

MARIPOSA COUNTY ASSESSMENT PRACTICES SURVEY

NOVEMBER 2003

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November 25, 2003

TO COUNTY ASSESSORS:

MARIPOSA COUNTY
ASSESSMENT PRACTICES SURVEY

No. 2003/071

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

The Honorable Robert Lowrimore, 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, and the State Legislature; and to the Mariposa County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

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

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

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

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:jm
Enclosure

TABLE OF CONTENTS

INTRODUCTION 1

SCOPE OF ASSESSMENT PRACTICES SURVEYS 2

EXECUTIVE SUMMARY..... 3

RESULTS OF 1999 SURVEY..... 6

OVERVIEW OF MARIPOSA COUNTY..... 8

ADMINISTRATION 9

 BUDGET AND STAFFING..... 9

 WORKLOAD..... 10

 APPRAISER CERTIFICATION 10

 EXEMPTIONS 11

 LOW - VALUE PROPERTY EXEMPTION 12

 DISASTER RELIEF 13

 ASSESSMENT FORMS 14

 ASSESSMENT ROLL CHANGES 15

 ASSESSMENT APPEALS 17

ASSESSMENT OF REAL PROPERTY 18

 CHANGE IN OWNERSHIP 18

 NEW CONSTRUCTION 20

 SUPPLEMENTAL ASSESSMENTS 21

 DECLINE IN VALUE PROPERTY..... 21

 CALIFORNIA LAND CONSERVATION ACT PROPERTY 22

 TIMBERLAND PRODUCTION ZONE PROPERTY..... 23

 TAXABLE POSSESSORY INTERESTS 23

 LEASEHOLD IMPROVEMENTS..... 24

 WATER COMPANY PROPERTY..... 25

 MINERAL PROPERTY..... 26

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES..... 27

 AUDIT PROGRAM..... 27

 BUSINESS PROPERTY STATEMENT PROGRAM..... 29

 BUSINESS EQUIPMENT VALUATION 30

 AIRCRAFT..... 32

 VESSELS 33

 MANUFACTURED HOMES 34

 ANIMALS..... 35

APPENDICES 36

 A. COUNTY PROPERTY TAX DIVISION SURVEY GROUP 36

 B. RELEVANT STATUTES AND REGULATIONS..... 37

ASSESSOR'S RESPONSE TO BOE'S FINDINGS 43

INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest comes from the fact that more than one-half of all property tax revenue is used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

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

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

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 BOE, the Senate and Assembly, the Mariposa County Grand Jury, and the 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 Robert Lowrimore, Mariposa County Assessor, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendices.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas, but they also contain information required by law (see *Scope of Assessment Practices Surveys*) and information that may be useful to other assessors. The latter information is provided to 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 BOE determines through the survey program whether the county assessment roll meets a minimum assessment level for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. This certification may be accomplished either by conducting an assessment sample or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.

Our survey of the Mariposa County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with other public agencies in Mariposa County that 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 survey report offers recommendations to help the assessor resolve the problems we have identified. The recommendations contained in this report are based on the results of our research into statutory violations, under- or overassessments, or unacceptable appraisal practices that may occur in specific areas.

An assessment practices survey is not an audit of the assessor's entire operation. We do not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment.

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

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

EXECUTIVE SUMMARY

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

In our 1999 Mariposa County Assessment Practices Survey Report, we made 13 recommendations to address problems in the assessor's policies and procedures. The assessor fully implemented seven of the recommended changes and partially implemented two. The four recommendations not implemented and those that were partially implemented are repeated in this report. The statements below summarize the findings of the current survey:

- Since taking office in 2001, the assessor has stressed the importance of documentation of the assessment.
- The assessor is currently working on the formulation of a geographical information system.
- We found no problems with the assessor's administration of the exemptions and the assessment appeals programs.
- The assessor still fails to apply the county's low-value property resolution exemption to all qualifying real property.
- By granting disaster relief without an application, the assessor fails to comply with the county's disaster relief ordinance. In addition, the assessment appeals language in the disaster relief application and the reassessment notice does not conform to section 170.
- When initiating roll changes, the assessor still fails to cite the statutory provisions or cites improper statutory provisions. Also, when enrolling escaped assessments for prior years on the current roll, the assessor fails to add the notation required by section 533.
- With the exceptions of water company properties and mineral properties, we found no problems with the assessor's real property programs. They generally conform to statutory requirements.
- The assessor still fails to obtain documents pertinent to the assessment of mutual water company properties and is not uniformly assessing them.
- The assessor is inappropriately treating unpatented association mining claims as multiple claims.
- We found no problems with the assessor's business property program relating to the processing of business property statements.
- The assessor fails to notify the taxpayers of their appeal rights as required by rule 305.3 when there is a "no change" audit.

- The assessor uses minimum percent good factors without supporting documentation.
- The assessor continues to value aircraft by using the wholesale instead of the retail category from the *Aircraft Bluebook Price Digest*. In addition, he accepts historical aircraft exemption claims that are not signed according to the provisions of section 220.5.
- The assessor continues to use uncertified staff to value vessels. In addition, he undervalues vessels by not adding a sales tax component to the indicated value of vessels obtained from the *ABOS Marine Blue Book*.
- The assessor continues to incorrectly classify manufactured homes as real property, contrary to section 5801(b)(2).

Despite the problems noted above, most properties and property types are assessed correctly. Here is a list of the formal recommendations contained in this report, arrayed in the order that they appear in the text.

RECOMMENDATION 1:	Exempt low-value property according to the county's low-value property exemption resolution.....	12
RECOMMENDATION 2:	Grant disaster relief according to the existing county disaster relief ordinance and section 170.....	13
RECOMMENDATION 3:	Conform the appeals period language in the disaster relief application and the notice of proposed reassessment with the provisions of section 170.....	14
RECOMMENDATION 4:	Cite the proper authority when initiating roll changes to notify the auditor-controller when to apply penalty and interest for escaped assessments.	15
RECOMMENDATION 5:	Cite the notation required by section 533 on the current roll when enrolling escaped assessments for prior years.....	16
RECOMMENDATION 6:	Obtain the articles of incorporation from all mutual water companies in the county.....	25
RECOMMENDATION 7:	Uniformly assess mutual water company properties.	25
RECOMMENDATION 8:	Treat an unpatented association mining claim as a single claim.	26
RECOMMENDATION 9:	Notify taxpayers of their right to appeal the result of an audit as required by rule 305.3.....	28
RECOMMENDATION 10:	Use AH 581, as intended, when valuing older machinery and equipment.	30

RECOMMENDATION 11: Assess general aircraft according to BOE directives as required by section 5363.32

RECOMMENDATION 12: Accept only historical aircraft exemption claims signed according to the provisions of section 220.5.33

RECOMMENDATION 13: Ensure that a certified appraiser reviews vessel values.34

RECOMMENDATION 14: Include sales tax as a component of a vessel's value.34

RECOMMENDATION 15: Classify manufactured homes as personal property.34

RESULTS OF 1999 SURVEY

Low-Value Property Exemption Resolution

We recommended that the assessor properly apply the county's low-value exemption resolution. Since the assessor cannot identify low-value real property, he has not implemented this recommendation.

Roll Changes

We recommended that the assessor cite the proper statutory authority when making roll changes. The assessor has not implemented this recommendation and is still citing the incorrect statutory provisions.

Exemptions

We recommended that the assessor's roll contain a legend identifying each type of exemption. We found that the roll now correctly identifies each type of exempt property.

Declines in Value

We recommended that the assessor ensure that decline in value assessments be reviewed annually and that he not apply the inflation factor to decline-in-value assessments. The assessor now annually reviews all decline-in-value assessments and has modified the computer program to prevent the inflation factor from being applied to decline-in-value assessments.

Agricultural Properties

We recommended that the assessor field review all California Land Conservation Act (CLCA) properties, increase documentation relating to grazing lands and growing improvements, use animal unit months (AUMs) to value grazing lands, and assess all taxable trees and vines. The assessor is in compliance with our recommendation.

Taxable Possessory Interests

We recommended that the assessor ensure that all possessory interests be revalued when changes in ownership occur, document possessory interest values that are lower than the low-value property exemption level, assess all taxable possessory interests at the county fairgrounds, document sources of capitalization rates, and not assess possessory interests in government-owned manufactured homes. The assessor has fully implemented these recommendations.

Mutual Water Company Property

We recommended that the assessor review the list of water sources annually inspected by the county's environmental health office, document pertinent information on the assessment records, and uniformly assess mutual water company properties. The assessor has obtained the necessary reports from the county's environmental health office, but has not implemented the other two parts of our recommendation.

Equipment Percent Good

We recommended that the assessor use the agricultural and construction equipment schedule in the Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581), rather than the machinery and equipment schedule to depreciate mobile agricultural and construction equipment. We also recommended that the assessor stress uniformity in the selection and application of index and percent good factors used to value personal property and fixtures. The assessor has implemented these recommendations.

Classification

We recommended that the assessor properly classify fixed machinery and equipment as real property. The assessor now correctly classifies fixtures for all business accounts.

Vessels

We recommended that the assessor annually appraise vessels at market value and use a certified appraiser to value vessels. The assessor has implemented the first part of our recommendation by assessing vessels at market value. However, the assessor still does not ensure that a certified appraiser reviews the vessel valuation.

Aircraft

We recommended that the assessor comply with BOE directives by assessing aircraft at current market value. The assessor still assesses aircraft at the wholesale level that does not reflect current market value.

Manufactured Homes

We recommended that the assessor classify manufactured homes as personal property. The assessor has not implemented this recommendation.

OVERVIEW OF MARIPOSA COUNTY

Mariposa County was one of the original counties when California became a state in 1850. Covering one-fifth of the state at that time, Mariposa County was divided to become all or parts of 11 other counties. Mining in Mariposa County began as early as 1848, with the discovery of gold in Mariposa Creek.

Mariposa County, located in central California on the western slope of the Sierra Nevada mountain range, has an area of approximately 931,200 acres; nearly half of this land, encompassed by Yosemite National Park, lands held by the Bureau of Land Management, and the Sierra and Stanislaus National Forests, are federally owned. Geographically, the county forms a rough triangle bounded on the north and east by Tuolumne County, on the south by Madera County, and on the west by Merced County. The county's northeast extremity is the Sierra Nevada divide.

With nearly 16,000 residents, Mariposa ranks 53rd in population among California counties. Tourism expands the population tremendously during prime seasons. The following table shows the five leading industries, excluding government, based on a workforce of just over 3,200:

INDUSTRY	WORKFORCE
Accommodation and Food Service	1,103
Retail Trade	395
Health Care and Social Assistance	323
Arts, Entertainment and Recreation	178
Construction	170

ADMINISTRATION

This portion 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. We examined the assessor's budget and staffing, workload, appraiser certification, exemptions, low-value property exemption, disaster relief, and assessment forms. We also reviewed how the assessor handles corrections and changes to the completed assessment roll, and how the assessor prepares for and presents assessment appeals.

Budget and Staffing

Budget

The assessor's budget for 2002-03 and the previous three years is indicated below:

BUDGET YEAR	GROSS BUDGET	CHANGE
2002-03	\$688,443	4.0 %
2001-02	\$661,776	11.6 %
2000-01	\$593,201	-4.6 %
1999-00	\$622,020	

Staffing

At the time of our fieldwork, the Mariposa County Assessor's Office had a staff of 11 employees (including a part-time contract auditor-appraiser). The assessor's staffing level has remained largely unchanged during the four years since our last survey. Since 1996, the assessor's office has been budgeted for 11 permanent staff positions as shown in the following chart:

POSITION	NUMBER
Assessor	1
Supervising Appraiser	1
Real Property Appraiser	3
Auditor-Appraiser (part time)	1
Office Administrator	1
Assessment Clerk	3
Map Drafting Technician	1
Total	11

Workload

For fiscal year 2002-03, the assessor prepared an assessment roll of about \$1.2 billion on an approved 2001-02 budget of \$661,776. The roll contains 12,128 assessments, of which 10,717 are secured assessments with a roll value of \$1,157,919,289 and 1,411 are unsecured assessments with a roll value of \$44,430,857. The following chart shows comparable data for the prior two assessment rolls:

	2001-02		2000-01	
	NO. OF ASSESSMENTS	ROLL VALUES	NO. OF ASSESSMENTS	ROLL VALUES
Secured	11,619	\$1,101,749,701	10,706	\$1,064,652,769
Unsecured	1,420	43,391,432	1,426	43,598,840
Total	13,039	\$ 1,145,141,133	12,132	\$1,108,251,609

The annual real property workload in recent years has included the reappraisal of about 780 parcels of real property that underwent changes in ownership and the processing of about 380 building permits resulting in about 265 new assessments. About 600 business property assessments were processed.

Appraiser Certification

Section 670 provides that no person may perform the duties of an appraiser for property tax purposes unless that person holds a valid certificate issued by the BOE. The assessor, his appraisal staff, and the contract auditor-appraiser possess the required certificates.

Exemptions

Church and Religious Exemptions

The church exemption is authorized by article XIII, section 3(f) of the California Constitution. This provision, implemented by section 206, exempts from property taxation buildings, land on which they are situated, and equipment used exclusively for religious worship, whether such property is owned by the church or leased to it. Property that is reasonably and necessarily required for church parking is exempt under article XIII, section 4(d), provided that the property is not used for commercial purposes. The church parking exemption is available for church-owned property as well as leased property meeting the requirements in section 206.1.

Article XIII, section 4(b), authorizes the Legislature to exempt property used exclusively for religious, hospital, or charitable purposes and owned or held in trust by corporations or other entities that: (1) are organized and operated for those purposes, (2) are non-profit, and (3) no part of whose net earnings inures to the benefit of any private shareholder or individual. The Legislature has acted upon such authorization by enacting the religious exemption in section 207, which exempts property owned by a church and used exclusively for religious worship and school purposes.

Assessors administer the church and religious exemptions. The church exemption and the church parking exemption require an annual filing of the exemption claim. However, the religious exemption requires only a one-time filing by the claimant. Once granted, the religious exemption remains in effect until terminated or until the property is no longer eligible for the exemption.

Welfare Exemption

The welfare exemption is available for property used exclusively for religious, hospital, scientific, or charitable purposes that is owned and operated by community chests, funds, foundations, or corporations organized and operating for those purposes. If the property is owned by one qualified organization and used by another qualified organization more than once per week, then both must file a claim for the property to receive exemption.

The welfare exemption is co-administered by the BOE and the county assessor. The claim must be approved by both agencies. Annual filing of the exemption claim with the assessor is required. The assessor reviews the claim and forwards a copy to the BOE, whose staff review the claim and notifies the assessor of approval or denial.

When the welfare exemption is claimed on a property for the first time, copies of the organization's articles of incorporation, tax-exempt letters, and financial statements must be submitted with the claim. The assessor reviews the claim form and the attached documents for completeness and compliance with the requirements for exemption. The assessor also performs a field inspection to verify that the information on the claim form is correct and that the property is used exclusively for religious, hospital, scientific, or charitable purposes and activities.

When the claim form, other required documents, and field inspection are complete, the assessor forwards a copy of those items to the BOE along with a recommendation for approval, partial approval, or denial. An assessor may not grant a welfare exemption that has been denied by the BOE, but may deny an exemption that has been approved by the BOE.

The following table shows the assessor's exemption data for the last five years:

	WELFARE		RELIGIOUS		CHURCH	
YEAR	NUMBER	ASSESSED VALUE	NUMBER	ASSESSED VALUE	NUMBER	ASSESSED VALUE
2002-03	18	\$2,636,633	25	\$6,488,641	6	\$397,168
2001-02	19	\$2,410,235	25	\$5,910,847	6	328,600
2000-01	20	\$2,263,933	25	\$5,394,727	7	\$322,161
1999-00	16	\$1,870,639	22	\$4,745,139	7	\$319,699
1998-99	15	\$1,864,337	24	\$4,785,349	5	\$278,698

Additionally, the assessor timely processes exemption claims, and the assessor's roll now contains a legend identifying the types of exemption, complying with our prior recommendation. Therefore, we have no recommendations for this program.

Low-Value Property Exemption

Section 155.20 authorizes the county board of supervisors to exempt from property taxation all real property with a base year value, and personal property with a full value, so low that, if not exempt, the total taxes, special assessments, and applicable subventions on the property would amount to less than the assessment and collection costs. Section 155.20(b)(1) provides that the county board of supervisors has no authority to exempt property with a total base year value or full value of more than \$5,000, or more than \$50,000 in the case of certain possessory interests. The board of supervisors must adopt any such exemption before the lien date for the fiscal year to which the exemption is to apply. At the option of the board of supervisors, the exemption may continue in effect for succeeding fiscal years.

In September 1991, the Mariposa County Board of Supervisors adopted Resolution 91-429, exempting real and personal property with an assessed value of \$2,000 or less in accordance with section 155.20.

RECOMMENDATION 1: Exempt low-value property according to the county's low-value property exemption resolution.

Except for business property and aircraft tie-downs, the assessor does not apply the low-value property exemption to other assessable property. The assessor states that his computer system cannot identify low-value real property.

By failing to fully implement the county low-value resolution, the assessor is not following the law and qualifying properties are not receiving the benefit of the low-value property exemption. Although the assessor has been unable to identify low-value real property, in tests during our fieldwork for this survey, the assessor was able to isolate low-value properties by use of a property code. If this procedure proves successful, he will be able to fully implement the low-value property exemption resolution.

We recommend that the assessor exempt low-value properties in accordance with the county's low-value exemption resolution.

Disaster Relief

Section 170 authorizes a county board of supervisors to adopt an ordinance providing property tax relief to assesses whose properties have been damaged or destroyed by a misfortune or calamity. The ordinance may apply to any misfortune or calamity, to a major misfortune or calamity within a region that has been declared to be in a state of disaster by the Governor, or to a misfortune or calamity that was caused by the suspension or restriction of the right to enter upon a possessory interest in state or federal government-owned land.

In November 1996, the Mariposa County Board of Supervisors adopted Ordinance 908 amending the original 1979 disaster relief ordinance, which applies to any misfortune or calamity. The board of supervisors is currently reviewing the existing ordinance in light of the 2001 legislation that amended section 170.

Disaster Relief Ordinance

RECOMMENDATION 2: Grant disaster relief according to the existing county disaster relief ordinance and section 170.

Contrary to the county disaster relief ordinance, the assessor granted disaster relief when no application was filed and the assessor did not obtain the approval of the board of supervisors; the board of supervisors has not given the assessor authority to grant disaster relief without the filing of a completed application.

Section 170(a) provides that when the assessor does not have general authority to initiate reassessment because of disaster or calamity, the assessor may nevertheless reassess a particular property with the approval of the board of supervisors. Without the board's approval, the assessor is not in compliance with the county disaster relief ordinance or section 170(a).

We recommend that the assessor grant disaster relief according to the provisions of the disaster relief ordinance and section 170.

Appeals Period

RECOMMENDATION 3: Conform the appeals period language in the disaster relief application and the notice of proposed reassessment with the provisions of section 170.

We found that the appeals language in both the assessor's *Application for Reassessment of Damaged or Destroyed Property* and the notice of proposed reassessment does not conform to the language in section 170. The appeals language in the application for disaster relief provides that the property owner has the right to appeal the results of the assessor's review within 14 days of notification of the new valuation. This was the former filing period. In the notice of proposed reassessment which is issued as a *Notice of Supplemental Assessment*, the appeals language provides that the assessee has 60 calendar days from the date of mailing the notice to file an appeal. The filing period stated in the application and the notice are not consistent with section 170.

Section 170(c), as recently amended, provides that the assessor shall notify the applicant in writing of the amount of the proposed reassessment and that the applicant may appeal the proposed reassessment to the local board of equalization within six months of the date of the mailing of the notice. Until the disaster relief application and the notice of reassessment are changed, taxpayers are not being correctly informed of the appeals period.

We recommend the assessor conform his *Application for Reassessment of Damaged or Destroyed Property* and notice of proposed reassessment to the provisions of section 170.

Assessment Forms

Subdivision (d) of Government Code section 15606 requires the BOE to prescribe and enforce the use of all forms for the assessment of property for taxation. The BOE currently prescribes 74 forms for use by county assessors and one form for use by county assessment appeals boards. Generally, the assessor has the option to change the appearance (e.g., size and color) of a prescribed form but may not add to, change, or delete the specific language on the form. The assessor may also rearrange a form if prior approval is obtained from the BOE.

Assessors may also use locally developed forms and questionnaires. However, such forms may not be used as substitutes for BOE-prescribed forms, and no penalty may be imposed upon a property owner for failure to file such a form or questionnaire.

The BOE annually sends to assessors checklists for property statements, exemption forms, and miscellaneous forms. Assessors are to indicate on the checklists which forms they will use in the succeeding assessment year. Assessors must return the property statements and miscellaneous forms checklists by October 15, and the exemption forms checklist by December 1. By February 10, assessors are also required to submit to the BOE the final prints of all forms they will use.

In the case of the Mariposa County Assessor:

- The checklists were filed timely.
- Of the 74 BOE-prescribed forms, the assessor used 41.
- Of the 41 forms used, the assessor rearranged two.
- The rearranged forms were received for review timely.
- The final prints of the forms used were received timely.

The assessor follows all prescribed-form procedures.

Assessment Roll Changes

The assessor has a duty to complete the local assessment roll and deliver it to the auditor by July 1 of each year. After delivery to the auditor, the assessment roll may not be changed except as authorized by statute or by the board of supervisors. All assessment roll changes are based on 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 on the original roll, for any reason. 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 assessor's volume of annual roll changes for the last five years is shown in the following table:

ASSESSMENT YEAR	NUMBER OF ROLL CHANGES
2001-02	311
2000-01	246
1999-00	331
1998-99	232
1997-98	265

Notification

RECOMMENDATION 4: Cite the proper authority when initiating roll changes to notify the auditor-controller when to apply penalty and interest for escaped assessments.

This recommendation was also in our prior survey. The assessor has made some changes, but has not fully implemented this recommendation. Because the assessor either fails to cite the proper statutory

authority or cites no statutory authority when initiating roll changes, penalties and interest are inconsistently applied.

Certain types of escape assessments are subject to the interest imposed by section 506. Escapes requiring the addition of interest are: failure to file a required property statement (sections 531 and 441), incorrectly allowed exemptions (section 531.1), failure to report the cost of personal property where the assessor has required a statement (section 531.3), inaccurate reporting on the property statement or form (section 531.4), incorrectly allowed business inventory exemption (section 531.5), and incorrectly granted homeowners' property tax exemption (section 531.6).

In addition, section 531 provides that escaped assessments resulting from an owner's failure to file a property statement pursuant to section 441 shall be subject to penalty imposed by section 463. In order to apply penalty and interest, the assessor must notify the auditor-controller. This notification takes the form of citing the proper statutory provisions on a roll correction form.

When the assessor fails to cite any statutory provisions, the auditor does not apply any penalty or interest. When the assessor cites the improper statutory provisions, the auditor-controller will follow the assessor's direction. The result is erroneous because of the assessor's incomplete handling of the roll change.

We recommend that the assessor cite the proper statutory authority when notifying the auditor-controller to apply penalty and interest.

Section 533 Notation

RECOMMENDATION 5: Cite the notation required by section 533 on the current roll when enrolling escaped assessments for prior years.

The assessor does not enter the notation required by section 533 when enrolling escaped assessments to the current assessment roll.

Section 533 requires the assessor to enter a specific notation on the assessment roll when enrolling escaped assessments. Specifically, section 533 provides that if the current roll is not the roll for the assessment year in which the property escaped assessment, the entry shall be followed with the words "Escaped assessment for year ____ pursuant to Sections ____ of the Revenue and Taxation Code." This method is explained in greater detail in Assessors' Handbook Section 201, *Assessment Roll Procedures*.

All escaped assessments should be posted to the current year's roll. In addition, escaped assessments for prior years should be noted on the roll with the proper notation.

We recommend the assessor cite the notation as required by section 533 following the entry.

Assessment Appeals

The assessment appeals function is prescribed by article XIII, section 16 of the California Constitution. Sections 1601 through 1641.2 are the statutory provisions governing the conduct and procedures of assessment appeal boards (AABs) and the manner of their creation. As authorized by Government Code section 15606, the BOE has adopted rules 301 through 326 to regulate the functioning of the assessment appeal process.

The Mariposa County Board of Supervisors created an assessment appeals board by ordinance originally adopted in 1975 and subsequently amended in 1978. Because of the low number of appeals filed each year, the assessment appeals board typically only meets once a year, usually in August, to conduct appeals hearings.

The following table illustrates the assessments appeal workload for the last five years through fiscal year 2000-01:

FISCAL YEAR	2000-01	1999-00	1998-99	1997-98	1996-97
Appeals Filed	18	20	4	8	17
Appeals Carried Over From Prior Yr.	20	4	2	1	0
Total Appeals Workload	38	24	6	9	17
Resolution:					
Withdrawn	18	4	1	6	12
Stipulation	1	0	0	0	2
Appeals Reduced	0	0	0	0	0
Appeals Upheld	0	0	1	1	2
Appeals Increased	0	0	0	0	0
Total Resolution	19	4	2	7	16
To Be Carried Over*	19	20	4	2	1

*Note: The "To Be Carried Over" row includes appeals with appropriate time extensions by mutual agreement of the parties.

It is the assessor's policy to have the appraiser of record handle the appeal. When an appeal is scheduled, that appraiser generally makes the presentation before the AAB. Overall, we found the assessor's assessment appeal program to be well structured.

ASSESSMENT OF REAL PROPERTY

The assessor's program for assessing real property includes the following 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 land subject to California Land Conservation Act (CLCA) contracts and taxable government-owned land.

Under article XIII A of the California Constitution, the taxable value of most real property may not exceed its full cash value as of the later of: 1) 1975 lien date or 2) the property's most recent change in ownership or completion of new construction. This ceiling on taxable value establishes the property's "base year value," which is subject to an inflation adjustment not to exceed 2 percent.

The assessor's staff assigned to perform the duties of the real property program consisted of nine employees, including a supervising appraiser, three real property appraisers, one office administrator, three assessment clerks, and one map drafting technician. Appraisers are assigned work by geographic area. The real property appraisal staff is also responsible for the assessment of manufactured homes; this subject is discussed in the section of this report entitled *Assessment of Personal Property and Fixtures*.

Change in Ownership

Section 50 requires the assessor to establish a base year value for real property upon a 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 the meaning of change in ownership.

Discovery

Deeds and other documents from the recorder's office are the primary means of discovering properties that have changed ownership. Because the Mariposa County Assessor is also the Mariposa County Recorder, all recording data is immediately available to the assessor's staff.

The recorder's staff is diligent about enforcing the \$20 fee for failure to file Form BOE-502-AH, *Preliminary Change of Ownership Report (PCOR)*, at the time of recordation. Consequently, most

documents involving a change in ownership are accompanied by a PCOR. The recorder's staff delivers the recorded documents and the PCORs to the assessor's staff daily.

When a document is recorded without a PCOR, the assessor sends a *Change in Ownership Statement* (COS), Form BOE-502-A, to the property owner. A COS is also sent when there is insufficient or incomplete information on the PCOR. The assessor mails approximately 8-12 COSs annually.

Processing Recorded Documents

For properties that have undergone changes in ownership, the assessment technician forwards the recorded documents with accompanying PCOR's or COS's to the appraiser who is responsible for the valuation of the transferred property. After valuation, the appraiser submits the new value to the clerical staff for enrollment.

We reviewed a number of documents that represented transfers and followed the processing of these documents through the assessor's procedures. The processing of the recorded documents and the valuation of the transferred properties were handled accurately and conformed to statutory requirements.

Legal Entity Ownership Transfers

Section 64 provides that certain transfers of ownership interests in legal entities are changes in ownership of all real property owned by the entity and its subsidiaries. Rule 462.180 provides additional details about the application of section 64. Discovery of changes in ownership resulting from such transfers is often difficult.

The BOE's Legal Entity Ownership Program (LEOP) unit investigates and verifies changes in control and ownership reported by legal entities and transmits to each county a listing, with corresponding property schedules, of the entities that have reported a change in control under section 64(c) or change in ownership under section 64(d). However, many of the acquiring entities do not provide detailed information pertaining to the counties in which they have property, assessor's parcel numbers, or the number of parcels they own. Because of the lack of reliable data provided by the entities, LEOP advises assessors to thoroughly research each named entity's holdings to determine that all affected parcels are identified and properly appraised.

From January 1, 1996, to January 1, 2002, LEOP notified the assessor of three changes in control. We reviewed 13 properties, including fee parcels and subsurface mineral rights, related to those changes in control and found that the assessor is properly processing the LEOP notices, identifying those properties that require revaluation, and valuing those properties. The assessor has an effective change in ownership program.

New Construction

Section 71 requires the assessor to determine new base year values for newly constructed real property upon the date of completion. New construction in progress on the lien date is appraised at its full value on such date, and on each lien date thereafter until it is completed. Rule 463 governs the assessment of new construction and Assessors' Handbook Section 502, *Advanced Appraisal*, Chapter 6, provides additional guidance.

Discovery

Most new construction activity is discovered from building permits. The assessor receives copies of building permits on a regular basis from the County of Mariposa Building Department, the only agency within the county that issues building permits. In addition, the county environmental health department issues permits for wells and waste disposal systems.

Other discovery methods include newspaper articles, business property statements, and field inspections. These permits resulted in an average of 267 new assessments annually over the past five years. The following table shows the number of new assessments resulting from permits issued during the last five years:

YEAR	NEW ASSESSMENTS
2001-02	263
2000-01	252
1999-00	259
1998-99	287
1997-98	272

Processing

Upon receiving permits from the issuing agencies, the clerical staff forwards the permits to the appraisers who review them and cull the permits that represent nonassessable new construction. These include permits related to electrical work, plumbing, mechanical work, and new roofs. Permits for minor remodels that do not affect quality class and effective age, or add square footage, may also be culled. After culling nonassessable permits, the appraisers return them to the clerical staff, for input into the computer system.

The computer system generates a monthly listing that shows all outstanding building permits with incomplete new construction. The list shows the assessor's parcel number, property owner's name, a sub code that reflects the status of the new construction, a code indicating that the property needs review, a brief description of the permitted activity, the permit date, and the name of the appraiser who is responsible for the valuation of the new construction.

Valuation

The clerical staff gives the building permit and the corresponding property appraisal file to the appropriate appraiser for valuation. We found that assessment records were properly documented to indicate the basis for the valuation of the new construction. In addition to historical cost, the assessor uses the cost data from the BOE cost guides and *Marshall Valuation Service*, published by Marshall and Swift.

Property records relating to the construction of new residences contained both a cost approach and a sales comparison approach, whenever possible. The assessor has a self-reporting program and sends questionnaires to about 60 percent of property owners who have been issued building permits. Approximately 90 percent of the questionnaires are returned to the assessor.

All new construction is field-checked except wells and septic tanks, and all assessable new construction is enrolled, regardless of the value added. Field inspections help verify information received from the questionnaires and aid in the discovery of unpermitted new construction.

Overall, the assessor has an effective system for processing, tracking and valuing new construction.

Supplemental Assessments

For most real property, sections 75 et seq. require the assessor to issue a prorated assessment (i.e., a supplemental assessment) to reflect any increase or decrease in assessed value resulting from a change in ownership or completion of new construction. The supplemental assessment covers the portion of the fiscal year remaining after the date of change in ownership or completion of new construction.

In Mariposa County all supplemental assessments are enrolled regardless of amount. The county auditor cancels tax bills with tax amounts of less than \$20. The assessor correctly calculates supplemental assessments, including amounts for window period events, and processes the assessments timely.

Decline in Value Property

Section 51 requires the assessor to enroll the lower of either a property's factored base year value (FBYV) or its full cash value, as defined in section 110. When a property's current market 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 value is at or above its FBYV, then the assessor must enroll the FBYV as the taxable value.

There are 323 properties on the assessor's 2002-03 assessment roll with assessed values that are below their FBYV. All properties that have been reduced in value are identified by the appraiser and tracked by the computer program. Because appraisal assignments, including reviews of declines in value, are based on geographic location and property type, appraisers are familiar with value changes within their areas. If there is a noticeable drop in value for one area, the appraiser will review the assessment of similar property in the surrounding area.

In our prior survey, we recommended that the assessor ensure that decline-in-value assessments be reviewed annually and that the inflation factor not be applied to such assessments. The assessor has improved his review of decline-in-value assessments, and the computer system has been modified so as not to apply the annual inflation factor to decline-in-value assessments.

When there is a reduction in assessment due to a decline in value, records were properly documented to support the reduced assessment. In summary, we found no problems with the assessor's decline-in-value program.

California Land Conservation Act Property

Agricultural preserves may be established by a city or county pursuant to the California Land Conservation Act (CLCA) of 1965 for the purpose of determining boundaries of areas in which the city or county is willing to enter into contracts with property owners. In exchange for assessment at a restricted value, property owners who choose to enter into a contract agree to restrict the use of their lands for agriculture and compatible uses. Lands under such contracts are valued for property tax purposes by a methodology based upon agricultural income-producing ability, including income derived from compatible uses (e.g., hunting rights and communications facilities). They are assessed at the lowest of the restricted value, the current market value, or the factored base year value. Sections 421 through 430.5 govern the assessment of land subject to CLCA contracts. Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521), provides BOE-approved guidance for the appraisal of these properties.

The County of Mariposa has approximately 584 parcels, totaling 203,241 acres, under CLCA contract. About 134 acres comprised of 5 parcels are in nonrenewal status. The total assessed value for land and living improvements is \$74,431,767. Mariposa County has no parcels under Farmland Security Zone (FSZ) contracts, which are also CLCA contracts. The FSZ contracts are more restrictive but provide greater valuation reduction than the general CLCA contracts.

All of the properties that are currently under CLCA contract in Mariposa County are grazing land or dry farmland. Even though the county's *Agricultural Crop Report* indicates a small number of acres (less than 40 acres) in apple and grape crops, the county department of agriculture was unable to provide more information on the specific location. Approximately every two to three years, the assessor mails a questionnaire to the owners of CLCA properties requesting income, expense, and compatible use information.

In our previous survey, we recommended that the assessor field-review all CLCA properties, increase record documentation, use animal unit months as a valuation measure, and assess all trees and vines. The assessor is now in compliance with our previous recommendation.

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 BOE;

- 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.

The assessor uses a risk rate for CLCA properties of one percent for land. AH 521 recommends a basic risk component of one percent as a standard guideline for purposes of developing the capitalization rate used in the valuation of CLCA properties. Since the majority of the land is grazing and homogenous, the basic risk rate seems to be a reasonable rate for all CLCA properties.

There were no problems with the assessor's CLCA program.

Timberland Production Zone Property

Land zoned Timberland Production Zone (TPZ) is assessed in accordance with special TPZ site classifications that exclude the value of the standing timber. The assessed value of TPZ land each year must be its appropriate site value plus the current market value of any existing, compatible, nonexclusive uses of land. This treatment does not apply to structures on TPZ lands or to the sites that accommodate such structures. Instead, structures and their supporting lands are subject to the same assessment treatment as other real property. Land zoned as TPZ that is not under a California Land Conservation Act contract is assessed at the lowest of its appropriate site value, current market value, or factored base year value.

As of fiscal year 2002-03, Mariposa County had 78 TPZ parcels totaling 8,855 acres, all consisting of pine-mixed conifer. The supervising appraiser is responsible for managing the TPZ assessment program, which entails identifying, classifying, and appraising TPZ properties. The assessments are updated annually after TPZ site class values are announced by the BOE.

The assessor properly assesses TPZ parcels. Homesites and improvements are properly valued at the lesser of their current market value or factored base year value.

Taxable Possessory Interests

A taxable possessory interest results from the possession, or a right to possession, of publicly owned real property, where 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 is based on the value of the rights actually held by the possessor; the rights retained by the public owner are not taxable.

On the 2002-03 assessment roll, about 255 taxable possessory interests were enrolled with a total assessed value of about \$68.4 million. Except for the concessionaire in Yosemite National Park, the possessory interests are assessed on the unsecured roll.

The primary sources for discovering possessory interests are reports from government agencies, field inspections, and recorded leases and agreements. For each lien date, the assessor sends a letter to 13 government agencies in Mariposa County requesting that they report all users of their property. In addition, for newly created possessory interests, the assessor requests that the agencies send a copy of the lease or license agreement, which often provides the details of the interest held, the term, a description of the leased property, and the lease amount. Typically, government agencies in this county are cooperative and responsive.

In our prior survey, we recommended that the assessor ensure that all possessory interests be revalued upon a change in ownership, document possessory interests that qualify for the low-value property exemption, assess all possessory interests at the county fairgrounds, document the source of the capitalization rates, and not assess possessory interests in government-owned manufactured homes. We found that the assessor has complied with these previous recommendations.

Leasehold Improvements

Leasehold improvements or tenant improvements are all improvements or additions to leased property that have been made by the lessee.⁴ Assessments of such improvements can be secured to the real property or assessed to the tenant on the unsecured roll.

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

When real property is reported on the business property statement, coordination between the real property and business property staff of the assessor's office is important. Both a real property appraiser and an auditor-appraiser should examine the reported cost. The appraisers should determine the proper classification of the property to ensure appropriate assessment and avoid unwarranted escapes and double assessments.

The appraisers must determine: 1) whether the reported costs are for repair and maintenance or new construction, 2) whether additions are properly classified as structural improvements or fixtures, and 3) if additions are properly enrolled. Additionally, the appraisers should determine who is responsible for each property item to avoid escapes and/or double assessments.

The real property appraisers and the auditor-appraiser work together to ensure that leasehold improvements are properly assessed. Because this assessor's office is very small, there is immediate and effective discussion and coordination concerning leasehold improvements. There were no problems with this program.

⁴ Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*, p. 89 (June 2000).

Water Company Property

Water company property assessed on the local roll may include property owned by private water companies, mutual water companies, or government-owned water systems. Each type of ownership presents different assessment problems.

In our previous survey report, we recommended that the assessor review all water source properties that are annually inspected by the county's environmental health office, document pertinent information on the assessment records, and uniformly assess mutual water company property. Currently, the assessor is only obtaining the necessary reports for the discovery of water companies. The assessor has not documented pertinent information on the assessment records and uniform assessment of mutual water company property remains an issue.

Articles of Incorporation

RECOMMENDATION 6: Obtain the articles of incorporation from all mutual water companies in the county.

We could not find any articles of incorporation in the assessment records. Among other things, the articles of incorporation are helpful in determining the lots served by the mutual water company and whether or not the company's property is subject to outstanding indebtedness. This is important for deciding whether all the served parcels are accounted for and whether all the value of the mutual water company is reflected in the served parcels.

We repeat our prior recommendation that the assessor obtain the articles of incorporation from the mutual water companies.

Uniform Assessment

RECOMMENDATION 7: Uniformly assess mutual water company properties.

The assessor continues to be inconsistent in his treatment of mutual water company properties. In three instances, the assessor assessed a mutual water company's land while assessing the served parcels at their sales prices. In another instance, there was no assessment of the mutual water company property, land, or improvements. This inconsistent assessment of mutual water company properties creates confusion for taxpayers and for assessor's staff and could result in improper assessment of these properties.

We repeat our prior recommendation that the assessor uniformly assess mutual water company properties.

Mineral Property

Mariposa County has a rich mineral history. The county has seen mining operations since the start of the Gold Rush. Many of the State's most prolific mines have been located in Mariposa County, which at their peak in the 1870's represented the majority of the county's wealth.

Mariposa County has six mineral-producing properties and more than 500 unsecured mining claims. The mineral-producing properties include one slate, one shale, one granite, one gold mining operation, and two sand- and gravel-properties. The assessor has a good filing system and works closely with Bureau of Land Management (BLM) to maintain accurate records of the unsecured mining claims in the county.

Unpatented Mining Claims

Mining claims generally take one of two forms, placer or lode. Under a placer claim, material is mined from current or old streambeds; material that is imbedded in the rock is mined under lode claims.

Unpatented mining claims are claims to mineral rights on government-owned lands in which title and deed have not passed to the claim holder. These claims are renewed each year by paying \$100 per claim or performing annual assessment work of \$100 or more on the land.

The maximum size for placer claims is 20 acres per claimant and 160 acres for association claims of eight or more claimants. The association claims are treated as a single claim by BLM. Thus, only one rental fee and one annual assessment is required for each association claim.

Valuation

RECOMMENDATION 8: Treat an unpatented association mining claim as a single claim.

We found that, for valuation purposes, the assessor treats each association claim as eight individual claims (based on 20 acres per claim). Association placer claims allow eight or more people to claim 160 acres with one filing. The advantage of an association claim is that it requires a single \$100 rental fee for the entire 160-acre claim rather than \$100 per each 20 acres. It also allows for a single filing for the annual assessment work required by the federal Bureau of Land Management.

For an association claim of 160 acres, the assessor would use \$800, not \$100, in his determination of the taxable value of the claim. This would result in the overvaluation of the association placer claim. Association claims should be treated and valued as one property in conformance with the federal definition.

We recommend the assessor treat unpatented association mining claims as one claim for valuation purposes.

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.

The assessor has one part-time contract auditor-appraiser to perform the duties of the business property program. Annually, the auditor-appraiser and an assessment technician process about 600 business property statements, perform 16 audits, and assess approximately 36 general aircraft, 8 historical aircraft, and 525 vessels. Excluding manufactured homes, which are assessed by the real property staff, the total value of personal property and fixtures on the 2001-02 assessment roll was about \$43.4 million.

Audit Program

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

The assessor's audit working papers, cross-referencing, and audit lists detailing issues considered and records examined were all in order and well documented. The following chart shows the audit workload for the office:

YEAR ⁵	2001-02	2000-01	1999-00
Audits Scheduled:			
Mandatory	3	3	3
Nonmandatory	9	7	12
Total Audits Scheduled	12	10	15
Unfinished audits from prior year	0	0	0
Total Audit Workload	12	10	15
Audits Completed:			
Mandatory	3	3	3
Nonmandatory	9	7	12
Total Audits Completed	12	10	15
Audits Carried Forward	0	0	0

Mandatory Audits

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

The assessor averages about three mandatory audits per year and does a good job of keeping the mandatory audit program current.

RECOMMENDATION 9: Notify taxpayers of their right to appeal the result of an audit as required by rule 305.3.

Taxpayers were not notified of their right to appeal audit findings when the result is a "no change" audit, i.e., an audit that results in no change for a previously enrolled assessment.

Section 469 provides generally that if an audit discloses property subject to an escape assessment, all the property of the assessee at that location is subject to equalization for that year. Pursuant to rule 305.3(d)(2), the taxpayer must be informed of his/her appeal rights for "no change" audits involving offsets, whether or not an escape is actually enrolled. When taxpayers are not advised of their appeal rights on a "no change" audit, they have no knowledge of their entitlement to equalization on the entire property for the year of such escape, regardless of whether the assessor actually enrolls an escape assessment.

We recommend that the assessor advise taxpayers of their equalization rights for all audits as required by rule 305.3.

⁵ Numbers are tracked from July to June.

Nonmandatory Audits

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

Over the last three years, the assessor averaged about nine nonmandatory audits per year. Presently, the assessor has 30 nonmandatory audits scheduled for the next four years, an average of about eight nonmandatory audits per year.

Business Property Statement Program

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; and any other person must file a property statement if requested by the assessor. Property statements cover a wide variety of property types, including commercial, industrial, agricultural, boats, and certificated aircraft.

With some clerical help, the auditor-appraiser processes all business property statements. Statements are returned to taxpayers if there is no signature or no listed cost for reported assets. If a statement is not filed by early June, an estimated assessment is made based on information from the prior year's reporting. The following chart shows the processing workload:

YEAR	BPS PROCESSED	DIRECT BILLING	ESTIMATED ASSESSMENTS
2002-03	620	286	178
2001-02	464	300	168
2000-01	652	309	N/A
1999-00	635	255	123
1998-99	594	346	100

There were no problems with the assessor's property statement processing procedures. The assessor maintains clear written procedures detailing the processing of business property statements.

Many California assessors utilize an assessment procedure called "direct billing" or "direct assessment." It is a method of assessing certain qualified low-value business accounts without requiring an annual filing of a business property statement. An initial value is established and continued for several years, with business property statement filings or field reviews required periodically. Examples of businesses suitable for direct billing include apartments, barber shops, beauty parlors, coin-operated laundrettes, small cafes and restaurants, and professional firms with small equipment holdings.

The direct billing procedure is beneficial to the taxpayer and the assessor. Direct billing streamlines filing requirements, reduces the amount of paperwork for small businesses, and reduces the number of property statements that must be processed by the business property staff.

In Mariposa County, there were 286 direct billing accounts on the 2002-03 roll. In order to be selected for the direct billing program, the account must have stable assessments of less than \$30,000 for the current year and prior years. The account should also have assets that are not subject to material change once they are installed.

If an account qualifies for direct billing, the business owner receives a business property statement (BPS) once every four years. During the interim three years, the account remains in the direct billing program until the cost of assets rise above \$30,000, or there is a change of ownership. There were no problems with this program.

Business Equipment Valuation

Commercial, Industrial, and Agricultural Equipment

Assessors' offices use business property value factors that are derived by combining cost index factors (trend factors) with percent good factors for the valuation of machinery and equipment. Section 401.5 provides that the BOE shall issue cost information that, in the judgment of the BOE, will promote uniformity in appraisal practices and in assessed values throughout the State. Pursuant to that mandate, the BOE annually publishes Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581).

In our prior report, we recommended that the assessor use the Agricultural and Construction Mobile Equipment Percent Good Factors schedule in the AH 581 instead of the Machinery and Equipment Percent Good Factors schedule to depreciate mobile agricultural and construction equipment. In addition, we recommended that the assessor ensure uniformity in the application of trend factors and service lives within similar business property types. The assessor has implemented these recommendations.

RECOMMENDATION 10: Use AH 581, as intended, when valuing older machinery and equipment.

When valuing business property, the assessor uses the minimum percent good factors developed by the California Assessors' Association (CAA) without any supporting documentation.

The percent good factors in AH 581 are based on the assumption that as business equipment ages, it gradually loses its ability to earn a profit for its owner. In some cases, equipment wears out physically to the point where it is not economic to repair it. In other cases, the equipment may be in excellent condition physically but new technology, a changing market relative to the type of equipment, and other factors make the equipment uneconomic.

Some equipment, when no longer economic to operate, will have a salvage value, whereas other equipment will have a negative value due to the cost of disposal. The AH 581 factors assume that, on average, equipment will have a zero value when retired. For commercial and industrial equipment, the factors decline from 100 percent good when acquired to 1 percent good (99 percent depreciation) for equipment that has survived long past the average service life of similar equipment but is still in use.

The CAA tables employed by the assessor use the AH 581 percent good factors except that they employ arbitrary minimum percents good for older equipment. This means that very old equipment that is about to be retired is valued as though it has several years of profitable service left.

There is no question that some older equipment is worth much more than 1 percent of replacement cost new, just as some newer equipment is worth substantially less than the percent good suggested by AH 581. When making appraisals of individual items of equipment, the assessor may use sales data, income data, or any other available evidence to find fair market value.

However, when using a mass appraisal tool such as the AH 581 tables, it is important to use the tables as presented.⁶ Use of arbitrary minimum percents good may value some equipment correctly but will substantially overvalue most items of older equipment. Accordingly, we recommend the assessor use the AH 581 as intended in order to avoid overvaluations.

Leased Equipment

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

The assessor has an effective program for the tracking, valuation, and assessment of leased equipment that is located within the county.

Classification

Machinery and equipment must be classified either as personal property or as 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.

⁶ Beginning with the 2003 lien date, assessors are prohibited from employing minimum percent good factors that are determined in an unsupported manner (AB 2714, Ch. 299, Stats. 2002, adding section 401.16 to the Revenue and Taxation Code).

In the previous survey, we recommended that the assessor classify fixtures as real property. The assessor has implemented our recommendation and now identifies fixtures for all business accounts for and enrolls them accordingly.

Aircraft

General Aircraft

Section 5363 requires the assessor to determine the market value of aircraft according to standards and guidelines prescribed by the BOE. Section 5364 requires the BOE to establish such standards to be used by the assessor. On January 10, 1997, the BOE approved the *Aircraft Bluebook-Price Digest (Bluebook)* as the primary guide for valuing aircraft, with the *Vref Aircraft Value Reference* as an alternate for aircraft not listed in the *Bluebook*.

The BOE further directed that the listed retail values shall be reduced by 10 percent to provide reasonable estimates of fair market values for aircraft in truly average condition on the lien date.

The 2002-03 tax roll includes 36 general aircraft with a total value of \$1,290,250.

RECOMMENDATION 11: Assess general aircraft according to BOE directives as required by section 5363.

The assessor still assesses general aircraft below the standards prescribed by the BOE. This issue was addressed in a prior recommendation. The assessor uses the required primary guide, *Aircraft Bluebook Price Digest*, to appraise aircraft, but not in the manner required by the BOE. The assessor uses a category entitled "change inventory," a category that approximates a dealer's wholesale value. Values derived this way fall below the statutory and BOE's recommended standard of fair market value.

Letter To Assessors 97/03 specifically directs that retail values, less 10 percent, should be used to provide reasonable estimates of fair market value for aircraft in truly average condition on the lien date. Variances from the values indicated by use of the recommended guide must be based on reasonable evidence and should be well documented.

We recommend that the assessor assess general aircraft according to the BOE directives as required by section 5363.

Historical Aircraft

Aircraft of historical significance may be exempt from property taxation. As defined by section 220.5(d), historical aircraft means any aircraft which is an original, restored, or replica of a heavier than air powered aircraft which is 35 years or older, or any aircraft of a type or model of which there are fewer than five in number known to exist worldwide. To receive an exemption, the owner of a historical aircraft must meet certain criteria and submit a claim for exemption between the lien date and 5 p.m. on February 15.

Section 220.5(g) provides that, to receive the exemption, an assessee (1) must be an individual owner who does not hold the aircraft primarily for purposes of sale; (2) may not use the aircraft for commercial purposes or general transportation; (3) must make the aircraft available for display to the public at least 12 days during the 12-month period immediately proceeding the lien date for the year for which exemption is claimed; and (4) must sign and swear to the accuracy of the contents of the affidavit before either a notary public or the assessor or his or her designee, at the claimant's option.

The assessor granted eight historical aircraft exemptions totaling \$178,000 for the 2002-03 assessment roll.

RECOMMENDATION 12: Accept only historical aircraft exemption claims signed according to the provisions of section 220.5.

We found that the assessor accepts all exemption claims submitted by owners of historical aircraft regardless of whether they are signed according to the provisions of section 220.5.

Section 220.5(c) provides that the claimant must sign and swear to the accuracy of the contents of the affidavit before either a notary public or the assessor, at the option of the claimant. Since exemptions are granted without ensuring that the claimant has properly followed the law, the assessor's practice is contrary to the law.

We recommend that the assessor accept only historical aircraft exemption claims signed according to the provisions of section 220.5.

Vessels

The assessor enrolled more than 525 vessels on the 2002-03 assessment roll, with a total assessed value of about \$10,302,000. The primary discovery sources are Department of Motor Vehicle reports, marina lists, referrals from other counties, and an annual field canvassing.

In our prior survey, we recommended that the assessor not depreciate vessels by an arbitrarily fixed percentage. Currently, the assessor appraises vessels each year based on the indicated values in the *ABOS Marine Blue Book (ABOS)*. Since the fixed depreciation is applied only when the vessel is no longer listed in the value guide because of its age, we believe that this is a reasonable value judgment and do not repeat the recommendation.

In addition to vessels, there is a large population of houseboats on Lake McLure and Lake McSwain. A real property appraiser is responsible for the assessment of these houseboats. He has devised a system of classifying and valuing these houseboats. The assessor has effective procedures for assessing houseboats.

RECOMMENDATION 13: Ensure that a certified appraiser reviews vessel values.

An office technician makes the initial appraisal of all vessels and a certified appraiser is required to review the values. We found no evidence that a certified appraiser reviews this value. This practice was addressed in the prior survey.

Section 670 provides that no person shall perform the duties or exercise the authority of an appraiser for property tax purposes as an employee of the state, any county, or city and county, unless they hold a valid appraiser's or advanced appraiser's certificate issued by the BOE. An assessment technician uses the *ABOS* to make the appraisal of vessels. Although the assessor requires that the vessel appraisals be reviewed and approved by a certified appraiser, there is no evidence that the review actually occurs.

We recommend that the assessor ensure that a certified appraiser reviews the technician's value estimate.

RECOMMENDATION 14: Include sales tax as a component of a vessel's value.

The assessor fails to add sales tax to the listed values from the *ABOS* value guide when computing the vessel's assessed value. Generally, when determining market value where cost is the basis of that value, sales or use tax, freight, and installation costs are elements of the value.⁷ Without all of the elements of the cost included, appraised values will be understated.

We recommend that sales tax be included in all vessel valuations.

Manufactured Homes

A manufactured home is subject to local property taxation if first sold new on or after July 1, 1980, or by the owner's request for conversion from vehicle license fee to local property taxation. A manufactured home is defined in Health and Safety Code sections 18007 and 18008, and statutes prescribing the valuation and assessment of manufactured homes are contained in Revenue and Taxation Code sections 5800 through 5842. These statutory provisions require that manufactured homes be classified as personal property and enrolled on the secured roll.

RECOMMENDATION 15: Classify manufactured homes as personal property.

The assessor continues to inappropriately classify manufactured homes as real property. This issue was addressed in the prior survey.

Section 5801(b)(2) provides that, with few exceptions, manufactured homes shall not be classified as real property. Depending on the presence of special assessments, improper classification of manufactured homes can affect the amount of taxes levied. Special assessments are levies upon real property in a district for the purpose of paying for improvements. The amount of the levy is based upon the benefits accruing to the property as a result of the improvements. Special assessments are not

⁷ *Xerox Corp v. Orange County* (1977) 66 Cal.App.3d 746.

imposed on items of personal property. Thus, misclassification may result in additional tax liability to the property owner.

We recommend the assessor classify manufactured homes as personal property.

Animals

Mariposa County has very few assessable animals. Most animals are reported on Form BOE-571-F, *Agricultural Property Statement*. Other discovery methods include intercounty communications of transfers, newspaper articles and advertisements, telephone yellow pages, business directories, and audits of agricultural property. The auditor-appraiser properly discovers, identifies and appraises assessable animals.

APPENDICES

A. County Property Tax Division Survey Group

Mariposa County Assessment Practices Survey

Chief, County Property Tax Division

Mickie Stuckey

Survey Program Director:

Benjamin Tang

Principal Property Appraiser

Survey Team Supervisor:

Arnold Fong

Supervising Property Appraiser

Survey Team Leader:

James Lovett

Senior Specialist Property Appraiser

Survey Team:

Jody Henning

Associate Property Appraiser

Ken King

Associate Property Appraiser

Ancil Aydelott

Associate Property Auditor Appraiser

Mike Shannon

Associate Property Auditor Appraiser

B. Relevant Statutes and Regulations

Government Code

15640. Survey by board of county assessment procedures.

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

15641. Audit of Records ; Appraisal Data Not Public.

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

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

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

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives

conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

15642. Research by board employees.

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

15643. When surveys to be made .

(a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.

(b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.

(c) The 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 BOE'S FINDINGS

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



Assessor-Recorder

Assessor (209) 966-2332
Recorder (209) 966-5719

September 10, 2003

Mickie Stuckey
Chief, County Property Tax Division
State Board of Equalization
P.O. Box 942879
Sacramento, CA. 94279-0062

Dear Ms. Stuckey,

On behalf of the dedicated staff of this office, I want to acknowledge the favorable comments in the 2003 Mariposa County Assessment Practices Survey. I am very pleased with their efforts to conform to the law.

We greatly appreciate the efficient manner in which your survey team under the leadership of Arnold Fong conducted their review with minimal interruption of our daily routine.

As a new member of the Assessment world, I greatly appreciate the recommendations, constructive suggestions and comments provided by the SBE staff. You will note in my response to the survey that I am in agreement with many of the State's recommendations, in fact, a number of them have been corrected at this time.

Additionally, I am very pleased to note that the survey reported that Mariposa County is substantially in compliance with the law and that Mariposa County is within all legal and statistical limits as required by Section 75.60 of the Revenue and Taxation Code and Section 15640 of the Government Code.

Lastly, I especially want to acknowledge the staff of the Assessors Office for their commitment to excellence, for without their efforts, uniform, effective and efficient assessments could not be accomplished.

Respectfully submitted,

/s/ Robert Lowrimore

Robert Lowrimore
Assessor of Mariposa County

- RECOMMENDATION 1: Exempt low-value property according to the county's low value property exemption resolution.
- Response: The Assessor concurs and has implemented a new procedure to identify low-value properties.
- RECOMMENDATION 2: Grant disaster relief according to the existing county disaster relief ordinance and section 170.
- Response: The Assessor concurs and has implemented a new procedure to ensure that a signed application be obtained.
- RECOMMENDATION 3: Conform the appeals period language in the disaster relief application and the notice of proposed reassessment with the provisions of section 170.
- Response: The Assessor concurs and has corrected the filing period on the application and notice to reflect the current requirements.
- RECOMMENDATION 4: Cite the proper authority when initiating roll changes to notify the auditor-controller when to apply penalty and interest for escaped assessments.
- Response: The Assessor concurs and will diligently try to ensure consistency.
- RECOMMENDATION 5: Cite the notation required by section 533 on the current roll when enrolling escaped assessments for prior years.
- Response: The Assessor concurs and is implementing this procedure.
- RECOMMENDATION 6: Obtain the articles of incorporation from all mutual water companies in the county.
- Response: The Assessor concurs and has requested this information from all the mutual water companies in Mariposa County.
- RECOMMENDATION 7: Uniformly assess mutual water company properties.
- Response: The Assessor concurs and has rectified the inconsistencies.
- RECOMMENDATION 8: Treat an association claim as a single claim.
- Response: We respectfully disagree with SBE. We believe that we have properly assessed all mining claims. We do not feel that the allowance for a single filing fee by BLM constitutes a single claim valuation.

RECOMMENDATION 9: Notify taxpayers of their right to appeal the result of an audit as required by rule 305.3.

Response: The Assessor concurs and has implemented this recommendation.

RECOMMENDATION 10: Use AH 581, as intended, when valuing older machinery and equipment.

Response: We respectfully disagree. Mariposa County uses the California Assessor's Association guidelines for valuing older machinery and equipment. We feel this is a more realistic model for the valuation of these types of personal property. We are striving to provide the taxpayer with a consistent methodology.

RECOMMENDATION 11: Assess general aircraft according to BOE directives as required by section 5363.

Response: Although we do not believe we have incorrectly assessed any aircraft, we will implement this recommendation and document further adjustments for observed depreciation.

RECOMMENDATION 12: Accept only historical aircraft exemption claims signed according to the provisions of section 220.5.

Response: The Assessor concurs and has implemented this recommendation.

RECOMMENDATION 13: Ensure that a certified appraiser reviews vessel values.

Response: The Assessor concurs and will implement this recommendation by purchasing a rubber stamp for verifying the review.

RECOMMENDATION 14: Include sales tax as a component of a vessel's value.

Response: The Assessor concurs and will implement this recommendation.

RECOMMENDATION 15: Classify manufactured homes as personal property.

Response: While we are not aware of any manufactured homes being inappropriately assessed, we concur with the points in this recommendation and will comply as soon as funds and time, both data processing and assessor's staff, are available.