

MARIPOSA COUNTY ASSESSMENT PRACTICES SURVEY

DECEMBER 2008

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December 30, 2008

TO COUNTY ASSESSORS:

RAMON J. HIRSIG
Executive Director
No. 2008/076

MARIPOSA COUNTY
ASSESSMENT PRACTICES SURVEY

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

The Honorable Becky Crafts, Mariposa County Assessor-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 Legislature, and to the Mariposa County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey was performed by the Board's County-Assessed Properties Division from September through October 2007. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Ms. Crafts and her staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

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

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:am
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 derives from state law that annually guarantees California schools a minimum amount of funding; to the extent that property tax revenues fall short of providing this minimum funding level, the State must make up the difference from the general fund.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (Board) periodically reviews the practices and procedures (surveys) of every county assessor's office. This report reflects the Board's findings in its current survey of the Mariposa County Assessor-Recorder's Office.¹

The assessor is required to file with the board of supervisors a response that states the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the Board, and the Senate and Assembly; and to the Mariposa County Board of Supervisors, Grand Jury, and Assessment Appeals Board. 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 Becky Crafts, Mariposa County Assessor-Recorder, elected to file her initial response prior to the publication of our survey; it is included in this report following the Appendixes.

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

¹ This report covers only the assessment functions of this 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 volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor.

In addition, pursuant to Revenue and Taxation Code² section 75.60, the Board determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team—based on objective standards defined in regulation—that there are no significant assessment problems in the county. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.

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

Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.³

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

² Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code.

³ All rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

EXECUTIVE SUMMARY

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

In our 2003 Mariposa County Assessment Practices Survey, we made 15 recommendations to address problems in the assessor's assessment policies and procedures. The assessor fully implemented ten of the recommended changes. Three recommendations no longer apply because of changes in the law or in Board guidance. The recommendations that were not implemented are repeated in this report.

The assessor is effectively managing many portions of the administrative programs: budget and staffing, appraiser certification, assessment appeals, and the low-value property tax exemption. However, in her calculation of the prorated taxes after reassessment due to a disaster or calamity, the assessor fails to include the month in which the damage occurred.

Regarding real property assessments, the areas of most concern are in the assessor's change in ownership program. Specifically, we note the following deficiencies:

- In her parent-child exclusion program, the assessor is not applying the full cash value of California Land Conservation Act property transferred toward the \$1 million exclusion limit.
- And the assessor is not reappraising individual spaces in resident-owned mobilehome parks in accordance with section 62.1.

The assessor has effective programs for audits, business equipment valuation, discovery of leased equipment, and the discovery and valuation of aircraft. A program in need of improvement, however, is the vessel assessment program. In the vessel assessment program, she continues to fail to include sales tax as a component of the vessel's value, and she does not annually send property statements to owners of vessels with a reported cost of \$100,000 or more.

Despite the problems noted above, we found that most properties and property types are assessed correctly.

Moreover, we found no significant assessment problems as defined in Rule 371. Accordingly, pursuant to section 75.60, Mariposa County continues to be eligible for recovery of costs associated with administering supplemental assessments. Since Mariposa County was not selected for assessment sampling pursuant to Government Code section 15643(b), this report does not include the assessment ratios that are generated for surveys that include assessment sampling.

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

RECOMMENDATION 1: Calculate the proration of taxes due on damaged property to include the month in which the damage occurred as required by section 170(e).....12

RECOMMENDATION 2: Revise the change in ownership assessment program by: (1) reporting to the Board the full cash value of California Land Conservation Act property transferred for section 63.1 exclusions, and (2) reappraising the spaces in the resident owned mobilehome park as a result of the transfer of an ownership interest in the legal entity owning the park.21

RECOMMENDATION 3: Notify taxpayers of their rights to appeal in compliance with section 619(b).24

RECOMMENDATION 4: Obtain current agricultural rents and production information from owners of CLCA land.28

RECOMMENDATION 5: Reappraise taxable possessory interests in accordance with section 61(b)(2).....30

RECOMMENDATION 6: Revise the unpatented mining claim assessment procedures by: (1) treating association mining claims as a single claim, and (2) correctly determining the appraisal unit for mining claims. .32

RECOMMENDATION 7: Revise vessel assessment procedures by: (1) including sales tax as a component of a vessel's value, and (2) ensuring that owners of vessels with a reported cost of \$100,000 or more annually file a vessel property statement pursuant to section 441.40

RESULTS OF 2003 SURVEY

Low-Value Property Tax Exemption

We recommended the assessor exempt low-value property according to the county's low-value property tax exemption resolution. The assessor has implemented this recommendation.

Disaster Relief

We recommended the assessor: (1) grant disaster relief according to the provisions of the existing county disaster relief ordinance and section 170, and (2) conform the assessment appeals language in the disaster relief application and the notice of proposed reassessment to the provisions of section 170. The assessor has implemented both of these recommendations.

Assessment Roll Changes

We recommended the assessor cite the proper authority when initiating roll changes in order to notify the auditor-controller when to apply penalties and interest for escaped assessments. The assessor has implemented this recommendation. We also recommended the assessor cite the notation required by section 533 on the current roll when enrolling escaped assessments for prior years. Due to legislative changes to section 533, this recommendation is no longer applicable.

Water Company Properties

We recommended the assessor: (1) obtain the articles of incorporation from all mutual water companies in the county, and (2) uniformly assess mutual water company properties. Both of our recommendations have been implemented by the assessor.

Mining Properties

We recommended the assessor revise the mining property assessment program by treating an unpatented association mining claim as a single claim. The assessor has not implemented this recommendation; thus, it is repeated in this report.

Audits

We recommended the assessor properly notify taxpayers of their rights to appeal the result of an audit as required by Rule 305.3. The assessor has implemented this recommendation.

Business Equipment Valuation

We recommended the assessor use Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581), as intended, when valuing older machinery and equipment. The assessor is currently using factors from the AH 581 and those developed by the California Assessor's Association (CAA). Since the CAA has gathered supportable evidence for the use of their minimum percent good factors, this recommendation is no longer applicable.

Aircraft

We recommended the assessor assess general aircraft according to Board-directives as required by section 5363. We also recommended the assessor accept only those historical aircraft exemption claims signed according to the provisions of section 220.5. The assessor has implemented both of these recommendations.

Vessels

We recommended the assessor: (1) ensure that a certified appraiser reviews vessel values, and (2) include sales tax as a component of a vessel's value. A certified appraiser now reviews all vessel values before they are enrolled. However, the assessor still fails to include sales tax as a component of a vessel's value. Therefore, this recommendation is repeated.

Manufactured Homes

We recommended the assessor classify manufactured homes as personal property. The assessor did not implement this recommendation. However, since no assessment problems have resulted from this practice, we are not repeating this recommendation.

OVERVIEW OF MARIPOSA COUNTY

Mariposa County is located in the western foothills of the Sierra Nevada. The county encompasses about 1,431 square miles. The federal government owns 55 percent of the land area in the county, including Yosemite National Park. Mariposa County is characterized by rolling terrain, deep canyons, and rushing streams. The elevation ranges from 300 feet at the western end to 12,120 feet at Parson's Peak on the eastern border.

On February 18, 1850, Mariposa County became one of California's original 27 counties. Known as the Mother of Counties, it originally was the largest county in California, taking up an entire fifth of the state. The county seat is in the town of Mariposa. The land of the original Mariposa County was later split up to either create or to expand upon ten counties, including Fresno, Merced, Tulare, Los Angeles and San Bernardino. Today, Mariposa County is bounded by Tuolumne County to the North, Mono County to the East, Madera County to the South, and Merced County to the West.

Currently, Mariposa County has a population of approximately 18,200.⁴ There are no incorporated cities in Mariposa County. Tourism is the county's main industry and makes up the area's largest employer group; it accounts for 60 percent of the gross county income.⁵

The following table illustrates the growth in assessed values for recent years as reported in the Board's annual reports:⁶

ROLL YEAR	TOTAL ROLL VALUE	INCREASE	STATEWIDE INCREASE
2007-08	\$1,914,364,000	10.2%	9.6%
2006-07	\$1,736,964,000	13.2%	12.3%
2005-06	\$1,533,918,000	10.1%	11.1%
2004-05	\$1,393,760,000	7.1%	8.3%
2003-04	\$1,301,452,000	5.8%	7.3%

⁴ California Department of Finances, *California County Profiles* as of January 1, 2006.

⁵ Information supplied by Mariposa County Chamber of Commerce.

⁶ State Board of Equalization Annual Report, Table 7

ADMINISTRATION

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

Budget and Staffing

The following table shows the net operating budget levels for the assessor's office for recent years:

BUDGET YEAR	NET BUDGET	ANNUAL CHANGE	PERMANENT STAFF
2007-08	\$715,429	8.5 %	12
2006-07	\$659,368	-1.01 %	12
2005-06	\$666,029	1.23 %	12
2004-05	\$657,905	15.10 %	12
2003-04	\$571,512	N/A	12

Staffing for the assessor's office has remained relatively stable over recent years. Since 2003, the assessor's office has been budgeted for 12 permanent staff positions as shown in the following chart:

POSITION	STAFF
Assessor	1
Assistant Assessor-Recorder	1
Assessment Office Manager	1
Assessment-Recording Clerk I	1
Assessment-Recording Clerk II	4
Appraiser I/II	2
Auditor-Appraiser	1
Cadastral Drafting Technician II	1
TOTAL	12

Appraiser Certification

Section 670 provides that no person shall perform the duties of an appraiser for property tax purposes unless he or she holds a valid appraiser's certificate issued by the Board. There are a total of five certified appraisers on staff, of whom two hold advanced certificates. We found that the assessor and her staff possess the required appraiser's certificates. Additionally, we found that the auditor-appraiser performing mandatory audits meets the requirements referenced in section 670(d). The assessor uses contract appraisers; however they all possess either permanent or temporary appraiser's certificates. We also reviewed the current agreements and found them to meet the provisions required by section 674.

In Mariposa County, the assessor performs the duties of the training coordinator. Her responsibilities as training coordinator include:

- Tracking training hours to ensure members of her staff have the requisite training each year to maintain their appraisal certification.
- Arranging for staff to attend a variety of training opportunities, such as courses and seminars presented by the Board, conferences, and classes presented by outside organizations.
- Tracking the progress of newly hired appraisal staff to ensure they complete the Board's certification program within the statutory one-year time frame.

The assessor has an effective program for monitoring the training requirements and needs of her staff.

Staff Properties Procedures

The Board's assessment practices survey includes a review of the assessor's internal controls and safeguards as they apply to staff-owned properties. This review is done to ensure that there are adequate and effective controls in place to prevent the assessor's staff from valuing their own properties.

One method used by the assessor to discover employee-owned properties or businesses in Mariposa County is the *Statement of Economic Interests* (FPPC form 700) filed by appraisers each year. The statement requests information from employees regarding employee ownership in any real property, other than their primary residences, as well as any ownership interest in any business entities. Such information includes the nature of the interest and the percentage amount of ownership interest in the real property or business entities.

The assessor also becomes aware of employee-owned properties from either voluntary disclosure by the employees or from name recognition on permits and deeds. Employees are not allowed to value property that they own in Mariposa County. When an appraisal is completed on an employee-owned property, it is forwarded to the assessor for review and approval before it is enrolled. This ensures all such properties are being properly assessed.

We reviewed a number of employee-owned property appraisal files and found no problems with the valuation of employee-owned properties.

Assessment Appeals

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

The Mariposa County Board of Supervisors created an assessment appeals board by an ordinance adopted in 1975, which was amended in 1978. There is one assessment appeals board to hear all assessment appeals. The appeals board has three regular members and two alternate members.

All members appointed in 2001 or later have completed the assessment appeals training as required by section 1624.02. Because of the low number of appeals filed each year, the assessment appeals board typically meets only once a year, usually in the month of August.

All applications for changed assessment are filed with the clerk of the board of supervisors. The clerk is responsible for receiving applications, reviewing all applications for completeness, and providing a copy of each application to the assessor. The clerk tracks the progress of assessment appeals to ensure that they are resolved within the statutory two-year time limit.

Once the assessor receives a copy of an appeal, she reviews the case and contacts the taxpayer in an attempt to resolve the disagreement. If no agreement can be reached, the appeals process continues and a hearing is scheduled. The assistant assessor prepares and presents all real property and business property appeals at the appeals board hearings.

The following table illustrates the appeal workload for recent years:

APPEALS	2007-08	2006-07	2005-06	2004-05	2003-04
Total Appeals Workload:					
Appeals Filed	0	3	2	1	1
Appeals Carried Over	3	2	0	52	51
Total Workload	3	5	2	53	52
Resolution:					
Withdrawn	1	2		1	
Stipulation				51	
Other Determination				1	
Total Resolved	1	2	0	53	0
Carried over to next year	N/A	3	2	0	52

We found no problems with the assessor’s administration of the assessment appeals process.

Disaster Relief

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

To obtain relief under section 170, assesseees must make a written application to the assessor requesting reassessment. Alternatively, if the assessor is aware of any property that has suffered damage by misfortune or calamity, the assessor must provide the last known assessee with an application for reassessment or revalue the property on the lien date.

Upon receipt of a properly completed application, the assessor shall reassess the property for tax relief purposes. If the sum of the full cash values of the land, improvements, and personal property before the damage or destruction exceeds the sum of the values after the damage by \$10,000 or more, the assessor shall then determine the percentage reductions in current market value and reduce the assessed values by those percentages.

The Mariposa County Board of Supervisors first adopted a disaster relief ordinance in 1976. The ordinance was last updated in 2002, to conform to amendments to section 170 that became effective as of January 1, 2002. The ordinance applies to any taxable property, both real and personal, damaged by misfortune or calamity, where the amount of damage equals or exceeds \$10,000.

The assessor discovers instances of disaster or calamity by reviewing newspaper articles, building permits, and fire reports, and through field canvassing and taxpayer-initiated contacts. Upon discovery of any damage due to disaster or calamity, the assessor mails an application to the property owner. Returned applications are logged, analyzed, and processed if accepted. If the claim is denied, the property owner is notified by telephone or letter.

We reviewed a number of records of properties that had been damaged by disaster or calamity. We found the assessor verified the damage amount, documented the damage on the property records, and reduced the assessment where appropriate. We further noted that proper notification was sent to the owners advising them of the reduced value and their appeal rights. The assessor uses the supplemental assessment process for making section 170 reductions and for restoring value to the roll when repair or reconstruction caused by the disaster or calamity is complete.

However, we noted one area in need of improvement in the assessor's disaster relief program.

RECOMMENDATION 1: Calculate the proration of taxes due on damaged property to include the month in which the damage occurred as required by section 170(e).

In her calculation of the prorated tax due on damaged property after reassessment, the assessor is not granting tax relief for the month in which the damage occurred. When granting a reduction in value caused by a qualified disaster or calamity, the assessor uses the supplemental assessment procedures to process the reassessment. Because the supplemental assessment procedures provide that the effective date of the event is the first of the month following the event date, the taxpayer is not given the benefit of the month of the damage.

Section 170(e) provides that relief shall be granted for the month in which the damage occurred. The taxpayer is entitled to receive tax relief for the entire month in which the damage occurred. Therefore, if the supplemental assessment procedures are used without adjustment for these changes, then the applicant will be short one month of property tax relief.

Assessment Roll Changes

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

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

The following table shows the number of roll changes processed by the assessor over recent years:

ROLL YEAR	ROLL CHANGES
2007-08	84
2006-07	195
2005-06	270
2004-05	252
2003-04	213

In Mariposa County, the assessor discovers escaped property through either referrals by the county building department or by neighbors, and through review of fictitious business name filings and audits of business accounts. Any of the assessor's staff can initiate a roll change. The staff uses a *Requested Action* form to process all roll changes. The form shows the reason for the change, the name of the assessee, the existing and proposed values of the property, and the net change. The assessor reviews and approves all corrected values before they are entered onto the assessment roll.

For escape assessments, a *Notice of Proposed Escape Assessment* is mailed to taxpayers at least ten days before the changes are entered onto the roll, in accordance with section 531.8. After the ten day period, the values are enrolled and transmitted to the auditor-controller for billing, and notification of enrollment of the escape assessment is mailed to the taxpayer. The Mariposa County Assessor uses form BOE-66-A, *Notice of Enrollment of Escape Assessment*, to notify taxpayers of enrollment of an escape assessment.

We found no problems with the assessor's assessment roll changes program.

Low-Value Property Tax Exemption

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

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

The Mariposa County Board of Supervisor adopted Resolution No. 91-479 on September 24, 1991, authorizing the exemption of all real property with a base year value and personal property with a full value of \$2,000 or less.

For the 2007-08 assessment roll, there were 172 properties on the secured roll exempt under the low-value resolution in Mariposa County, with a total assessed value of \$166,595. The assessor reviews all properties with assessments of \$2,000 or less to verify that they are not part of a larger appraisal unit that would be disqualified from receiving the exemption.

We found no problems with the assessor's low-value property tax exemption program.

Exemptions

Church and Religious Exemptions

Article XIII, section 3(f) of the California Constitution authorizes exemption of property used exclusively for religious worship. This constitutional provision, implemented by section 206 exempts buildings, the land on which they are situated, and equipment used exclusively for religious worship, when such property is owned or leased by a church. Property that is reasonably and necessarily required for church parking is also exempt under article XIII, section 4(d) of the California Constitution provided that the property is not used for commercial purposes. The church parking exemption is available for owned or leased property meeting the requirements of section 206.1. The Legislature has implemented the religious exemption in section 207, which exempts property owned by a church and used exclusively for religious worship or for both religious worship and school purposes (excluding property used solely for schools of collegiate grade.)

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

The following table illustrates the number of properties and the amount of assessed value exempted under the church and religious exemptions for recent roll years:

ROLL YEAR	RELIGIOUS	EXEMPTED VALUE	CHURCH	EXEMPTED VALUE
2007-08	26	\$8,667,278	7	\$1,002,294
2006-07	24	\$7,134,967	7	\$1,060,157
2005-06	27	\$7,137,668	6	\$467,840
2004-05	26	\$6,965,627	6	\$458,669
2003-04	26	\$6,676,678	6	\$450,268

The assessor processed seven church exemption claims and 26 religious exemption claims for the 2007-08 assessment roll. Information on church and religious exemption claimants is maintained and tracked in a separate database of the assessor's computer system.

Church and religious exemption claims are first received and reviewed by the assessment office manager. The claims are then forwarded to the appraisers for field inspection. The appraisers verify how much of the property is being used exclusively for church and religious purposes.

The assessor has written procedures specifying required duties for the appraiser to follow to properly administer the church and religious exemption program. We reviewed these procedures and found that they are in compliance with the requirements of sections 206 and 207.

We found no problems with the assessor's church and religious exemption program.

Welfare Exemption

Article XIII, section 4(b) of the California Constitution authorizes the Legislature to exempt property used exclusively for religious, hospital or charitable purposes and owned or held in trust by a corporation or other entity. When the Legislature enacted section 214 to implement this constitutional provision, a fourth purpose (scientific) was added. This exemption is popularly known as the welfare exemption. The welfare exemption from local property taxation is available for property owned and used exclusively for qualifying religious, hospital, scientific, or charitable purposes by organizations formed and operated exclusively for those purposes. Both the organizational and property use requirements must be met for the exemption to be granted.

The welfare exemption is co-administered by the Board and county assessors. The Board is responsible for determining whether an organization itself is eligible for the welfare exemption and for issuing *Organizational Clearance Certificates* (OCCs) to qualified organizations. The assessor is responsible for determining whether the use of a qualifying organization's property is eligible for exemption and for approving or denying exemption claims.

The assessor may not grant a welfare exemption on an organization's property unless the organization holds a valid OCC issued by the Board; and, if the property is a low-income housing property owned and operated by a limited partnership, which has a qualified organization (OCC holder) as the managing general partner, then it must also hold a valid *Supplemental Clearance Certificate* (SCC) issued by the Board. The assessor may, however, deny an exemption claim, based on non-qualifying use of the property, notwithstanding that the Board has issued an OCC or SCC to the claimant.

The following table shows the number of welfare exemptions granted on the local roll and the amount of assessed value exempted for recent roll years:

ROLL YEAR	WELFARE	EXEMPTED VALUE
2007-08	16	\$4,308,014
2006-07	17	\$4,354,280
2005-06	17	\$3,361,439
2004-05	20	\$2,848,207
2003-04	35	\$3,234,215

The assessor processed 16 welfare exemption claims for the 2007-08 assessment roll. Information on welfare exemption claimants is also maintained in a separate database of the assessor's computer system. As with the church and religious claims, welfare claims are field-checked to verify that the use of the property qualifies for exemption.

We found no problems with the assessor's administration of the welfare exemption.

Homeowners' and Disabled Veterans' Exemptions

The homeowners' exemption is authorized by article XIII, section 3(k) of the California Constitution. This constitutional provision, implemented by section 218 of the Revenue and Taxation Code, exempts \$7,000 of the full value of a dwelling when occupied by an owner as a principal place of residence.

The disabled veterans' exemption is authorized by article XIII, section 4(a) of the California Constitution. This constitutional provision, implemented by section 205.5, exempts a specified amount of the full value of a dwelling occupied by an owner who is a qualified disabled veteran (or unmarried surviving spouse) as a principal place of residence. The amount of exemption depends upon the disabled veteran's income; specifically, the exemption amount is either \$100,000 or, for low-income claimants, \$150,000. Both amounts are adjusted annually for inflation.

The homeowners' exemption requires a one-time filing. Once granted, the exemption remains in effect until such time as title to the property changes, the owner does not occupy the dwelling as his or her principal place of residence as of the lien date, or the property is otherwise ineligible. The disabled veterans' exemption at the \$100,000 basis requires a one-time filing; annual filing is required for these exemptions at the \$150,000 low-income basis.

The following table illustrates the number of homeowners' and disabled veterans' exemptions granted and their corresponding values taken from assessment rolls for recent years:

ROLL YEAR	HOMEOWNERS'	EXEMPTED VALUE	DISABLED VETERANS'	EXEMPTED VALUE
2007-08	4,348	\$30,239,911	64	\$6,470,255
2006-07	4,321	\$30,096,659	59	\$5,771,980
2005-06	4,718	\$29,677,690	55	\$4,889,625
2004-05	4,778	\$28,948,792	49	\$4,270,546
2003-04	4,600	\$28,448,076	45	\$4,019,942

The assessor processed 4,348 homeowners' exemption claims and 64 disabled veterans' exemption claims for the 2007-08 assessment roll. Information on each disabled veterans' exemption claim is maintained on a 5" x 7" index card. Information on homeowners' exemption claimants is maintained on the computer system.

The assessment office manager processes the disabled veterans' exemption claims. Appraisers conduct field inspections to verify that the property meets the qualifying purpose required for the exemption. The assessment office manager then reviews the claim and related documentation, including the findings from the real property appraisers, to determine if the claimant qualifies for the exemption and if there are any limitations on the amount to be exempted due to ownership issues.

We found no problems with the assessors' administration of the homeowners' and disabled veterans' exemption programs.

ASSESSMENT OF REAL PROPERTY

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

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

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

Change in Ownership

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

Document Processing

The assessor's primary means of discovering properties that have changed ownership is from reviewing deeds and other documents recorded with the county recorder. The assessor's office receives all recorded documents on a daily basis.

The recorder requires form BOE-502-A, *Preliminary Change of Ownership Report (PCOR)*, to accompany documents submitted for recordation where a transfer of ownership in real property is involved. A \$20 fee is added to the recording fee when a PCOR is not received.

The assessment-recording clerks in the assessor's office review deeds, other recorded documents, and PCORs to determine the percentage of ownership transferred and if the transfer is a reassessable change in ownership. A transfer that is subject to reassessment is tracked in the assessor's computer system until an appraiser enrolls a new base year value.

The following table shows the total number of recorded documents reviewed and those that were determined to evidence reassessable transfers for recent roll years:

ROLL YEAR	RECORDED DOCUMENTS	REASSESSABLE TRANFERS
2006-07	7,635	633
2005-06	8,650	1,099
2004-05	8,185	1,026
2003-04	9,158	846
2002-03	7,700	N/A

Change of Ownership Statements

When a transfer document is received without a PCOR, the assessor mails form BOE-502-AH, *Change of Ownership Statement* (COS), to the new owner. A COS is also sent when there is: (1) insufficient or incomplete information on the PCOR, (2) a transfer of a manufactured home, or (3) an unrecorded transfer of a taxable possessory interest.

Valuation

We found the assessor establishes the correct base year value, follows the presumption in Rule 2 that the sales price reflects the full cash value of the property, and uses standard appraisal principles and practices. She also correctly values partial interest transfers and enrolls supplemental assessments. There is no direct enrollment program; appraisers value each transfer individually. The assessor does not maintain a two-year transfer list nor is she required to under section 408.1(e) since Mariposa County’s population was under 50,000 people as determined by the 1970 federal decennial census. In addition, we found that there were no improvement bonds in Mariposa County.

Section 63.1 Exclusions and Section 69.5 Base Year Value Transfers

Section 69.5 generally allows qualified homeowners over the age of 55 or any severely and permanently disabled persons to transfer the base year value of their principal residence to a qualifying replacement dwelling. Mariposa County has not had any qualifying section 69.5 base year value transfers since 2003. As required, the assessor reports to the Board when she approves any exclusion.

Section 63.1 excludes from the definition of "change in ownership" the purchase or transfer of the principal residence and the first one million dollars of full cash value of other real property between parents and children when a claim is filed timely.

The following table shows the number of approved section 63.1 transfers for recent roll years:

ROLL YEAR	SECTION 63.1 TRANSFERS
2006-07	113
2005-06	118
2004-05	75

We reviewed several section 63.1 transfer exclusion claims processed by the assessor. We found that the claim forms included the required information and that all required signatures were present. However, we did find some problems with the assessor's change in ownership program. Recommendations for correcting these problems are made at the end of this section.

Resident-Owned Mobilehome Parks

Sections 62.1 and 62.2 exclude certain transfers of mobilehome parks from change in ownership when the park is ultimately purchased by at least 51 percent of the tenants renting the individual spaces of the park. Qualifying conversions to resident ownership under these sections permit the residents of the park to retain the base year value of the previous park owner, rather than triggering a reassessment of the park to current market value.

There is currently one resident-owned mobilehome park (ROP) in Mariposa County. When the residents acquired the ROP, the assessor correctly excluded the transfer from reassessment. However, we found that the assessor has not correctly applied the requirements of section 62.1 to subsequent transfers within the ROP. A recommendation concerning this issue is made at the end of this section.

Legal Entity Ownership Program (LEOP)

Section 64 provides that certain transfers of ownership interests in a legal entity constitute a change in ownership of all real property owned by the entity and its subsidiaries. Rule 462.180 interprets and clarifies section 64, providing examples of transactions that either do or do not constitute a change in entity control, and hence, either do or do not constitute a corresponding change in ownership of the real property owned by the entity. Discovery of these types of changes in ownership is difficult for assessors because ordinarily there is no recorded notice of changes in control of legal entities, and thus, no corresponding recorded notice of any real property transfers.

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

entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

We reviewed all properties on the Board's LEOP list for Mariposa County and found no errors pertaining to identification and change in ownership enrollment. We found the assessor processes LEOP notifications properly, and timely reappraises all properties identified by LEOP as having been subject to changes in control of the entities that own them.

Recommendation

RECOMMENDATION 2: Revise the change in ownership assessment program by: (1) reporting to the Board the full cash value of California Land Conservation Act property transferred for section 63.1 exclusions, and (2) reappraising the spaces in the resident owned mobilehome park as a result of the transfer of an ownership interest in the legal entity owning the park.

Report to the Board the full cash value of California Land Conservation Act property transferred for section 63.1 exclusions.

In accordance with the legislature's recommendation contained in section 63.1(f), the assessor reports quarterly to the Board all information required by section 63.1(f) for transfers or purchases involving real property other than a principal residence for which a parent-child exclusion claim is made. However, we found that for properties under the California Land Conservation Act (CLCA) contract qualifying for the parent-child exclusion, the assessor only reports to the Board the restricted value that is on the roll rather than the full cash value or factored base year value.

Section 63.1(a)(2) provides that the first \$1,000,000 of full cash value of real property, other than the principal residence, transferred between parents and children, is eligible for exclusion from change in ownership. Section 63.1(c)(5) provides that full cash value means the factored base year value of the property or the current market value of the new construction as of the date immediately prior to the date of transfer to an eligible transferee. Further, Letter To Assessors 2008/018 provides that in the case of CLCA property, the excluded value is the factored base year value, not the restricted value.

In order to monitor the exclusion for real property other than the principal residence, assessors rely on the Board's *Report of Transferors Exceeding \$1,000,000*. If the assessor reports to the Board an incorrect amount for the exclusion, the amount tracked for the \$1 million limitation will be incorrect.

Reappraise the spaces in the resident-owned mobilehome park as a result of the transfer of an ownership interest in the legal entity owning the park.

We found the assessor does not reappraise spaces in the resident-owned mobilehome park (ROP) located in Mariposa County when there is a transfer of an ownership interest in the park. Instead, she values only the manufactured home.

Sections 62.1(b)(1) and (b)(2) provide that transfers of real property in ROPs are changes in ownership. Assessors' Handbook Section 511, *Assessment of Manufactured Homes and Parks* (AH 511), also provides that if the purchase price was negotiated in the open market at arm's length, then the assessor should enroll the entire amount in the combined assessments of the manufactured home and the underlying interest in the park.

In addition, AH 511 recommends that a resident's ownership share value of the park should be derived by subtracting the market value of the manufactured home from the combined price paid for the manufactured home and the share or interest in the park. This residual value is for the land and the pro rata share of common park amenities. (See also Letter To Assessors 99/87.)

The assessor's failure to reappraise spaces in the ROP is contrary to statutory provisions and has resulted in underassessment of the ROP.

New Construction

Section 70 defines newly constructed property, or new construction, as: (1) any addition to real property since the last lien date; or (2) any alteration of land or improvements since the last lien date that constitutes a major rehabilitation of the property or converts the property to a different use. Section 70 further establishes that any rehabilitation, renovation, or modernization that converts an improvement to the substantial equivalent of a new improvement, constitutes a major rehabilitation of the improvement. Section 71 requires the assessor to determine the full cash value of newly constructed real property on each lien date while construction is in progress and on its date of completion, and provides that the full cash value of completed new construction becomes the new base year value of the newly constructed property.

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

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

Discovery

The assessor discovers most new construction activity from issued building permits. Currently, the assessor receives copies of building permits from one permit-issuing agency, the Mariposa County Building Department. The building department also issues permits for wells and septic systems, but the Mariposa County Health Department issues the final completion certification for these types of systems. Other methods used to discover new construction include review of

newspaper articles, field canvassing by appraisers in their assigned areas, review of new construction, and new construction reported on form BOE-571-L, *Business Property Statement*.

The following table shows the number of new construction permits processed for recent years:

ROLL YEAR	PERMITS
2007-08	325
2006-07	328
2005-06	376
2004-05	332
2003-04	295

To obtain information about the historical cost of new construction projects, the assessor sends a *Self Declaration of New Construction* questionnaire to owners of property that have been issued building permits. New construction questionnaires are sent most often for permits indicating residential additions, alterations, pools, patios, and certain electrical projects. Approximately 85 to 90 percent of the initial questionnaires sent are completed and returned to the assessor. All data obtained from the questionnaires is desk-reviewed and checked with established building cost guides. Field inspections are conducted for most new construction.

Construction in Progress

Section 71 requires the assessor to enroll construction in progress at its fair market value on each lien date. 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 and a base year value is assigned. We found no problems with the assessor's practices regarding construction in progress.

Valuation

In valuing new construction, the assessor uses all appropriate approaches to value. For residential new construction, the primary valuation method is the comparative sales approach. When the comparative sales approach is not applicable or there is insufficient sales data to determine the value, the cost approach is used. For commercial and industrial properties, the cost and income approaches are used. Sources of information about building costs used by the assessor are Assessors' Handbook Section 531, *Residential Building Costs*, *Marshall Valuation Service*, or the owner's actual cost.

Declines in Value

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

assessor must enroll that lower value. If, on a subsequent lien date, a property's full cash value rises above its FBV, then the assessor must enroll the FBV.

The following table shows the number of properties enrolled at less than factored base year value in Mariposa County for recent years:

ROLL YEAR	DECLINES IN VALUE
2007-08	62
2006-07	76
2005-06	162
2004-05	240
2003-04	319

Discovery

Discovery of value declines in commercial, industrial, residential, and agricultural properties is accomplished through several means. One such method is appraiser familiarity with their assigned geographical area or property type. Appraisers are expected to be familiar with value trends within their geographical areas of responsibility. Other methods of discovering declines in value are through taxpayer requests for review and assessment appeals.

Review Procedure

All properties with reduced assessments resulting from declines in value are coded in the computer system so that the annual inflation factor will not be applied. Each year, for properties in decline-in-value status, the assessor compares the current market value with the factored base year value and enrolls the lower of the two. Decline-in-value appraisals are well documented with data supporting the lower value as well as enrollment of the restored factored base year value.

A review of the assessor's procedures for processing decline-in-value assessments indicates that the assessor has a good decline-in-value program. However, we found one problem with the form the assessor uses for taxpayer notification.

RECOMMENDATION 3: Notify taxpayers of their rights to appeal in compliance with section 619(b).

When the assessor increases the assessed value of a property in decline-in-value status or restores the factored base year value, she sends notification of the value increase to the taxpayer. The notice used by the assessor for this purpose does not include all of the information required by section 619(b).

Section 619(b) requires the assessor to inform the taxpayer of their rights to file for an assessment appeal. The notice used by the assessor does not include a notification to the taxpayer of their right to file an assessment appeal (including a statement of the filing period) or an

explanation of the stipulation procedure as set forth in section 1607 and the manner in which the assessee may request use of this procedure.

Accordingly, the assessor's practice was not in compliance with specific statutory provisions.

Supplemental Assessments

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

Processing

The assessor processes supplemental assessments using an automated system. Appraisers initiate supplemental assessments whenever a change in ownership or new construction occurs. The computer system calculates the supplemental assessment amount and generates the notice for mailing to the taxpayer. This *Notice of Supplemental Assessment* provided by the system includes all of the information required by section 75.31.

After sending the notice to property owners, the assessor forwards supplemental assessment information to the county auditor-controller. Most supplemental tax bills are issued within 90 days from the date of *Notice of Supplemental Assessment*. This process ensures that supplemental assessments are processed in a timely manner.

Enrollment

We examined several records involving completed new construction and transfers, and found the assessor processes low-value and negative supplemental assessments as required. The assessor correctly makes two supplemental assessments for events occurring on or after January 1 and on or before May 31, and one supplemental assessment for events occurring on or after June 1 and before the succeeding January 1. Additionally, the assessor properly applies the inflation factor for the following lien date when new construction is completed or a change in ownership occurs on or after January 1 and on or before June 30.

The assessor grants the builders' exclusion authorized in section 75.12 when claims are timely filed. The assessor properly makes supplemental assessments for leasehold improvements, manufactured homes, taxable possessory interests, and the unrestricted portions of California Land Conservation Act properties and Timberland Production Zone properties.

We noted no supplemental assessments processed outside of the statute of limitations set by section 75.11(d). The assessor's supplemental assessment program is efficiently coordinated and complies with applicable provisions of property tax law.

California Land Conservation Act Properties

Pursuant to the California Land Conservation Act (CLCA) of 1965, agricultural preserves may be established by a city or county for the purpose of identifying areas within which the city or county will enter into agricultural preserve contracts with property owners.

Property owners who place their lands under contract agree to restrict the use of such lands to agriculture and other compatible uses; in exchange, the lands are assessed at a restricted value. Lands under contract are valued for property tax purposes by a method that is based upon agricultural income-producing ability (including income derived from compatible uses, e.g., hunting rights and communications facilities). Although such lands must be assessed at the lowest of the restricted value, current market value, or factored base year value, the restricted value typically is the lowest.

Sections 421 through 430.5 prescribe the method of assessment for land subject to agricultural preserve contracts. Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521), provides guidance for the appraisal of these properties.

For the 2007-08 roll year, Mariposa County had approximately 642 parcels encumbered by CLCA contracts. These parcels covered a total of 205,485 acres and had an aggregate assessed value of \$58,766,360. Included in this acreage were 21,552 acres in nonrenewal status and a portion of one contract that had been cancelled (comprising 3.5 acres). In accordance with Government Code section 51240, the county has adopted more restrictive contract terms and conditions than those set forth in statutory provisions. In particular, Mariposa County's CLCA contracts specify a 20-year enrollment period and a 25 percent cancellation fee.

There are no living improvements currently under CLCA contract in the county. All of the property in Mariposa County under CLCA contract consists of rangeland used for grazing. The bulk of the agricultural revenue generated in the county is also derived from this use.

The assessor is responsible for the valuations of CLCA property in Mariposa County. Each year, she calculates the restricted value of the land. The resulting restricted value is then compared to the factored base year value and the current market value. The lowest of the three values is enrolled as the assessed value.

Homesites

Section 428 provides that the restricted valuation standard for CLCA land does not apply to residences or the site of a residence. AH 521 provides that "even though it might be highly unlikely (where local zoning regulations forbid the separate parcelization and/or sale of a homesite on an agricultural property) for the homesite to actually be bought and sold in the marketplace, the homesite must be valued as though it were a separate appraisal unit and traded in that manner."⁷ In other words, the homesite must be valued at the lesser of the factored base year value or the fair market value of a comparable, unrestricted homesite. We found that this is the assessor's policy and practice for homesites on parcels not in nonrenewal status.

⁷ *Assessment of Agricultural and Open-Space Properties*, October 2003, page II-51.

Income and Expenses

The income to be capitalized is the economic net income attributable to the land determined, whenever possible, by the analysis of rents received in the area for similar lands in similar use. To determine net income, the appraiser must estimate the future gross income the land can be expected to produce, and subtract from that estimate the allowable cash expenses (except property taxes) necessary to maintain this income. The gross income is primarily from agricultural production, but it also includes income from any compatible uses actually occurring, such as lease payments for oil or gas exploration rights, communication facility sites, and recreational uses such as hunting or fishing. There are no limits placed upon the income to be capitalized unless the contract contains a provision establishing a minimum annual income per acre.

The assessor determines income and expenses in general accordance with section 423(a), using a cash rent analysis for grazing lands. The assessor has a CLCA questionnaire for gathering information regarding usage, income, expenses, and income from compatible uses. However, the assessor has not sent out the questionnaire since December 2001. She is still using information gathered from the 2001 mailing for current valuations. A recommendation concerning this issue is made at the end of this section.

Capitalization Rates

Section 423(b) prescribes the composition of the capitalization rate to be used in determining CLCA-restricted land values. It requires that the capitalization rate shall be the sum of the following components:

- An interest component annually determined and announced by the Board;
- A risk component based on the location and characteristics of the land, the crops to be grown thereon and the provisions of any lease or rental agreement to which the land is subject;
- A component for property taxes; and
- A component for amortization of any investment in perennials over their estimated economic life when the total income from land and perennials other than timber exceeds the yield from other typical crops grown in the area.

In developing the capitalization rate used in valuing CLCA properties, the assessor correctly uses the current interest component provided annually by the Board. The assessor also includes components for risk and taxes. The capitalization rate for all of the properties in the program was developed using a risk rate of 1 percent, which is appropriate and conforms to AH 521 guidelines.

RECOMMENDATION 4: Obtain current agricultural rents and production information from owners of CLCA land.

The assessor is using outdated income data to value CLCA properties. She is using information gathered from a December 2001 questionnaire sent to owners of CLCA properties. There has not been a mailing of questionnaires seeking income and expense information since 2001. Accurate assessment of lands under CLCA contracts depends on an accurate estimate of land rents and production capacities.

Section 423(a)(1) requires the assessor to capitalize an annual income based upon the current rents actually received for the land and upon typical rental income received for land in similar use. In addition, the annual income must include income from compatible uses. Because the assessor is using rent data obtained from a December 2001 questionnaire, she may not be using current market rents, compatible-use income, or current production capacities.

Therefore, the assessor's practice may result in erroneous assessments of CLCA properties.

Timberland Production Zone Properties

Lands zoned "Timberland Production Zone" (TPZ) are valued in accordance with special TPZ site classifications; the valuation of such lands excludes the value of any standing timber. The annual value of a TPZ property is determined by its appropriate per-acre site value (section 434.5) plus the lower of the current market value or the factored base year value of any compatible, nonexclusive uses of the property (section 435).

The special valuation methods for TPZ lands do not apply to structures on TPZ lands or to reasonable sites for such structures. In other words, structures and the sites directly related to those structures are assessed as all other real property.

For the 2007-08 assessment year, Mariposa County had 58 TPZ parcels comprising approximately 9,131 acres of timber with a total assessed value of \$5,093,965. There are currently no TPZ parcels in nonrenewal status.

The land zoned TPZ is assessed in accordance with values determined each year by the Board. The Board's values exclude the value of standing timber. All TPZ properties located in Mariposa County are classified as pine-mixed conifer and are valued using the five different site classes.

Our review indicates that the assessor properly follows the Board's schedule of per-acre values for different site classes of TPZ parcels. The assessor updates TPZ values annually based on the site class values provided by the Board. All land zoned as TPZ is appropriately identified on the assessment roll with the notation "TPZ Properties," in conformance with section 433.

The assessor has identified one TPZ parcel with a compatible use income. The assessor discovers exclusive and nonexclusive compatible uses of TPZ properties primarily through appraiser familiarity with the area.

We also reviewed the records of TPZ parcels with homesites and found the residences and other structures were properly valued.

Taxable Possessory Interests

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

The Mariposa County Assessor enrolls taxable possessory interests on both the unsecured and secured rolls. For the 2007-08 assessment roll, the assessor enrolled 258 taxable possessory interests on the unsecured roll with a total assessed value of \$9,028,663. The assessor has only one taxable possessory interest enrolled on the secured roll for an assessed value of \$81,474,917.

The assistant assessor is responsible for the assessment of all taxable possessory interests in the county. Each taxable possessory interest has its own appraisal record showing the land and improvement value.

The assessor has identified 13 public agencies that own lands in Mariposa County. Each year the assistant assessor sends out form BOE-502-P, *Possessory Interests Annual Usage Report*, to each of the 13 public agencies.

We reviewed a number of taxable possessory interests and found the assessor values taxable possessory interests by the income approach, properly uses economic rents, and deducts for allowable operating expenses. In valuing taxable possessory interests by the indirect sales comparison approach, the assessor properly establishes the fee value using comparable sales for the land and improvements, and deducting the present value of the reversion at the end of the term.

Assessments that are \$2,000 or less are exempt under the county's low-value resolution. For taxable possessory interest established by contract, once a base year value is established, for subsequent years, the assessor enrolls the lower of the factored base year value or the current market value. For all other taxable possessory interests, the value is adjusted upwards each year by the inflation factor. In accordance with section 75.5(b), the assessor also properly exempts from supplemental assessment newly created taxable possessory interests, established by month-to-month agreements that have a value of \$50,000 or less.

We did find one area in need of improvement in the assessor's program for the assessment of taxable possessory interests.

RECOMMENDATION 5: Reappraise taxable possessory interests in accordance with section 61(b)(2).

For any taxable possessory interest created by a month-to-month agreement, the assessor assigns a reasonably anticipated term of possession. We found many instances where the assessor failed to revalue taxable possessory interests at the end of the reasonably anticipated term of possession used to value that interest, even when the same tenants continue to use the property. Instead, the assessor continues to adjust the base year value by the inflation factor.

Section 61(b)(2) provides that at the end of the reasonably anticipated term of possession used by the assessor, a new base year value, based on a new reasonably anticipated term of possession, shall be established for the possessory interest. As an example, a grazing lease created by a month-to-month agreement may be assigned a five-year reasonably anticipated term of possession. At the end of the five years, if the lessee is still leasing the property, the assessor should revalue the taxable possessory interest for a change in ownership, establishing a new base year value based on a new reasonably anticipated term of possession.

By not establishing a new base year value at the end of the reasonably anticipated term of possession, the assessor's values for these taxable possessory interests may be over- or understated. In addition, the assessor's practice is not in compliance with specific statutory provisions.

Leasehold Improvements

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

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

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

When there is new construction by a tenant, the assessor must review those changes and reflect them in a property's assessed value. Procedures for assessing this new construction include identifying leasehold improvement construction permits, sending new construction questionnaires to tenants, examining rent rolls to look for tenant changes and rent changes resulting from new construction, and coordinating the assessment between the business property

and real property divisions. The BPS, an annual filing requirement for many business owners, is a useful source for discovering leasehold improvements.

We found that the Mariposa County Assessor properly classifies leasehold improvements, enrolling structural improvements on the secured roll and fixtures on the unsecured roll. The real property staff is responsible for the assessment of leasehold improvements classified as structures. Tenant improvements classified as fixtures are assessed by the business property staff. Because the real property staff is located next to the business property staff and there is constant communication occurring between them, no forms are needed to communicate, coordinate, and track leasehold assessments between them.

The assessor's program for the assessment of leasehold improvements is in compliance with current statutes.

Water Company Properties

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

We obtained a list of all water supply sources inspected by the State Department of Public Health, Division of Drinking Water and Environmental Management, and the California Public Utilities Commission (CPUC). Using these lists, we identified four mutual water companies, three county water districts, one city water district, two community service water districts, no CPUC-regulated water companies, and numerous unregulated private water companies.

We found mutual and unregulated water company properties to be valued correctly, and the municipal water systems to be correctly exempted. Private and transitory water systems are inspected by the Mariposa County Health Department, Environmental Health Services Unit.

Mineral Properties

By statute and case law, mineral properties are taxable as real property. These properties are subject to special rules designed to accommodate their unique characteristics. There are three mineral-specific property tax rules that apply to the assessment of mineral properties: Rule 468, *Oil and Gas Producing Properties*, Rule 469, *Mining Properties*, and Rule 473, *Geothermal Properties*. These rules are interpretations of existing statutes and case law with respect to the assessment of mineral properties.

Over the last century there have been as many as 6,000 mining claims in Mariposa County. According to the United States Department of Interior, Bureau of Land Management (BLM), there are approximately 2,000 claims in Mariposa County that have had some activity, such as rental payments, over the last three years. There were 56 unpatented mining claims enrolled on the 2007-08 unsecured roll with a total value of \$467,254. All of the mining claim assessments are made by an assessment-recording clerk and reviewed by a certified appraiser.

Many of the current mining claims date back to the 1920s. Mining claims have long been recognized as taxable possessory interests. These interests are typically valued by capitalizing the annual rental payments over the remaining term of possession.

The assessor has written procedures for valuing unpatented mining claims. The assessor is valuing these mining claims at \$50 per acre. Sales of mining claims are not tracked by the assessor. Even with the long life of these claims, the capitalized value is typically low. The county has a low-value resolution exempting property with a value of \$2,000 or less; many of the mining claims fall under this exemption.

In our 2003 survey, we recommended the assessor treat an unpatented association mining claim as a single claim. The assessor has not implemented this recommendation, and it is, therefore, repeated below. In addition, we note one other area of concern in the assessor's procedures for valuing mining claims.

RECOMMENDATION 6: Revise the unpatented mining claim assessment procedures by:
(1) treating association mining claims as a single claim, and
(2) correctly determining the appraisal unit for mining claims.

Treat association mining claims as a single claim.

The assessor treats association mining claims as eight individual mining claims of 20 acres and capitalizes the rental fee for each 20 acres. The Mining Law of 1872 establishes the procedures to claim and hold mineral lands in the western United States. Claims are to be 20 acres in size and require an annual rental payment to the BLM. As an incentive to develop land, another provision of the mining law of 1872, allows groups of people to form an association, claim up to 160 acres of land, and pay the same annual rent to the BLM.

If mining claims are valued based upon the future rental payments, in our opinion, since the rent is the same, there should be no difference in value between a single mining claim of 20 acres and an association claim of 160 acres. Association claims should be treated and valued as one claim in conformance with the federal definition. The assessor's procedures for assessing association claims leads to the overassessment of these types of properties.

Correctly determine the appraisal unit for mining claims.

For assessment purposes, the assessor treats multiple unpatented mining claims under common ownership as one appraisal unit. While common ownership is one consideration for determining whether to group properties into a single appraisal unit, some of these groupings are not appropriate.

When determining whether to group separate claims as one appraisal unit, the following criteria from Assessors' Handbook Section 502, *Advanced Appraisal*, page 2, should be considered: (1) functional and economic integration of the parcels; (2) the attainment of highest and best use when the properties are combined; (3) whether the properties share common boundaries; (4) common ownership; and (5) current or prior combination of the properties in a sale. While

the claims do not have to meet all five criteria to be treated as one appraisal unit, common ownership alone is insufficient.

We found that some of the properties that the assessor has grouped as a single appraisal unit may have only one common owner. The assessor uses a listing from the BLM that is sorted by claim holder name for each claim. Those claim holders with three or more claims are deemed to have appraisal units whose value exceeds the low-value exemption in the county. Claim names are reviewed to ensure each claim is associated with only one account. However, the assessor does not make certain that each claim in the account is contiguous. For instance, some of these properties are not next to each other and are separated by a significant distance and, thus, would not reasonably operate as a unit.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

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

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

In this section of the survey report, we review the assessor's programs for conducting audits, processing business property statements, valuation of business property, discovering and assessing leased equipment, and assessing manufactured homes, aircraft, and vessels.

Audits

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

The assessor has one part-time auditor-appraiser assigned to do audits. The auditor-appraiser performs mandatory and nonmandatory audits and processes business property statements.

Pursuant to section 469, audits are mandatory for taxpayers reporting business tangible personal property and trade fixtures valued at \$400,000 or more for four consecutive years. We reviewed the assessor's mandatory audit accounts and found the assessor is behind in completing her mandatory audit workload for the past four years. However, we found the assessor sought waivers for mandatory audits that could not be completed timely.

The following table shows the total number of audits completed for recent years:

DESCRIPTION	2006-07	2005-06	2004-05
Audit Workload			
Mandatory	9	5	13
Nonmandatory	3	10	9
Total Audits Scheduled	12	15	22
Unfinished From Prior Year	3	0	4
Total Audit Workload	15	15	26
Audits Completed			
Mandatory	3	5	14
Nonmandatory	2	7	12
Total Audits Completed	5	12	26
Total Mandatory Audits Carried Forward	8*	0	0

* Two audits were not carried forward due to lack of response from the taxpayer.

Business Property Statement Processing

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

The following table displays the assessor's workload of property statements for the 2007-08 roll year:

CATEGORY	STATEMENTS
General Business	368
Agriculture	28
Apartments/Rentals	166
Direct Billing	183
Welfare Exempt/Other	140
Total	702

Information submitted on the business property statement serves as the basis for the subsequent business property assessments. Section 441 requires each person owning taxable personal property (other than manufactured homes) having an aggregate cost of \$100,000 or more to annually file a business property statement with the assessor; any other person must file a property statement if requested by the assessor. Thus, business property statements provide important information regarding changes in business ownership, location of the property, and the business start date at the current location.

Section 442 requires that the property statement show all taxable property owned, claimed, possessed, controlled, or managed by the person filing it and required to be reported thereon.

Taxpayer self-reporting is the principal means of discovering assessable property. Other means of discovering assessable business property include reviewing business permits, fictitious business name filings, newspaper articles and advertisements, telephone directories, referrals from other counties, and Board notifications. We found that the assessor employs effective methods for discovering business personal property.

Direct Billing

The Mariposa County Assessor utilizes a direct billing program. This is a method of assessing qualified lower-value business accounts without the annual filing of a business property statement. The assessor establishes an initial value and continues it for several years. Property statement filings or field reviews are required periodically. Examples of businesses suitable for direct billing include apartments, barbershops, beauty parlors, coin-operated laundrettes, small cafes and restaurants, and professional firms with small equipment holdings.

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

After four years in the direct billing program, the assessor sends a business property statement to those direct-billed taxpayers to determine if there have been any substantial changes in business property, including increases or decreases in equipment, changes in ownership, or changes in location. The assessor then decides whether the account is still suitable for direct billing. If not, she converts the account back to a regular account and resumes yearly business property statement mailings.

We found the program to be well regulated, and the appropriate controls are in place to reduce the chance of escape assessments.

Business Equipment Valuation

Commercial, Industrial, and Agricultural Equipment

Assessors value most machinery and equipment using business property value factors. Value factors are derived by combining price index factors (trend factors) with percent good factors. A

value indicator is obtained by multiplying a property's historical (acquisition) cost by an appropriate value factor.

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

Price index factors measure the trended value of goods over their service lives. The percent good factors are intended to reflect the average loss in value that commercial and industrial equipment will suffer over their service lives. The factors are based on averages and represent a reasonable estimate of the annual changes for the majority of business machinery and equipment.

The assessor uses the cost indices and percent good factors from both the AH 581 and those recommended by the California Assessors' Association (CAA). In addition, the assessor uses the *Marshall Valuation Service*.

Classification

Machinery and equipment must be classified as either personal property or fixtures (improvements) depending on whether the item is physically or constructively annexed to real property with the intent, as evidenced by outward appearance, that the item will remain annexed indefinitely. We found no problems either in the processing of the statements or the classification of machinery and equipment.

Leased Equipment

The business property division is responsible for the discovery, valuation, and assessment of leased equipment. This type of property is one of the more difficult to assess correctly. Common problems include difficulty in establishing taxability and taxable situs, reporting errors by lessees and lessors, valuation (whether the value of the equipment should be the lessor's cost or the cost for the consumer purchasing the equipment), and double or escape assessments resulting from combined lessor and lessee reporting. These issues are discussed in detail in Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*.

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

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

We reviewed the procedures for assessing leased equipment along with a sample of assessments of both lessors and lessees. We found the assessor has an effective leased equipment program and is doing a good job in the discovery, processing, tracking, and cross-checking of leased equipment information.

Manufactured Homes

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

In Mariposa County, manufactured homes can be found in 19 mobilehome parks located throughout the county or on fee-owned land. Manufactured homes located on fee-owned land are not assigned an identifying code in the assessor's computer system; therefore, the number of manufactured homes and their assessed values for the 2007-08 roll cannot be determined.

The assessor learns of new taxable manufactured homes, sales, new installations, and voluntary conversions of manufactured homes through periodic State Department of Housing and Community Development listings. This discovery is supplemented by dealer reports of sale; building permits; deed recordings; form BOE-502-A, *Preliminary Change of Ownership Reports*; and periodic tax clearance notifications from the county tax collector's office.

Each appraiser is responsible for manufactured home assessments in his or her assigned areas. For sales and transfers, the assessor determines the market value in accordance with section 5803, by using recognized value guides for manufactured homes. Prior to August 2006, the assessor used the *Kelley Blue Book Valuation Guide* in valuing manufactured homes. Since that time the assessor has used Assessors' Handbook Section 531.35 along with dealer reports to value manufactured homes. When applicable, supplemental assessments are processed.

Aircraft

General Aircraft

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

For the 2007-08 assessment roll, the assessor enrolled 26 general aircraft with a total assessed value of \$720,000. In Mariposa County, the assistant assessor is responsible for the valuation of all general aircraft and for administering the historical aircraft exemption.

Each year the assessor mails an aircraft property statement to the known owner of each aircraft in the county. The property statement requests information, such as serial number, model number, year built, manufacturer, airframe hours, and installed equipment, such as radio

transmitter, navigation system, and auto pilot system. It also requests engine information, such as engine hours, horsepower, model/manufacturer, year built, and year installed.

The assessor uses the *Bluebook* and adjusts for airframe hours, avionics, hours before overhaul, sales tax, and condition. Pursuant to Letter To Assessors 97/03, the assessor also reduces listed retail values by 10 percent to provide reasonable estimates of fair market values for aircraft in truly average condition on the lien date.

The assessor's procedures for valuing general aircraft are correct and conform to statutory provisions.

Historical Aircraft

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

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

For the 2007-08 assessment roll, Mariposa County had nine aircraft with a total assessed value of \$246,600 that met the qualifications for the historical aircraft exemption. We reviewed a number of claims for the exemption and found that the exemption was granted only if all three conditions as stated in section 220.5(a) were met. The assessor properly administers the historical aircraft exemption.

Vessels

Assessors must annually appraise all vessels at market value. The primary sources used for the discovery of assessable vessels include reports from the State Department of Motor Vehicles (DMV), referrals from other counties, information provided by the vessel owners themselves, certificates of documentation issued by the United States Coast Guard, harbormasters' reports, and field canvassing.

The following table shows the number of vessels assessed in Mariposa County and their combined total assessed value for recent roll years:

ROLL YEAR	VESSELS	ASSESSED VALUE
2006-07	633	\$13,022,754
2005-06	616	\$12,162,422
2004-05	561	\$10,600,858
2003-04	538	\$10,087,356
2002-03	534	\$10,080,002

In Mariposa County, the assessment office manager is responsible for the discovery and valuation of vessels. All vessel assessments are reviewed and approved by a certified appraiser.

The primary sources of discovery are DMV reports, referrals from other counties, and from vessel owners themselves. The assessor mainly uses the *ABOS Dealer Guide* and, if needed, the *National Automobile Dealer Association's Marine Appraisal Guide (NADA)* to value vessels. If current or reliable information is not available in the published value guides, the assessor may use the values of similar vessels within her database or the internet to obtain current comparable sales data.

In our 2003 survey report, we recommended the assessor include sales tax as a component of a vessel's value. This recommendation has not been implemented, and is therefore repeated below. In addition, we found one other problem with the assessor's vessel program.

RECOMMENDATION 7: Revise vessel assessment procedures by: (1) including sales tax as a component of a vessel's value, and (2) ensuring that owners of vessels with a reported cost of \$100,000 or more annually file a vessel property statement pursuant to section 441.

Include sales tax as a component of a vessel's value.

The assessor fails to add sales tax to the listed values derived from the published value guides when determining a vessel's value. Assessors' Handbook Section 576, *Assessment of Vessels*, at page 13, provides that where a value guide is used for a comparative sales approach, sales tax, an element of value, should be added to the listed value to arrive at the full cash value for property tax purposes. Without all of the elements of the cost included, appraised values will be understated.

Ensure that owners of vessels with a reported cost of \$100,000 or more annually file a vessel property statement pursuant to section 441.

The assessor does not require owners of vessels with a reported cost of \$100,000 to file an annual property statement.

Section 441(a) provides that each person owning taxable personal property, other than a manufactured home, having an aggregate cost of \$100,000 or more for any assessment year shall file a signed property statement with the assessor.

By not requiring owners of vessels with a reported cost of \$100,000 or more to file a vessel property statement, the assessor is not obtaining the latest data to help make the annual assessment of the vessel.

APPENDIXES

A. County-Assessed Properties Division Survey Group

Mariposa County

Chief

Dean Kinnee

Survey Program Director:

Arnold Fong

Principal Property Appraiser

Survey Team Supervisor:

Sally Boeck

Supervising Property Appraiser

Survey Team Leader:

Ronald Louie

Senior Specialist Property Appraiser

Survey Team:

Jim McCarthy

Senior Petroleum and Mining Appraisal Engineer

Andrew Austin

Associate Property Appraiser

Michael Brennan

Associate Property Appraiser

Zella Cunningham

Associate Property Appraiser

Alan Dannen

Associate Property Auditor-Appraiser

Zbigniew Radko

Associate Property Auditor-Appraiser

Chandra Williams

Associate Tax Auditor

Prubjit Singh

Tax Technician I

B. Relevant Statutes and Regulations

Government Code

15640. Survey by board of county assessment procedures.

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure 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 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 statewide 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 BOARD'S FINDINGS

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

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

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OCT - 9 2008



Assessor-Recorder

County-Assessed Properties Division
State Board of Equalization
Assessor (209) 966-2332
Recorder (209) 966-5719

October 7, 2008

Dean R. Kinnee, Chief
County-Assessed Properties Division
P.O. Box 942879
Sacramento, CA 94279-5689

Dear Mr. Kinnee:

Pursuant to California Government Code 15645, I am providing our written response to the findings and recommendations contained in the Mariposa County Assessment Practices Survey of the 2007-2008 assessment roll.

In the 2003 Mariposa County Assessment Practices Survey, there were 15 recommendations; I am pleased to see the current survey reflect only 7 recommendations.

I would like to thank the survey crew for their constructive suggestions, comments and professional demeanor during their tour of duty. I would like to apologize for the lack of available space in which the crew had to do their work. The true definition of a LAP-TOP computer was validated.

I also want to thank the staff of the Mariposa County Assessor-Recorder's Office for their dedication, professionalism and commitment to serving the citizens of Mariposa County.

Sincerely,

A handwritten signature in cursive script that reads "Becky Crafts".

Becky Crafts,
Assessor-Recorder

Recommendation 1: Calculate the proration of taxes due on damaged property to include the month in which the damage occurred as required by section 170(e). Page 11

Response: We concur and this procedure has been implemented.

Recommendation 2: Revise the change in ownership assessment program. Page 21

Response: We concur and this procedure has been implemented.

Recommendation 3: Notify taxpayers of their rights to appeal in compliance with section 619(b). Page 24

Response: We concur and this procedure has been implemented.

Recommendation 4: Obtain current agricultural rents and production information from owners of CLCA land. Page 27

Response: We concur that current rents should be used to accurately assess CLCA land. The questionnaires were unable to be generated due to a county wide mainframe update. Our county is non-prime grazing land. Rents have not seen any significant changes, therefore the assessments were accurate. Questionnaires were in the mail at the time of this survey.

Recommendation 5: Reappraise taxable possessory interests in accordance with section 61(b)(2). Page 29

Response: We concur. Our current computer system does not permit flagging unsecured accounts to trigger reassessment dates. We are working to create an independent Excel spreadsheet to act as a "tickler file".

Recommendation 6: Revise the unpatented mining claim assessment procedures by: (1) treating association mining claims as a single claim, and (2) correctly determining the appraisal unit for mining claims. Page 32

Response: We respectfully disagree with BOE. It is our opinion that we have property assessed all mining claims. BLM's practice of allowing a single filing fee by mining associations should not be construed as requiring a single assessment for all the claims covered by the filing. Furthermore, it seems contradictory that the second part of this recommendation seeks to separate out the unpatented mining claims that we have treated as one appraisal unit due to common ownership.

Recommendation 7: Revise vessel assessment procedures. Page 41

Response: We concur. We will implement the sales tax component by modifying our valuation worksheet to calculate the tax into the final value. We will also set up the vessel accounts for annual property statements where an account has an aggregate cost of \$100,000 or more. This currently numbers eight accounts out of 658 boat assessments.