and used exclusively for religious worship services. The religious exemption may be claimed on property owned by a religious organization and used exclusively for religious worship or for religious worship and preschool, nursery school, or parochial school activities. The disabled veterans' exemption is available to those veterans who own a residence and have a service-connected disability rated at 100 percent by the U.S. Department of Veterans Affairs, or who are blind in both eyes, or have lost the use of two or more limbs.

For the 2000-01 assessment roll, the assessor processed 45 church exemptions, 126 religious exemptions, and 89 disabled veterans' exemptions. We found that claims for the church, religious, and disabled veterans' exemptions were properly processed.

Welfare Exemptions

The assessor and the BOE jointly administer the welfare exemption. Property owned by a qualified non-profit entity may be exempt if the property is used exclusively for either religious, charitable, hospital, or scientific purposes. There are 160 welfare exemption claimants in Kings County. We found no deficiencies in the assessor's administration of welfare exemptions.

Homeowners' Exemption

An exemption of the first \$7,000 in assessed value is available to an eligible owner for a dwelling that is occupied as the owner's principal place of residence as of January 1 of each year. Kings County had granted 16,105 homeowners' exemptions for the January 1, 2001 lien date, with a total exempt value of \$112,476,829. Unlike other exemptions, the state reimburses local governments for the tax revenue lost due to this exemption.

RECOMMENDATION 4: Grant only partial exemptions to homeowners who file late homeowners' exemption claims, as required by rule 135.

We found a number of properties for which the assessor granted owners the full homeowners' exemption even though the claims they filed were late. Rule 135 provides the filing deadlines for the homeowners' exemption. Those deadlines permit homeowners to receive a full exemption, partial exemption, or denial depending on the timing of their applications. Granting a full exemption for late-filed claims results in unlawful exemptions and excessive subvention payments from the state to the county.

We recommend that the assessor grant only partial homeowners' exemptions to homeowners who file late claims.

Low-Value Property Exemption

Section 155.20 authorizes the county board of supervisors to exempt from property taxation all real property with a base year value, and personal property with a full value, so low that if not exempt, the total taxes, special assessments, and applicable subventions on the property would amount to less than the assessment and collection costs. Section 155.20(b)(1) provides that the county board of supervisors has no authority to 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 possessory interests. The board of supervisors must adopt any such exemption by ordinance or resolution 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.

Kings County does not have a low-value property exemption ordinance or resolution; the assessor enrolls all taxable low-value property.

ASSESSMENT OF REAL PROPERTY

The assessor's real property assessment program includes (1) revaluation of properties that have changed ownership, (2) valuation of assessable new construction, (3) annual review of properties experiencing declines in value, and (4) annual review of certain properties subject to special assessment provisions.

Article XIII A of the California Constitution requires real property to be assessed at the lower of its current market value or factored base year value. The assessed value on the 1975 lien date or a value following a change in ownership or new construction is referred to as a property's base year value. The base year value is factored each year to reflect inflation as measured by the California Consumer Price Index (CCPI); not to exceed 2 percent per year. This indexed value is known as the factored base year value (FBYV).

Change in Ownership

Section 60 requires the assessor to reappraise real property upon a change in ownership. Section 60 defines a change in ownership as the 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 interest. Sections 62 through 69.5 exclude certain transfers from the definition of a change in ownership. Exclusions include, but are not limited to, inter-spousal transfers, transfers between parents and their children, and acquisitions of replacement properties for properties taken by eminent domain.

Recorded deeds are the main source of information by which the assessor discovers properties involved in a change of ownership. The consolidation of the county recorder and assessor's office in Kings County has improved the efficiency and effectiveness of this process. In addition, the recorder's office ensures that either a *Preliminary Change in Ownership Report* (PCOR) is filed, or the \$20 fee for failure to file a PCOR is collected, at the time of recording. The result is that only about 5 percent of the recorded transfer documents per year are not accompanied by a PCOR.

The recorder's office processed 2,644 deeds in calendar year 2000, 4,057 deeds in 1999, 3,984 deeds in 1998, and 3,755 deeds in 1997. All recorded documents are scanned into a computer system that is shared by the recorder and the assessor.

When a transfer document is recorded without a PCOR, the assessor sends a form BOE-502-AH, *Change of Ownership Statement* (COS), to the owner. A COS is also sent when it is determined that there is insufficient or incomplete information on the PCOR. The assessor has mailed an average of 190 COS's annually during the period from 1996 through 2000. An average of 58 penalties per year were applied for failure to timely file the COS, with the penalty ranging from \$100 to \$2,500.

A transfer analyst reviews each recorded document and forwards those indicating a change in ownership to the appraisal section. The recorded document, property record, and PCOR or COS are sent to the appraiser assigned to the geographic area in which the property is located.

We tracked nine recorded transfers, selected at random from the recorder's index, through to enrollment on the assessor's computer system. The transfer of ownership for each of these recorded documents was handled correctly and reflected conformance with statutory requirements.

Direct Enrollment Program

Direct enrollment allows the assessor to automatically process the assessment of properties meeting certain criteria with minimal appraiser involvement. The assessor instituted a direct enrollment program in 2001. The program includes new single-family residential properties in subdivisions and some less complex commercial properties.

Section 408.1 Transfer List

Section 408.1 requires a county assessor in a county that had a population of 50,000 or more in the 1970 federal decennial census to maintain a list of real property transfers that have occurred in the county within the prior two years. The list must contain specific information and be open for inspection by any person. Pursuant to section 408.1(d), the assessor may charge a fee, not to exceed \$10, for this service.

The assessor does not continuously maintain a printed two-year list of transfers at the public counter. However, a CD-ROM disc containing a current listing of the sales for the most recent two years is available for a \$10 fee. Additionally, upon the request of a person who has paid the \$10 fee, the assessor can produce a printed list of transfers that conforms to the requirements of section 408.1 within two hours. The assessor indicated that this is more cost effective than regularly producing an updated counter copy of the transfer listing that is seldom requested. This practice is a reasonable and innovative alternative in compliance with section 408.1, given the significant expense of maintaining a current printed list of transfers.

Legal Entity Ownership Program

Section 64 provides that certain transfers of ownership interests in legal entities are changes in ownership of all real property owned by the entity and its subsidiaries. Discovery of such a change in ownership is difficult because ordinarily there is no recorded notice of the transfer. While such notices may appear as a matter of interest in newspapers, magazines, trade journals, and financial subscription services, they often do not appear in official county records.

The BOE's LEOP unit investigates and verifies changes in control reported by legal entities and transmits to each county a listing, with corresponding property schedules, of the entities that have reported a change in control. However, many of the acquiring entities do not provide detailed information pertaining to the counties in which they have property, the assessor's parcel

number, or how many parcels they own. Because of the varying accuracy of the data provided by the entities, LEOP has advised assessors to thoroughly research each named entity's holdings to determine that all affected parcels are identified and properly appraised.

We reviewed a number of properties on the assessor's most recent LEOP report. We found that the assessor correctly processes LEOP notices and effectively identifies changes in ownership resulting from corporate changes in control.

Section 69.5 Base Year Value Transfers

Section 69.5 provides property tax relief for qualifying senior citizens and severely disabled persons by allowing them to transfer the base year value of their residence to another residence of equal or lesser value in the same county. In addition, its benefits may apply to transfers of properties located in different counties, provided an ordinance accepting such transfers is passed by the board of supervisors of the county of the replacement residence; however, Kings County does not have an intercounty transfer ordinance.

RECOMMENDATION 5: File quarterly reports with the BOE listing the transfers of base year values as required by section 69.5(b)(7).

Section 69.5(b)(7) requires the assessor to file quarterly reports listing base year value transfers with the BOE. We found that the assessor has not filed such quarterly reports with the BOE since the third quarter of 1999. The assessor's failure to furnish this information to the BOE creates an incomplete statewide database and could result in base year value transfers being improperly granted in other counties.

We recommend that the assessor comply with section 69.5(b)(7) by filing quarterly reports of base year value transfers with the BOE.

New Construction

Section 71 requires the assessor to reappraise newly constructed real property upon the date of completion, and on each lien date while construction is in progress. Assessors discover most new construction activity from building permits. Other discovery methods include business property statements, aerial photographs, news reports, and field inspections.

Building Permit Processing

Kings County has five building permit-issuing agencies: the county of Kings and the cities of Hanford, Lemoore, Corcoran, and Avenal. All of these agencies forward copies of building permits and building plans to the assessor on a monthly basis. For the 2000-01 assessment year, these agencies issued a total of 2,762 permits. The assessor determined that 1,940 of these resulted in assessable new construction; a total of \$86,344,060 was added to the roll. We found that the assessor has effective procedures and controls for the processing of building permits.

Construction in Progress

On each lien date, section 71 requires the assessor to enroll construction in progress at its fair market value. On subsequent lien dates, if the new construction is still incomplete, the assessor must again enroll the construction in progress at its fair market value. This process continues until the new construction is complete, at which time the new construction is assessed at its fair market value upon completion and a base year value is assigned. We found no problems in the valuation of construction in process.

Declines in Value

Section 51 requires the assessor to enroll the lesser of a property's factored base year value (FBYV) or its current market value, as defined in section 110, on each lien date. When a property's current market value falls below its FBYV on any given lien date, the assessor must enroll the current market value as the taxable value for that property. If, on a subsequent lien date, the market value of the property increases above the FBYV, then the assessor must restore the FBYV.

For the 2000-01 assessment roll, the assessor made 500 decline-in-value assessments. The following table shows the number of decline-in-value assessments for recent assessment rolls:

2000-01	1999-00	1998-99	1997-98	1996-97
500	501	466	344	290

The assessor restored 96 decline-in-value assessments for the 2001-02 assessment roll and processed 98 requests for decline-in-value reviews. The increase in decline-in-value assessments between 1996-97 and 1999-00 appears to have stabilized in 2000-01. At the time of our fieldwork, there were 33 requests pending, compared to 42 in September of 2000.

We found the assessor's value conclusions for decline-in-value assessments to be reasonable and well documented.

RECOMMENDATION 6: Review the assessments of residences in homogeneous areas to discover properties that have declined in value.

The assessor relies primarily on taxpayer requests for value reviews to discover properties having declining values. We reviewed a number of properties in homogenous areas where the assessor has reduced the assessments of some properties based on taxpayers' requests for review. We found other properties, also experiencing declines in value, still enrolled at FBYV.

As advised in LTA Nos. 92/24 and 92/63, the assessor should undertake decline-in-value reviews in homogeneous areas where his staff is already aware of declining values. A regular review of homogeneous areas will help to ensure uniform assessments.

We recommend the assessor review the assessments of properties in homogeneous areas to discover declines in value.

Supplemental Assessments

Section 75.10 provides that whenever a change in ownership occurs or new construction is completed, the assessor shall appraise the property at its full cash value as of the date of the change in ownership or completion of new construction. The increase or decrease in assessed value resulting from a change in ownership or new construction is reflected in a prorated assessment (the supplemental assessment) that covers the portion of the fiscal year remaining after the date of change in ownership or completed new construction. If the event occurs on or after January 1 but on or before May 31, a supplemental assessment is also levied for the upcoming year. We found three problems with the assessor's administration of supplemental assessments.

Manufactured Homes

RECOMMENDATION 7: Enroll supplemental assessments for changes in ownership and new construction of manufactured homes.

We found that the assessor does not enroll supplemental assessments for manufactured homes taxed as real property. Instead, his staff enrolls any value change resulting from a change in ownership or new construction on the roll being prepared.

Section 75.5 specifically requires that the assessor enroll supplemental assessments on manufactured homes whenever there is a change in ownership or new construction. Sections 5814 and 5825 define, respectively, changes in ownership and new construction for manufactured homes. Failure to enroll supplemental assessments for manufactured homes, when appropriate, results in untimely and/or lost supplemental assessments.

We repeat our previous recommendation that the assessor issue supplemental assessments whenever there are changes in ownership or new construction of manufactured homes.

Taxable Government-Owned Property

Article XIII, section 3 of the California Constitution exempts from taxation those properties owned by local governments, except for those properties located outside the local government's boundaries that were taxable when acquired. These lands are commonly referred to as section 11 properties. Section 11 land must be valued at the lowest of the 1967 assessed value multiplied by a section 11 prescribed factor annually supplied by the BOE, the factored base year value, or the

current fair market value. (See *City and County of San Francisco v. County of San Mateo* (1995) 10 Cal.4th 554.)

RECOMMENDATION 8: Exempt section 11 property from supplemental assessments.

We found several section 11 properties recently acquired by the City of Hanford for which the assessor enrolled supplemental assessments.

Section 75.14 exempts any property not subject to the assessment limitations of article XIII A of the California Constitution from the supplemental assessments. Section 11 properties are subject to the assessment limitations of article XIII A. Such properties are also subject to the separate constitutional assessment limitations set forth in section 11. As a consequence, on June 15, 2000, the BOE determined that taxable government-owned properties are not subject to supplemental assessment and authorized the issuance of guidelines to this effect in the form of LTA No. 2000/037.

Therefore, we recommend the assessor exempt section 11 properties from supplemental assessments.

California Land Conservation Act Property

Section 75.14 exempts from the supplemental assessment process any property not subject to the assessment limitations of article XIII A of the California Constitution. Such properties include those parcels assessed under the provisions of a California Land Conservation Act (CLCA) contract. However, section 428 expressly provides that residences and residential home sites located on CLCA properties are not subject to the CLCA assessment limitations. They are thus subject to the assessment limitations of article XIII A, and to supplemental assessments.

RECOMMENDATION 9: Enroll supplemental assessments for residential home sites on land restricted under CLCA contracts.

We found that the assessor processes supplemental assessments for residences, but not for residential home sites on land under CLCA contract. When a property subject to a CLCA contract transfers, unless restricted by section 423(e), a supplemental assessment should be made for any nonliving improvements, residence, and residential home site. Failure to issue supplemental assessments for the home site portion on otherwise restricted property permits that property to escape the required supplemental assessment.

We recommend the assessor enroll supplemental assessments for residential home sites when CLCA restricted properties transfer.

California Land Conservation Act Property

Agricultural preserves are established by a city or county pursuant to the California Land Conservation Act (CLCA) of 1965. Property owners in an agricultural preserve may choose to

enter into a contract restricting the use of their lands. Lands under contract are valued for property tax purposes on the basis of agricultural income-producing ability, including compatible use income (e.g., hunting rights and communications facilities). They are assessed at the lowest of the restricted value, the current market value, or the factored base year value. Sections 421 through 430.5 prescribe the guidelines for assessing land subject to agricultural preserve contracts.

For the 2001-02 assessment roll, there were approximately 698,000 acres under CLCA contract, about 78 percent of the county's total land area of 889,270 acres. The total taxable value of the land and living improvements was \$469,316,000. Of the total restricted acreage, there were 240,000 acres enrolled as Farmland Security Zone (FSZ), with a total restricted value of \$153,444,000. There were approximately 8,500 acres in nonrenewal status. The following table shows a breakdown of open space land in Kings County for the current and past three years:

Year	Acreage Assessed at Current Market Value	Acreage Assessed at Restricted Value	Non-renewal Acreage	Total Restricted Acreage	FSZ Acreage*
2001-02	43,904	647,386	7,319	698,609	242,613
2000-01	38,700	652,257	8,833	699,790	238,140
1999-00	27,826	662,140	7,209	697,175	208,901
1998-99	N/A	N/A	6,954	697,509	0

*FSZ acreage is included in the total restricted acreage.

This table shows a steady increase in FSZ acreage, since the Kings County Board of Supervisors implemented the recently enacted FSZ program.

The assessor used various risk rates for restricted land depending on the general location and the soil conditions. Additional adjustments are made for land located in the Tulare Lake Basin for flood potential based on a study completed by the assessor.

Dairy Mounding

RECOMMENDATION 10: Establish base year values for dairy mounding.

The assessor does not establish base year values for new mounding land improvements (i.e., raised land areas created for the health and safety of dairy cows) on dairy property. However, the

assessor does correctly include an economic rent for the dairy mounding in the land income that is capitalized into the restricted value.

Section 423(d) provides that the value of the CLCA property shall be the lowest of the factored base year value, current market value, or the restricted value. Since the assessor does not establish base year values for the new mounding land improvements, factored base year values cannot be determined and then compared to the restricted value and the current market value.

In addition, the assessor will not be able to determine the correct nonrenewal valuation, because that value calculation is based in part on the factored base year value. These policies could result in the underassessment of the restricted land when the factored base year value is lower than the restricted value.

We recommend the assessor establish base year values for all dairy mounding.

Documentation

RECOMMENDATION 11: Document capitalization rates, expenses, and other factors used in the computerized CLCA valuation program.

We found that the assessor did not document any of the data used in his computerized CLCA valuation program. There was no documentation supporting the capitalization rates used for the recapture of non-living improvements, expenses used in those calculations, or the income used for the dairy mounding.

We recommend that the assessor document the data used in his computerized CLCA valuation program.

Appraisal Unit

RECOMMENDATION 12: Enroll CLCA properties at the lowest of their restricted values, their factored base year values, or their current market values.

We found that the assessor's computerized CLCA valuation program assigns a market value limit for each variety of trees and vines within any appraisal unit. If the restricted value exceeds the market value for any one variety of trees or vines, the computer enrolls the market value for that variety. We found one appraisal unit where two parcels were assessed at the CLCA restricted land value and one at current market value, because of the different varieties of vines planted on those parcels. We found other samples assessed at the CLCA restricted land value and at market value for the CLCA restricted growing improvements.

Section 423(d) provides that the restricted value shall not exceed the lesser of either the current market value or the factored base year value. This limitation applies to the appraisal unit of the property. Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space*

Properties, provides that the comparison is made on the basis of the total restricted value of the appraisal unit and not on the basis of the individual parcels or on the basis of the value of each restricted component, such as land or trees.

Assessing each component of a CLCA restricted appraisal unit at its lowest value results in the property owners receiving a more beneficial tax treatment than intended. This policy results in escape assessments and lost tax revenue for the county.

We recommend that the assessor enroll CLCA appraisal units at the lowest of their restricted values, their factored base year values, or their current market values.

Taxable Government-Owned Property

Article XIII, section 3 of the California Constitution exempts from property taxation any property owned by local governments, except as provided in section 11. Section 11 provides that government-owned land, and the improvements thereon, located outside the local government agency's boundaries are taxable 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 "Section 11" properties.

RECOMMENDATION 13: Enroll all taxable government-owned properties.

During our 1997 assessment practices survey, we found a number of government-owned properties that appeared to be taxable, as provided in section 11. During our current survey, we again found properties owned by public agencies that appeared to be located outside those agencies' boundaries. Those properties appear to be taxable. We compared the tax-rate areas of those properties with the tax-rate area index to determine if they were located within the jurisdictions of the public owners. As a result of that research, we found that the assessor exempted 20 government-owned properties that appear to be located outside the jurisdictions of the agencies owning such properties. In addition, we found that the assessor has yet to enroll 15 properties acquired by the City of Hanford that are outside its city limits.

Some of these parcels *may be* taxable. The assessor must determine whether the parcel is in fact located outside the public agency's boundaries, and whether the parcel was taxable when acquired. If the assessor determines those parcels are taxable, he must enroll them in accordance with the provisions of section 11 of the California Constitution.

We recommend the assessor enroll all taxable government-owned properties.

Valuation

In *City and County of San Francisco v. County of San Mateo* (1995) 10 Cal.4th 554, the California Supreme Court held that the limitations of article XIII A of the California Constitution apply to section 11 properties. The Court's ruling means that such land must be assessed using

the lowest of (1) the current fair market value, (2) the section 11 value (the 1967 taxable value of land multiplied by the factor described in section 11), or (3) the factored base year value.

If the property was taxable when acquired, improvements on the property are valued at their current fair market value or their factored base year value, whichever is lower. Construction of improvements that replace original improvements must be taxed at the lowest of the current full cash value, the factored base year value, or the highest full value ever used for taxation of the improvements that have been replaced. By contrast, any new improvements constructed on section 11 land after acquisition by a government agency are exempt from taxation.

RECOMMENDATION 14: Review section 11 properties for proper valuation.

Although we found that the assessor correctly establishes base year values for newly acquired section 11 properties, the assessor does not compare their factored base year values to their current market values or restricted section 11 values to determine the proper assessments.

We recommend that the assessor review the assessments of section 11 properties to ensure that the lowest of their restricted values, their factored base year values, or their current market values are enrolled.

Taxable Possessory Interests

A taxable possessory interest is a private use of publicly owned real property. For property tax purposes, a taxable possessory interest includes either the possession, or the right to possession, of real property when a tax-exempt government agency holds the fee title of that property.

The assessor conducts a possessory interest discovery program that involves regularly contacting the 89 government agencies owning property in Kings County. As a result, the assessor enrolled 180 separate possessory interests on the 2001-02 assessment roll totaling \$21,499,921. Although the possessory interest assessment program is well managed, there are areas in which it could be improved.

County Fairgrounds

RECOMMENDATION 15: Review all uses of the county fairgrounds to discover taxable possessory interests.

We found that the assessor does not obtain detailed information concerning the private uses of the county fairgrounds. As a result of that limited information, the assessor has enrolled only four possessory interest assessments at the county fairgrounds. We found this same problem in our 1997 survey.

There are a number of private uses of the fairground facilities that appear to warrant assessment as possessory interests. This failure to review private uses of the fairgrounds may have resulted in taxable possessory interests escaping assessment.

We again recommend the assessor review all uses of the county fairgrounds to discovery taxable possessory interests.

Supplemental Assessments

RECOMMENDATION 16: Discontinue enrolling supplemental assessments for terminations of taxable possessory interests.

In our 1997 survey, we found that the assessor enrolled negative supplemental assessments when possessory interests terminate during the assessment year. We found that the assessor has not changed his policy.

The assessor should enroll possessory interest supplemental assessments only upon a change in ownership or completion of new construction. Termination of a possessory interest does not meet the definition of a change in ownership and therefore is not subject to supplemental assessment. Consequently, the assessor has no authority to issue a supplemental assessment upon the termination of a taxable possessory interest.

We recommend that the assessor discontinue enrolling supplemental assessments for terminations of taxable possessory interests.

Leasehold Improvements

Leasehold improvements are structural or fixture improvements made to rented or leased land or structures, and they are typically installed by and paid for by the tenant/lessee. Improvements installed by the tenant or lessee can be secured to the real property or assessed to the tenant 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 alter the original improvements in a number of ways. Examples include additions, removals, or possibly both, that may result in a changed use of the property. These changes should be reviewed and, if they qualify as new construction, be reflected in the property's assessment.

In particular, when real property is reported on the business property statement, the reported cost should be examined jointly by a real property appraiser and an auditor-appraiser. Determinations must be made as to whether costs are for repair and maintenance and are, therefore, not assessable; whether additions are properly classified as structures or fixture improvements; and whether additions are properly enrolled. For this reason, coordination between the real property and business property divisions of the assessor's office is very important. Additionally, whether the real property or business property division handles the assessment, equal and consistent assessment is of utmost importance.

RECOMMENDATION 17: Use the existing interdepartmental memorandum to improve coordination of leasehold improvement assessments between the real property and business property divisions.

During our research, we found two properties with substantial leasehold improvements that escaped assessment, despite the real property division's enrollment of the shell structures. We also found one property where the assessor's real property appraisers assessed leasehold improvements for considerably less than the costs reported on the tenant's business property statement. Both situations illustrate a lack of communication between the real property and personal property divisions of the assessor's office. Although the assessor developed a form to facilitate that communication, its use appears to be sporadic.

We recommend the assessor improve the assessment of leasehold improvements by expanding his use of the existing interdepartmental memorandum.

Water Company Property

Water company properties assessed on local tax rolls may be municipal systems on taxable government-owned land (article XIII, section 11 of the California Constitution), private water companies (either regulated or unregulated by the California Public Utilities Commission (CPUC)), or mutual water associations. Each type presents different appraisal problems.

For 2001-2002, the total assessed value of water company properties in Kings County was \$2,375,601. The assessor has five water companies on the assessment roll: two mutual water companies, two private water companies, and the taxable government-owned property of a municipal water company.

Regulated water companies

Private water companies, both regulated and unregulated, are utility companies that earn profit from the sale of water. The CPUC regulates the rates charged by private water companies, limiting profits to an authorized return on the companies' investment. To calculate those rates, the CPUC requires regulated companies to file annual financial reports on their operations. Since the market values of the properties owned by those companies are tied directly to their regulated rates, the current market value of a water company's property may be less than its factored base year value.

RECOMMENDATION 18: Enroll the real properties owned by regulated water companies at the lower of their factored base year values or current market values.

We found that the assessor annually enrolls the factored base year values for real property owned by the regulated water companies in Kings County. No review is made to determine whether the current market values of those properties are lower than their factored base year values. In

addition, we found that the assessor does not obtain the financial reports that these companies submit annually to the CPUC. Those reports contain the data necessary for developing an income approach and a historical cost less depreciation (HCLD) indicator of value.

HCLD is a generally accepted method for valuing rate-based regulated utilities. This approach utilizes accounting information prescribed by the regulating agency to compute a value indicator. When regulation effectively limits the income of a company to that derived from the rates it charges for water, both the income and the HCLD indicators tend to approximate market value.

We recommend the assessor enroll the properties owned by regulated water companies at the lower of their factored base year values or current market values, in accordance with section 51.

Mutual Water Companies

A mutual water company is a private association created for the purpose of providing water at cost to its owners. If incorporated, those property owners served by the system hold shares of that company's stock. An incorporated mutual water company can enter into contracts, incur obligations, and own property. However, if unincorporated, it may perform those acts only in the names of all its members.

Mutual water company shares are typically appurtenant to the parcels that the company serves. In such cases, the value of the mutual water company assets is typically reflected in the assessed values of the properties it serves and to which the shares attach. However, if the ownership in a mutual water company is not appurtenant to the land, its land, improvements, and personal property must be assessed separately from those served parcels.

RECOMMENDATION 19: Obtain articles of incorporation for mutual water companies.

We found no documentation in the appraisal records of the mutual water companies describing those companies, their assets, or the parcels they serve. As a result, the assessor inconsistently assessed the properties owned by mutual water companies.

For one mutual water company, the assessor enrolled token assessments for the land and no assessments for the improvements or personal property. As a result of those token assessments, property tax bills were not generated for that company's property. For the other mutual water company, the assessor enrolled land values high enough to generate tax bills, and no assessments for its improvements or personal property. Since the value of both water companies is included in the parcels they serve, it appears that the land values for the second water company result in double assessments.

Assessors' Handbook Section 542, *Assessment of Water Companies and Water Rights*, provides that the assessor must have knowledge of how ownership is held to properly assess the properties of mutual water companies.

We recommend the assessor obtain relevant documents from each mutual water company to determine how to correctly assess the property held by each company.

Discovery

RECOMMENDATION 20: Obtain county and state water system inspection reports to discover taxable water company property.

We found a number of water systems listed on county health department inspection reports that were not listed on the assessment roll. In addition, the assessor does not use inspection reports from the State Health Services Department, Division of Safe Drinking Water, to discover such water companies.

We recommend the assessor obtain reports from the various regulating agencies to discover taxable water company property.

RECOMMENDATION 21: Annually mail Form BOE-540-S, *Mutual or Private Water Company Property Statement*, to all private and mutual water companies.

We found that the assessor does not require private or mutual water companies to file annual property statements. To annually solicit the information needed for accurate assessments of these properties, the BOE has developed the *Mutual or Private Water Company Property Statement* (Form BOE-540-S). Use of this form could provide the assessor valuable information describing newly acquired personal property, other assets, and new construction.

We recommend the assessor require private and mutual water companies to file an annual *Mutual or Private Water Company Property Statement* to aid in discovery of taxable property.

Pipeline Rights-of-Way

Section 401.10 provides that the values for intercounty pipeline rights-of-way on publicly or privately owned property, including those rights-of-way that are the subject of a reappraisable event (between March 1, 1975 and June 30, 2011), are rebuttably presumed to be assessed at full cash value if the assessor applies a statutorily-prescribed valuation formula. We found that the assessor values all intercounty pipeline rights-of-way in accordance with the provisions of section 401.10.

Single Assessment

Section 401.8 provides that the assessor shall combine the assessed value of each separate right-of-way interest into a single, countywide parcel per taxpayer. Although the assessor has enrolled all separate right-of-way interests under one assessment, we found an area of noncompliance.

RECOMMENDATION 22: Combine pipeline rights-of-way assessments into a single, countywide parcel per taxpayer, as required by section 401.8.

We found that the assessor continues to separately assess pipeline rights-of-way interests as separate parcels. A total of 56 separate right-of-way segments are assessed to seven different pipeline owners. While the tax collector combines all of these separate assessments with the same billing address into consolidated tax bills, those bills include all property owned by each of the pipeline owners, not just their rights-of-way.

Section 401.8 requires the assessor to combine the assessments of separate right-of-way interests into a single countywide parcel for each owner. The assessor's current practices do not conform to that requirement.

We recommend the assessor combine right-of-way assessments into a single, countywide parcel per taxpayer, as required by section 401.8.

Right-of-Way Property Statements

RECOMMENDATION 23: Require all pipeline owners to file an annual *Right-of-Way Property Statement*.

We found that the assessor last sent the *Right-of-Way Property Statement* (form BOE-571-RW) to pipeline owners in 1996. That was the first year Kings County began assessment of pipeline rights-of-way. Since 1996, some of the pipeline rights-of-way owners have merged, experienced changes in ownership, added a second pipeline, or abandoned rights-of-way.

Under the standard prescribed by section 401.10, if a taxpayer owns a second pipeline in a right-of-way, the value of the right-of-way for that taxpayer would increase by 50% over the value attributed to the right-of-way for the presence of the first pipeline. In addition, if a pipeline were blocked or abandoned, the assessment would decrease by at least 75 percent of the increase in assessed value that resulted from the application of section 401.10(a)(3)(A). Without regularly soliciting this information, the assessor cannot know if these assessments are made according to the standard prescribed by section 401.10.

To discover events that would lead to changes in the assessed value of pipeline rights-of-way, we recommend the assessor require all pipeline owners to file an annual property statement.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The assessor's business property staff processes about 5,630 annual property statements, has a total mandatory audit workload of 200 accounts, and assesses approximately 100 general aircraft and 2,400 vessels. There are 1,072 manufactured homes in Kings County, which by law must be classified as personal property. To handle that workload, the assessor has two auditor-appraiser positions, one clerical support, and one management analyst who functions as a supervising auditor-appraiser. The auditor-appraisers' duties include discovering taxable property, identifying potential audits, performing audits, processing property statements, and initiating roll changes.

Audit Program

The audit program is an important function of the business property assessment program. Property tax audits ensure that taxable property has been reported accurately by the taxpayer and assessed properly by the assessor. Audits also allow for an investigation and resolution of reporting and appraisal problems. A property tax audit is a means of collecting data relevant to the determination of taxability, situs, and value of property. Based on the audit findings and net result, the original assessment may be adjusted to reflect the audited values.

Mandatory Audit Program

Audits required by law, i.e., mandatory audits, are the most important audits for an auditor to complete in a timely manner. As required by section 469 and rule 192, these audits must be completed at least once in each four-year period for assessee's owning, controlling, or possessing tangible business personal property and fixtures with a full cash value of \$400,000 or more. In most cases, audits must be completed within four years after July 1 of the assessment year the property escaped assessment (e.g., an escape assessment for the year 1997-98 must be enrolled prior to July 1, 2001) because roll changes resulting from audits are subject to the statute of limitations pursuant to section 532.

We reviewed a number of audits to determine whether they were performed in a manner consistent with the guidelines contained in Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures* (AH 504). We found that the audits contained the recommended checklists, narratives, referencing, notes on physical inspection of property, verifications of acquisition cost, and reconciliation with the amounts reported on the property statement. However, we found two problems in the assessor's mandatory audit program.

RECOMMENDATION 24: Bring the mandatory audit program to current status, as required by section 469.

Even though PTAP funds were used to reduce this backlog of audits, we found that the assessor still has a backlog of mandatory audits. The assessor's total mandatory audit workload is about

200 audits, or about 45 audits a year. For 2000, the assessor did not complete six audits timely. For 2001, he did not complete 13 audits timely.

The mandatory audit program verifies the reporting on the largest business property accounts and helps to prevent any potentially large errors or escape assessments. The further removed the audit is from the year being audited, the more difficult it may be to obtain the necessary records.

We recommend that the assessor bring the mandatory audit program to current status.

RECOMMENDATION 25: Obtain a signed waiver of the statute of limitations when an audit will not be completed in a timely manner.

The assessor does not request waivers of the statute of limitations from taxpayers when his staff anticipates an audit will not be completed in a timely manner.

Section 532 provides that an escape assessment found during an audit must be enrolled within four years after July 1 of the assessment year in which the property escaped assessment or was underassessed. If the assessor cannot complete the mandatory audit within the prescribed time limit, the assessor may ask the taxpayer to grant an extension of time. This can be accomplished by requesting that the taxpayer sign a waiver of the statute of limitations, as authorized by section 532.1. This waiver protects the taxpayer if there was an overassessment and allows the assessor to enroll an escape assessment if a reporting deficiency is discovered.

We recommend that the assessor seek waivers of the statute of limitations in those situations where mandatory audits will not be completed on time.

Business Property Statement Processing

Section 441 requires each person owning taxable personal property in excess of \$100,000 to file an annual property statement with the assessor. Additionally, any person owning taxable personal property is required to file upon request of the assessor. Annual property statements form the backbone of the business property assessment program. These statements cover a wide variety of property types, including commercial, industrial, agricultural, vessels, and aircraft.

We found one problem with the assessor's property statement processing program.

RECOMMENDATION 26: Ensure that business property statements contain authorized signatures as required by rule 172.

In our prior survey report, we recommended that the assessor screen property statements more closely for proper signatures. During our current survey, we found that the assessor has not changed his practice. There is no indication that the assessor inspects property statements for proper signatures. In addition, the assessor keeps no records of authorizations.

Rule 172 provides that only assessees, partners, officers of a corporation, duly appointed fiduciaries, or authorized agents may sign property statements. When an agent is not a member of the bar, a certified public accountant, a public accountant, a duly appointed fiduciary, or an enrolled agent, rule 172 requires an assessee to submit written authorization permitting the agent to sign on the assessee's behalf. Without a written authorization on file with the assessor, the person signing the statement cannot be verified as an authorized agent within the definition of rule 172.

We recommend that the assessor ensure that property statements contain authorized signatures as required by rule 172.

Valuation of Business Property

Assessed values of business property are typically derived from historical or original costs (referred to as acquisition costs) through the use of valuation factors. Valuation factors are the mathematical product of the equipment index factor multiplied by a percent good factor. At the time of our fieldwork, the assessor was using the index factors from Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581).

RECOMMENDATION 27: Use BOE-approved factors in Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors*, as intended.

We found that the assessor uses minimum valuation factors for several equipment groups without any supporting study. That practice deviates from the instructions contained in AH 581, which provides that any further adjustments should be based on reasonable market evidence to arrive at replacement cost new.

When valuing property, it is necessary for appraisers to analyze individual property items for deviations from the norm. If such deviations exist, it is appropriate to adjust the valuation factor to reflect the deviation. However, making adjustments from factors in AH 581 without documented supporting evidence is not an acceptable appraisal practice. The use of arbitrary minimum valuation factors will usually result in overassessments of older equipment.

We recommend that the assessor use the factors in AH 581 as intended.

Leased Equipment

One of the assessor's responsibilities is the discovery and assessment of leased equipment. Assesseees are required to report all leased property (taxable property in their possession but owned by others) on the annual property statement. Details to be provided include the type of property, years of acquisition and manufacture, cost to purchase new, description, lease number or identification number, annual rent, and the lessor's name and mailing address.

There are approximately 310 active lessors in Kings County. The assessor compares all lessees' property statements to the lessors' property statements to ensure that all leased equipment is enrolled. If lessors neglect to account for leased property reported by their lessees, the assessor sends those lessors property statements requesting the necessary information.

RECOMMENDATION 28: Review the Forms BOE-600-B provided by the BOE to discover taxable personal property leased by state assessees.

We found that the assessor does not use the Forms BOE-600-B forwarded to him by the BOE's Valuation Division as a tool to aid in the discovery of taxable personal property. The BOE is responsible for assessing railroads and specified public utilities in California. However, some leased property held by state assessees is delegated to the county assessors by the BOE and is reported by those assessees on Form BOE-600-B. Although the BOE's Valuation Division annually forwards the relevant copies of those forms to the assessor, he does not review them.

We recommend that the assessor review the Forms 600-B to determine whether taxable personal property is escaping assessment.

Aircraft

Prior to the 1997 lien date, the BOE published aircraft valuation data each year in Assessors' Handbook Section 587, *Aircraft Valuation Data*. The BOE no longer publishes this handbook section. On January 8, 1997, the BOE approved the *Aircraft Bluebook Price Digest* as the primary guide for valuing aircraft. As stated in LTA No. 97/03, the BOE further directed that the listed retail values shall be reduced by 10 percent to provide reasonable estimates of fair market value for aircraft in truly average condition on the lien date. In any instance, appropriate adjustments must be made in order to estimate a market value in the hands of the user.

Approximately 100 aircraft are subject to property tax assessment in Kings County. The assessor discovers assessable aircraft through airport manager hangar reports and Federal Aviation Administration reports. The assessor uses the appropriate aircraft cost guides to value these aircraft, and he makes adjustments for the individual condition and equipment of each aircraft. Four aircraft of historical significance were properly exempted from taxation. We found that the assessor has an effective aircraft assessment program.

Vessels

Assessors in California are required to annually appraise vessels at market value and to assess all vessels with an assessed value above \$400, unless the county has a low-value property exemption. Since Kings County does not have a low-value property exemption, the assessor enrolls all vessels with a market value above \$400.

For the 2001-02 assessment roll, the assessor enrolled 2,378 vessels with a total assessed value of \$5,350,000. The primary sources used for the discovery of assessable vessels include Department of Motor Vehicles (DMV) reports, referrals from other counties, and information

provided by the vessel owners themselves. Valuation techniques used include reported purchase prices and the *N.A.D.A. Marine Appraisal Guide*.

Documentation

RECOMMENDATION 29: Document that depreciation rates used to assess pleasure vessels result in market value.

In our previous survey we recommended that the assessor either appraise vessels at market value using a recognized value guide or perform a depreciation study on an annual basis to determine the appropriate depreciation factors for vessel assessments. During our research, the assessor's staff claimed to have completed such a study during 1999. The staff claimed it was using the resulting data to annually adjust the assessed values of pleasure vessels. However, the assessor's staff could not provide us with a copy of this study. The use of an undocumented depreciation factor does not conform to good appraisal practice.

A method suggested in the Assessors' Handbook Section 576, *Assessment of Vessels* (February 2002), pages 16-17, for appraising vessels at market value is by deriving trend factors from the market by using the value guides. Trends can be developed by categorizing pleasure boats into two groups – new and used. These groups can then be further subdivided into subgroups (e.g., houseboat, cruiser, sailboat, inboard, outboard, and personal watercraft), as noted in the valuation guides. Trends in market values for these subgroups can be determined by comparing published boat valuation guides for the current and previous year. Once trend factors are computed either for appreciation or depreciation, they can be applied to all boats within each group and subgroup.

We now recommend that the assessor document the depreciation rates that he applies to pleasure vessels.

Vessel Reporting Form

RECOMMENDATION 30: Delete penalty language from the locally developed vessel reporting form.

We found that the assessor includes penalty language from section 463 on his locally developed vessel reporting form. That statute authorizes the assessor to penalize assesseees for nonfiling or filing late property statements. However, the assessor can only apply the penalty for failure to file a property statement when using a BOE-prescribed form. Since the assessor is not using a BOE-prescribed vessel property statement, he may not assess a late-filing penalty nor include the penalty language on his form.

We recommend that the assessor revise his locally developed vessel reporting form to remove the nonfiling or late-filing penalty.

Manufactured Homes

A manufactured home is subject to local property taxation if first sold new on or after July 1, 1980, or by the owner's request for conversion from vehicle license fee to local property taxation. A manufactured home is defined in Health and Safety Code sections 18007 and 18008, and statutes prescribing the valuation and assessment of manufactured homes are contained in Revenue and Taxation Code sections 5800 through 5842. Manufactured homes are classified as personal property and enrolled on the secured roll. If the home is situated on an approved permanent foundation system that meets the requirements of Health and Safety Code section 18551, it is real property and it is no longer assessed as a manufactured home.

There are 1,072 manufactured homes in Kings County with a total assessed value of \$16,927,131. Although most homes are located in 17 manufactured home parks, a substantial number are located on private land in rural areas.

RECOMMENDATION 31: Classify manufactured homes as personal property.

We repeat this recommendation from our previous survey report, where we noted that the assessor classifies and enrolls manufactured homes as real property. During our research for this report, we found that the assessor continues to enroll manufactured homes as real property on the secured roll.

Section 5801(b)(2) provides that manufactured homes shall not be classified as real property for property tax purposes. Misclassification of manufactured homes can have significant consequences. For example, special assessments are not imposed on personal property. Special assessments are levies upon real property for the purpose of paying for various improvements and services within a district. Enrolling manufactured homes as real property has resulted in the improper levy of special assessments on manufactured homes.

We recommend that the assessor classify manufactured homes as personal property.

APPENDICES

A. County Property Tax Division Survey Group

Kings County Assessment Practices Survey

Chief, County Property Tax Division:

Charles Knudsen

Survey Program Director:

Michael Lebeau

Principal Property Appraiser

Survey Team Supervisor:

Arnold Fong

Supervising Property Appraiser

Survey Team Leader:

John Corum

Senior Property Auditor Appraiser

Survey Team:

Zella Cunningham

Associate Property Appraiser

Glenn Danley

Associate Property Appraiser

Ken King

Associate Property Appraiser

Larry Gee

Associate Property Auditor Appraiser

Raymond Tsang

Associate Property Auditor Appraiser

Bob Rossi

Research Analyst II

Kathleen Trotto

Junior Property Appraiser

Marilyn Jones

Tax Technician II

B. Assessment Sampling Program

The need for compliance with the laws, rules, and regulations governing the property tax system and related assessing¹³ activities is very important in today's fiscally stringent times. The importance of compliance is twofold. First, the statewide maximum tax rate is set at one percent of taxable value. Therefore, a reduction of local revenues occurs in direct proportion to any undervaluation of property. (It is not legally allowable to raise the tax rate to compensate for increased revenue needs.) Secondly, with a major portion of every property tax dollar statewide going to public schools, a reduction in available local property tax revenues has a direct impact on the State's General Fund, which must backfill any property tax shortfall.

The Board of Equalization (BOE) in order to meet its constitutional and statutory obligations, focuses the assessment sampling program on a determination of the full value of locally taxable property and eventually its assessment level. The purpose of the BOE's assessment sampling program is to review a representative sampling of the assessments making up the local assessment rolls, both secured and unsecured, to determine how effectively the assessor is identifying those properties subject to revaluation and how well he/she is performing the valuation function.

The assessment sampling program is conducted by the BOE's County Property Tax Division (CPTD) on a five-year cycle for the 11 largest counties and cities and counties and on either a random or as needed basis for the other 47 counties. This sampling program is described as follows:

1. A representative random sampling is drawn from both the secured and unsecured local assessment rolls for the counties to be surveyed.
2. These assessments are stratified into 18 value strata (nine secured and nine unsecured.)¹⁴
3. From each stratum a random sampling is drawn for field investigation, sufficient in size to reflect the assessment level within the county.
4. For purposes of analysis, the items will be identified and placed into one five categories after the sample is drawn:
 - a) **Base year properties.** Those properties the county assessor has not reappraised for either an ownership change or new construction during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

¹³ The term "assessing" as used here includes the actions of local assessment appeals boards, the boards of supervisors when acting as boards of equalization, and local officials who are directed by law to provide assessment-related information.

¹⁴ The nine value strata are \$1 to \$99,999; \$100,000 to \$199,999; \$200,000 to \$499,999; \$500,000 to \$999,999; \$1,000,000 to \$1,999,999; \$2,000,000 to \$19,999,999; \$20,000,000 to \$99,999,999; \$100,000,000 to \$249,999,999; and \$250,000,000 and over.

- b) **Transferred properties.** Those properties last reappraised because of an ownership change that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.
 - c) **New construction.** Those properties last reappraised to reflect new construction that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.
 - d) **Non-Proposition 13 properties.** Those properties not subject to the value restrictions of article XIII A, or those properties that have a unique treatment. Such properties include mineral-producing property, open-space property, timber preserve property, and taxable government-owned property.
 - e) **Unsecured properties.** Those properties on the unsecured roll.
5. From the assessment universe in each of these 18 value strata (nine strata on both secured and unsecured local rolls), a simple random sampling is drawn for field investigation which is sufficient in size to reflect the assessment practices within the county. A simple nonstratified random sampling would cause the sample items to be concentrated in those areas with the largest number of properties and might not adequately represent all assessments of various types and values. Because a separate sample is drawn from each stratum, the number of sample items from each category is not in the same proportion to the number of assessments in each category. This method of sample selection causes the raw sample, i.e., the "unexpanded" sample, to overrepresent some assessment types and underrepresent others. This apparent distortion in the raw sampling is eliminated by "expanding" the sample data; that is, the sample data in each stratum are multiplied by the ratio of the number of assessments in the particular stratum to the number of sample items selected from the stratum. Once the raw sampling data are expanded, the findings are proportional to the actual assessments on the assessment roll. Without this adjustment, the raw sampling would represent a distorted picture of the assessment practices. This expansion further converts the sampling results into a magnitude representative of the total assessed value in the county.
6. The field investigation objectives are somewhat different in each category, for example:
- a) **Base year properties** -- for those properties not reappraised during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: was the value properly factored forward (for the allowed inflation adjustment) to the roll being sampled? was there a change in ownership? was there new construction? or was there a decline in value?

- b) **Transferred properties** -- for those properties where a change in ownership was the most recent assessment activity during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that a reappraisal was needed? do we concur with the county assessor's new value? was the base year value trended forward (for the allowed inflation adjustment)? was there a subsequent ownership change? was there subsequent new construction? was there a decline in value?
 - c) **New construction** -- for those properties where the most recent assessment activity was new construction added during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that the construction caused a reappraisal? do we concur with the value enrolled? was the base year amount trended forward properly (for the allowed inflation adjustment)? was there subsequent new construction? or was there a decline in value?
 - d) **Non-Prop 13 properties** -- for properties not covered by the value restrictions of Article XIII A, or those properties that have a unique treatment do we concur with the amount enrolled?
 - e) **Unsecured properties** -- for assessments enrolled on the unsecured roll, do we concur with the amount enrolled?
7. The results of the field investigations are reported to the county assessor, and conferences are held to review individual sample items whenever the county assessor disagrees with the conclusions.
8. The results of the sample are then expanded as described in (5) above. The expanded results are summarized according to the five assessment categories and by property type and are made available to the assessment practices survey team prior to the commencement of the survey.

The primary use of the assessment sampling is to determine an assessor's eligibility for the cost reimbursement authorized by Revenue and Taxation Code section 75.60. During the course of the sampling activity, the assessment practices survey team may also discover recurring causes for the differences in the opinion of taxable value that arise between the assessor and the County Property Tax Division. These discoveries may lead to recommendations in the survey report that would not have otherwise been made.

C. 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 that all classes are treated equitably, and that 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 made within his or her county 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 that 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 his or her 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 that 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 that 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 that 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 that 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 that 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 that 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 that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The state wide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that 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 that 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 that 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 that 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 that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that 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 that 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 that 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 that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that 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 that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that 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 that 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 that 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 that year for random selection will be divided into three groups (small, medium, and large), such that 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 that 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 that 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 that 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 that 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 that time, both the counties selected and the remaining counties in that 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 that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that 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 that 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 that 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 that 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 BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the BOE a response to the findings and recommendation in the survey report. The Kings County Assessor's response begins on the next page. The BOE has no comments on the response.



GEORGE J. MISNER

KINGS COUNTY GOVERNMENT CENTER
1400 WEST LACEY BOULEVARD
HANFORD, CALIFORNIA 93230-5905

ASSESSOR - CLERK - RECORDER

PHONE (559) 582-3211, EXT. 2486
FAX - ASSESSOR (559) 582-2794
FAX - CLERK - RECORDER (559) 582-6639

September 24, 2002

State Board of Equalization
Mr. Arnold Fong
County Property Tax Division
450 N Street, Mic: 62
PO Box 942879
Sacramento, CA 94279-0062

RECEIVED

SEP 30 2002

County Property Tax Division
State Board of Equalization

Dear Mr. Fong:

Pursuant to Section 15645 of the California Government Code, the following report represents the Assessor's response to the Assessment Practices Survey conducted by the State Board of Equalization on the 2001-2002 Assessment Roll and office procedures.

The effective administration of an operation of this magnitude is vitally important to all levels of local government, as well as to the property owners of Kings County. It is for this reason, I welcome an independent evaluation of the assessment practices in Kings County and I am pleased to note that the survey reported that the Kings County assessment program is substantially in compliance with the law. I was also equally pleased that Kings County was within all legal and statistical limits as required by Section 75.60 of the Revenue and Taxation Code and Section 15640 of the Government Code.

These findings can be directly attributed to the competent, dedicated staff of the Assessor's Office and the support of the Board of Supervisors and County management.

You will note in my response to the survey report that I am in agreement with many of the State Board's recommendations; in fact, a number of them we intend to implement immediately. With regard to those recommendations, I appreciate the support and endorsement of the State Board.

There are other proposals where I understand the necessity of the survey team to comment, however I disagree with the Board's interpretations of the R & T Codes. Items such as the existence of the local Board of Equalizations ability to adopt local rules, such as a refundable retainer designed to stop tax agents from frivolous shotgun appeals which cause the board to meet while the agents no-show because its not in their best interest. Also items such as exemption of supplementals for Section 11 properties have no legal basis.

However we will continue to work both with your and our legal staff to clarify these concepts.

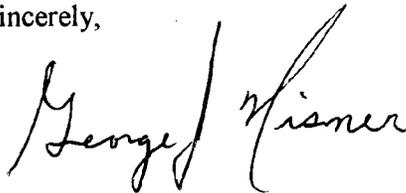
Everyone must keep in mind that the taxpayers of California desire to have an "elected" Assessor so they can be represented when it comes to application of the cost-effectiveness of some of the

bureaucratic mandates. I feel that this office stays within our constitutional requirements while applying fairness and equality. It is not my desire to ever be in conflict with any direction of the SBE but at the same time I wish to invoke the principles under which reasonable men do business.

I wish to express my appreciation to the State Board of Equalization Survey Team for the professional manner in which the survey was conducted.

And finally, I especially want to acknowledge the employees of the Assessor's Office for their commitment to excellence. The accomplishments of the past years could not have been achieved without the dedicated efforts of the members of this office.

Sincerely,

A handwritten signature in cursive script that reads "George J. Misner". The signature is written in black ink and is positioned above the typed name.

GEORGE J. MISNER
KINGS COUNTY ASSESSOR

RECOMMENDATION # 1: Request that the board of supervisors repeal the resolution imposing assessment appeals filing fee.

RESPONSE:

Currently our local Board of Equalization believe that the hearing deposit fee comes under the authority of Section 16 of Article 13 of the constitution. A legal opinion was sent to Board of Equalization discussing the difference in opinion.

RECOMMENDATION #2: Request that the board of supervisors revise the current disaster relief ordinance to conform to section 170.

RESPONSE:

We agree and will comply.

RECOMMENDATION #3: Revise the Notice of Proposed Reassessment to conform to the provisions of section 170(c)

RESPONSE:

We agree and will comply.

RECOMMENDATION #4: Grant only partial exemptions to homeowners who file late homeowners' exemption claims, as required by rule 135.

RESPONSE:

We agree and will comply.

RECOMMENDATION #5: File quarterly reports with the BOE listing the transfers of base year values as required by section 69.5(b)(7)

RESPONSE:

We agree and at this time Kings County is current with this filing and procedures are in place to insure timely filing in the future.

RECOMMENDATION #6: Review the assessments of residences in homogeneous areas to discover properties that have declined in value.

RESPONSE:

We agree that a mass appraisal concept should be adopted in the State of California. Currently we are not funded to do any other than legal mandates.

RECOMMENDATION #7: Enroll supplemental assessments for changes in ownership and new construction of manufactured homes.

RESPONSE:

We will review this procedure, our counsel at one time, gave us an opinion concerning supplemental assessments for Manufactured homes indicating that the special legislation and specific Revenue and Taxation Code Sections referring to manufactured homes takes precedent, see Section 5812 of the Revenue and Taxation Code. However, we will review this as it is our intent to properly assess manufactured homes.

RECOMMENDATION #8: Exempt Section 11 property from supplemental assessments.

RESPONSE:

Assessor's letters are guidance recommendations of B.O.E. These letters in themselves cannot create legal tax exemptions. There is no legal reason to exempt Section 11 properties from supplementals. To the contrary section 75.14 specifically states that ALL property subject to article XIII A of the constitution SHALL be subject to the supplemental provisions. We are currently suspending additional supplementals but still believe this is in error and should be further reviewed.

RECOMMENDATION #9: Enroll supplemental assessments for residential home sites on lands restricted under CLCA contracts.

RESPONSE:

I believe this is another area for more legal research on our part. The homesite is usually under the same legal "Williamson Act Contract" as the rest of the farmland. The homesite however, does not receive agricultural rental income as the rest of the land but still is a compatible use within the contracted ag preserve. The apparent solution worked out for appraisal purposes was to value the homesite at comparable market value. I believe the basis for valuation is Sec 402.1(f). Applying this value does not in itself make this portion of the contracted land subject to supplemental assessment. Sec. 423(a)(2) suggests to me that we apply sec. 402.1(f). We will continue to research this with your help and I am sure we will apply the correct solution.

RECOMMENDATION #10: Establish base year values for dairy mounding.

RESPONSE:

I believe we were doing this procedure of adding to the base values when dairy mounding first started in the county, we will review our dairy records and make the corrections.

RECOMMENDATION #11: Document capitalization rates, expenses, and other factors used in the computerized CLCA valuation program.

RESPONSE:

I believe the documentation is available within the office. The SBE staff apparently interviewed the appraiser staff that works with the numbers given to them as developed by management.

RECOMMENDATION #12: Enroll CLCA properties at the lowest of their restricted values, their factored base year values, or their current market values.

RESPONSE:

We had applied a market cap value to only a small selected variety of trees and vines where we had documentation that the current market value under Section 51 of the code was less than either the FBV or the Restricted Value. You are correct that we did not exempt out those few parcels where multiple varieties may have given a false upper end of value. We will research and correct the problem.

RECOMMENDATION #13: Enroll all taxable government-owned properties.

RESPONSE:

We currently for the 2002-2003 roll have reviewed and correctly appraised all Section 11 properties as recommended.

RECOMMENDATION #14: Review Section 11 properties for proper valuation.

RESPONSE:

We currently for the 2002-2003 roll have reviewed and correctly appraised all Section 11 properties as recommended.

RECOMMENDATION #15: Review all uses of the county fairgrounds to discover taxable possessory interests.

RESPONSE:

We will look into any escapes with reflection on the possessory interest rules.

RECOMMENDATION #16: Discontinue enrolling supplemental assessments for terminations of taxable possessory interests.

RESPONSE:

I understand how SBE interprets these statutes but as an elected official of this county, I believe by not removing possessory interests upon termination when new possessory interests are created on the same property we would be participating in double-taxation. This is not legally or politically a good thing.

In addition we believe that the rule SBE refers to deals with concurrent use by multiple owners. Such as multiple grazing rights over the same land where one lessee does not have exclusive use of the property. The example cited by SBE refers to leases of specific improvements (Tie-Downs, Port-a-Ports, and T-Shades) at the Hanford Airport. We do not believe that it was the intent of the legislature to tax multiple owners for the same exclusive use of a property.

RECOMMENDATION #17: Use the existing interdepartmental memorandum to improve coordination of leasehold improvement assessments between the real property and business property divisions.

RESPONSE:

We agree. We will encourage better communications through whatever means we have available.

RECOMMENDATION #18: Enroll the real properties owned by regulated water companies at the lower of their factored base year values or current market values.

RESPONSE:

We will immediately address this problem.

RECOMMENDATION #19: Obtain articles of incorporation for mutual water companies.

RESPONSE:

We will immediately address this problem.

RECOMMENDATION #20: Obtain county and state water system inspection reports to discover taxable water company property.

RESPONSE:

We will immediately address this problem.

RECOMMENDATION #21: Annually mail Form BOE-540-S, Mutual or Private Water Company Property Statement, to all private and mutual water companies.

RESPONSE:

We will immediately address this problem.

RECOMMENDATION #22: Combine pipeline rights-of-way assessments into a single, countywide parcel per taxpayer, as required by section 401.8.

RESPONSE:

We believe we comply with the requirements of 401.8 by sending a consolidated tax bill to the assessee while maintaining separate base year assessments as determined by Section 110.1 for each separate right-of-way interest. Please note that our annual valuation notices are also consolidated into a single total notice.

RECOMMENDATION #23: Require all pipeline owners to file an annual Right-of-Way Property Statement.

RESPONSE:

We agree and will comply.

RECOMMENDATION #24: Bring the mandatory audit program to current status, as required by section 469.

RESPONSE:

We agree and will comply.

RECOMMENDATION #25: Obtain a signed waiver of the statute of limitations when an audit will not be completed in a timely manner.

RESPONSE:

We agree and will comply.

RECOMMENDATION #26: Ensure that business property statements contain authorized signatures as required by rule 172.

RESPONSE:

SBE states that without written authorization on file with the Assessor the person signing the statement cannot be verified. Some of the people not requiring written agency are members of the bar, CPA'S, public accountants, duly appointed fiduciary or enrolled agents. SBE should consider in small counties we personally know all the members of the bar, and accountants, which cover the majority on non-assessee signatures. We will endeavor to track down and get authorization for those unknown signatures.

RECOMMENDATION #27: Use BOE-approved factors in Assessors' Handbook Section 581, Equipment Index and Percent Good Factors as intended.

RESPONSE:

We believe current legislation is in progress to address this issue. We do not believe our decisions are arbitrary but based upon years of valuation and observation of equipment values. We will endeavor to supplement our backup data for factors that we may use. For the 2001-2002 and 2002-2003 roll we have substantially complied with this recommendation.

RECOMMENDATION #28: Review the Forms BOE-600-B provided by the BOE to discover taxable personal property leased by state assessees.

RESPONSE:

This office enrolls all property reported to us. The issue seems to be that our documentation regarding the enrollment of this assessment is not clear and we will endeavor to correct that.

RECOMMENDATION #29: Document that depreciation rates used to assess pleasure vessels result in market value.

RESPONSE:

We will work at gathering together our documentation.

RECOMMENDATION #30: Delete penalty language from the locally developed vessel reporting form.

RESPONSE:

We will review and comply.

RECOMMENDATION #31: Classify manufactured homes as personal property.

RESPONSE:

We carry all manufactured homes on our personal property rolls for valuation and treat them as such. The problem comes with allowing homeowners exemptions and double tax payments benefits equal to the real property roll. The way the current laws are, the only way to properly handle manufactured housing would be having the funds and luxury of manpower to create a separate roll which operates differently than all existing programs within the counties. Our compromise may not be completely correct but it is as close as we can come to insure the protection of taxpayers rights and stay within our budget.