

# SISKIYOU COUNTY ASSESSMENT PRACTICES SURVEY

**MARCH 2009**

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## CALIFORNIA STATE BOARD OF EQUALIZATION

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March 12, 2009

TO COUNTY ASSESSORS:

RAMON J. HIRSIG  
Executive Director

No. 2009/010

SISKIYOU COUNTY  
ASSESSMENT PRACTICES SURVEY

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

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

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

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

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

Sincerely,

/s/ David J. Gau

David J. Gau  
Deputy Director  
Property and Special Taxes Department

DJG:ps  
Enclosure

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## **INTRODUCTION**

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

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

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

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

## **SCOPE OF ASSESSMENT PRACTICES SURVEYS**

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

In addition, pursuant to Revenue and Taxation Code<sup>1</sup> section 75.60, the Board determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team—based on objective standards defined in regulation—that there are no significant assessment problems in the county. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix C.

Our survey of the Siskiyou County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with officials in other public agencies in Siskiyou County that provided information relevant to the property tax assessment program. This survey also included an assessment sample of the 2006-07 assessment roll to determine the average level (ratio) of assessment for all properties and the disparity among assessments within the sample. The ideal assessment ratio is 100 percent, and the minimum acceptable ratio is 95 percent. Disparity among assessments is measured by the sum of absolute differences found in the sample; the ideal sum of absolute differences is 0 percent and the maximum acceptable number is 7.5 percent. If the assessment roll meets the minimum standards for ratio and disparity, the county is eligible to continue to recover the administrative cost of processing supplemental assessments. The sampling program is described in detail in Appendix B.

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

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

## **EXECUTIVE SUMMARY**

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

In our 2002 Siskiyou County Assessment Practices Survey, we made seven recommendations to address problems in the assessor's policies and procedures. The assessor fully implemented six of the recommended changes. The remaining recommendation that was not implemented no longer applies because of a change in statutory provisions.

The assessor has improved his operations by embracing new technology. Following are a few examples of new technology implemented by the assessor:

- The assessor has converted appraisal records to optical images; maps have been converted to a digital format.
- For residential properties, the assessor has developed a comparable sales database that contains sales data from over 20,000 sales. This database utilizes transfer information from the computer system.
- A similar database for commercial sales has also been developed. This database contains sales information from 1,530 various transfers.

These improvements allow the assessor to perform his duties easier and faster while maintaining a high level of public service. In addition, the assessor and his staff continue to be accessible to the public either by phone or via the front counter.

Most of our recommendations concern portions of programs that are currently effective but need additional improvement. In some instances, the assessor is already aware of the need for improvement and has made the necessary changes for the next roll year or is considering making these changes as time and resources permit.

The assessor is effectively managing his administrative programs, including budgeting and staffing, appraiser certification, and the exemption program.

In the area of real property assessment, the assessor has effective programs for the enrollment of new construction, issuing supplemental assessments, and for assessing California Land Conservation Act (CLCA) properties, leasehold improvements, and water company properties. However, we did note areas where improvement is needed. The most significant of these are in the valuation of timberland production zone (TPZ) properties and the appraisal procedures related to the valuation of mineral properties.

The assessor has effective programs for the audit of personal property, the discovery of leased equipment, and the discovery and valuation of aircraft, vessels, and animals. The business and

personal property program is well run. Most of his appraisal staff are certified as auditor-appraisers. Staff is current on mandatory audits and has been for a number of years. We found that there is excellent coordination between the real property and business property staff. The overall quality of work performed is very good.

The assessor’s manufactured home assessment program is outstanding. His staff is exceptionally adept in determining the taxable value of manufactured homes for each lien date.

The balance of this report enumerates and explains our recommendations for improvement in the assessor's operations. However, this report does not generally emphasize the positive aspects of the assessor’s program. This does not mean that we have a negative attitude toward the program. On the contrary, we believe that the Siskiyou County Assessor's Office is a prime example of a well-run, efficient, assessing organization. Despite the problems noted, we found that most properties and property types are assessed correctly.

The Siskiyou County assessment roll meets the requirements for assessment quality established by section 75.60. Our sample of the 2006-07 assessment roll indicated an average assessment ratio of 100 percent, and the sum of the absolute differences from the required assessment level was 0.40 percent. Accordingly, the Board certifies that Siskiyou County is eligible to receive reimbursement of costs associated with administering supplemental assessments.

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

- RECOMMENDATION 1:** Cite the caption required by section 531.8 when providing taxpayers with a *Notice of Proposed Escape Assessment*. .....14
- RECOMMENDATION 2:** Send periodic questionnaires to owners of TPZ land, requesting information on compatible, nonexclusive uses. ....27
- RECOMMENDATION 3:** Revise appraisal procedures of mineral property by: (1) using the correct present worth factors, and (2) determining declines in value based on the full appraisal unit of mineral properties in accordance with Rule 469(e)(2)(C). .....32

## RESULTS OF 2002 SURVEY

### ***Disaster Relief***

We recommended the assessor: (1) petition the board of supervisors to revise the language of the existing disaster relief ordinance, and (2) notify disaster relief applicants of their proposed reassessments and appeal rights, as required by section 170(c). The assessor has implemented both recommendations.

### ***Roll Corrections***

We recommended the assessor include the notation required by section 533 when enrolling escape assessments. Due to legislative changes to section 533, this recommendation is no longer applicable.

### ***Low Value Property Tax Exemption***

We recommended the assessor apply the low-value property tax exemption to all classes of qualifying properties. The board of supervisors revised the resolution to allow the assessor to exempt property where it is determined that the total taxes and special assessments would amount to less than the cost of assessing and collecting them. The assessor has implemented this recommendation and now properly enrolls all low-value property tax exemptions.

### ***Business Property Assessment***

We recommended the assessor use Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581), as intended, when valuing older machinery or equipment. The assessor has implemented this recommendation and currently uses the factors published in the AH 581.

### ***Aircraft***

We recommended the assessor adjust *Aircraft Bluebook-Price Digest* retail values by 10 percent, as directed by the Board in Letter To Assessors (LTA) 97/03, when appraising general aircraft. The assessor has implemented this recommendation.

### ***Vessels***

We recommended the assessor add sales tax as a component of market value when appraising vessels. The assessor has implemented this recommendation.

## **OVERVIEW OF SISKIYOU COUNTY**

Siskiyou County is located in the north-central part of California, adjacent to the State of Oregon. Del Norte, Humboldt, and Trinity Counties border Siskiyou County on the west and southwest, Shasta County to the south, and Modoc County to the east. In area, Siskiyou County is the fifth largest county in the state and the largest in Northern California.<sup>2</sup>

Its 6,300 square miles of territory consist of approximately 61 square miles of water and 6,239 square miles of land. About 62.5 percent of the county's total 4,038,843 acres is in rangeland (woodland and forest), and 28.5 percent is farmland. Approximately 61 percent of the land is publicly owned.

The city of Yreka is the county seat. A five-member board of supervisors governs Siskiyou County. Of a population of about 45,800, approximately 7,400 reside in Yreka, the largest incorporated city in the county.<sup>3</sup>

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<sup>2</sup> Siskiyou County Home Page: <http://co.siskiyou.ca.us>

<sup>3</sup> *California Statistical Abstract*, <http://www.dof.ca.gov>

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

	<b>PROPERTY TYPE</b>	<b>ROLL VALUES</b>
<b>Secured Roll</b>	Land	\$1,260,484,000
	Improvements	\$2,229,492,000
	Total Gross Secured	\$3,489,976,000
	Less Exemptions	\$116,038,000
	<b>Total Secured</b>	\$3,373,938,000
<b>Unsecured Roll</b>	Personal Property & Fixtures	\$200,477,000
	<b>Total Assessment Roll</b>	\$3,574,415,000

The next table illustrates the growth in assessed values for recent years as reported in the Board’s Annual Reports:<sup>4</sup>

<b>ROLL YEAR</b>	<b>TOTAL ROLL VALUE</b>	<b>INCREASE</b>	<b>STATEWIDE INCREASE</b>
2006-07	\$3,574,415,000	10.4%	12.3%
2005-06	\$3,238,562,000	8.6%	11.1%
2004-05	\$2,983,229,000	6.0%	8.3%
2003-04	\$2,815,147,000	5.2%	7.3%
2002-03	\$2,675,151,000	N/A	N/A

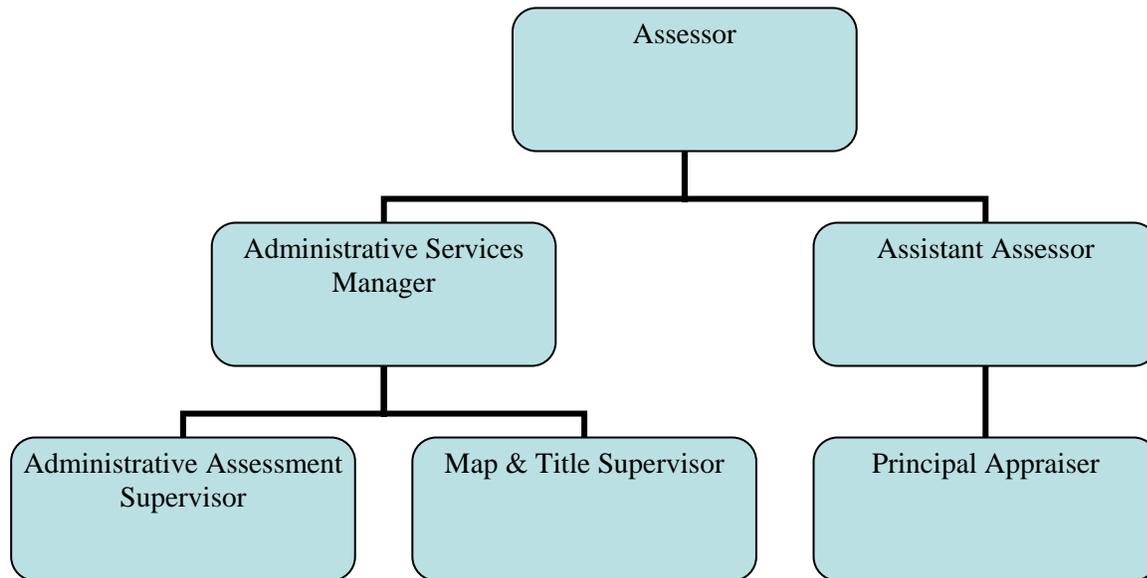
<sup>4</sup> State Board of Equalization Annual Report, Table 7.

## ADMINISTRATION

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

### **Budget and Staffing**

The assessor's staff includes 21 full-time permanent positions – 10 full-time appraisers including the assessor, 7 technicians, 1 senior cadastral mapper, 2 supervisors, and 1 manager. State-County Property Tax Administration Program<sup>5</sup> (PTAP) funds were used for a student intern (part time) and a retiree (part time), and to purchase a computer software system. Also, some funds were set aside for the appraisal of geothermal properties.



<sup>5</sup> State-County Property Tax Administration Program provided State funds for the improvement of the property tax administration program. The funding was suspended beginning with the 2005-06 California State Budget.

The assessor has had the following budget levels over recent years. The assessor accounts for PTAP funds separately from the assessor's official budget.

BUDGET YEAR	GROSS BUDGET	CHANGE	PERMANENT STAFF	PTAP FUNDS RECEIVED
2005-06	\$1,572,994	5.7%	21	
2004-05	\$1,488,298	10.6%	21	\$91,164
2003-04	\$1,345,923	2.3%	21	\$91,164
2002-03	\$1,315,347	1.6%	21	\$91,164
2001-02	\$1,294,777	NA	21	

**Appraiser Certification**

Section 670 provides that no person shall perform the duties of an appraiser for property tax purposes unless he or she holds a valid appraiser’s certificate issued by the Board. There are a total of ten certified appraisers on staff, including the assessor; six that hold advanced certificates. We found that the assessor and his staff possess the required appraiser’s certificates. Additionally, we found that the auditor-appraisers performing mandatory audits meet the requirements referenced in section 670(d). The assessor does not use contract appraisers.

We reviewed the certification status and the training records maintained by the Board's training unit as well as the training records maintained by the assessor for all staff required to be certified. Based on our review of the training summary for the 2006-07 fiscal year, all staff, including the assessor, are appropriately certified and current in their training hours.

**Staff Property Procedures**

We reviewed property records to determine if the assessor has proper procedures in place to ensure that staff does not value their own properties. Our review determined that assessments and roll corrections on property owned by employees in the assessor’s office are reviewed by management staff before enrollment. We did not find any instances where an appraiser made an assessment on property in which he or she had an ownership interest.

**Assessment Appeals**

The assessment appeals function is prescribed by article XIII, section 16 of the California Constitution. Sections 1601 through 1641.5 are the statutory provisions governing the conduct and procedures of assessment appeals boards and the manner of their creation. As authorized by Government Code section 15606, the Board has adopted Property Tax Rules<sup>6</sup> 301 through 326 to regulate the assessment appeal process.

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<sup>6</sup> All rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

Siskiyou County Ordinances 592, 593, and 639 provide for the creation of the county's assessment appeals board and define its rules. The assessment appeals board in Siskiyou County consists of three members and three alternates who are appointed by the board of supervisors. The county does not have hearing officers. Pursuant to section 1624.02, all members appointed to the assessment appeals board have completed the required training.

The regular filing period for appeals is July 2<sup>nd</sup> through November 30<sup>th</sup>. Siskiyou County has one assessment appeals board hearing each year. No appeal in the last five years has gone unresolved for more than two years.

The following table illustrates the appeal workload for recent years:

ASSESSMENT ROLL	2006-07	2005-06	2004-05	2003-04	2002-03
Appeals Filed	9	6	8	23	4
Appeals Carried Over From Prior Year	0	0	3	2	8
<b>Total Appeals Workload</b>	<b>9</b>	<b>6</b>	<b>11</b>	<b>25</b>	<b>12</b>
Resolution:					
Withdrawn	5	2	9	22	2
Stipulation	-	-	-	-	8
Other Determination	3	4	2	-	-
<b>Total Resolved</b>	<b>8</b>	<b>6</b>	<b>11</b>	<b>22</b>	<b>10</b>
To Be Carried Over	1	0	0	3	2

The majority of appeals in Siskiyou County involve declines in value of commercial or industrial properties. The county has very few appeals involving residential properties. Most owners of residential properties contact the assessor's office when there are questions involving the valuation of their property. Many of these questions are resolved without the need for an appeal.

The Siskiyou County Clerk is responsible for providing applications for changed assessment to the public. The application can be obtained at the county clerk's office or through the county's website. No fee is charged to file an appeal. The county clerk receives the completed application, stamps it with the date and time, reviews it for completeness and timely filing, provides a copy to the assessor, and schedules the appeal for a hearing.

The assistant assessor receives a copy of each appeal from the county clerk. The assistant assessor reviews the appeal, tracks the appeal on a spreadsheet, and assigns the appeal to an appraiser for handling. Each appraiser handles appeals for his or her own appraisals. The appraiser assigned to the appeal prepares the information and presents it before the assessment appeals board. The assessor or the assistant assessor (or both) attend each hearing.

Once an appeal has been filed, the assessor contacts the applicant prior to the hearing. Any supporting information presented by the applicant will be reviewed. If an agreement is reached or if a mistake is found, the applicant may either withdraw the appeal or a stipulation between the assessor and the applicant may be created.

If an applicant decides to withdraw an appeal, the applicant is asked to send the county clerk a letter confirming the applicant's decision to withdraw the appeal. For stipulations, the assessor typically creates the stipulation, outlining the details of the agreement. Both parties sign the stipulation. The assessment appeals board reviews and approves all stipulations. If the applicant and the assessor cannot reach an agreement, the appeals process continues, and a hearing will take place.

We reviewed records involving assessment appeals prepared by the assessor's staff. We found them to be well documented and complete. We also were able to attend an assessment appeals board hearing. The hearing was well organized. The assessor's staff in attendance were well prepared, and they presented their cases professionally.

Overall, the assessor's appeals program is well administered. We found no areas of concern.

### ***Disaster Relief***

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

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

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

The Siskiyou County Board of Supervisors last updated the county's disaster relief ordinance on November 5, 2002 (No. 02-18). The ordinance grants the assessor the authority to initiate reassessment when he determines that taxable property was damaged or destroyed within the preceding 12 months. With this authority the assessor has taken a proactive stance, initiating reassessment promptly upon discovery of damaged properties and notifying the taxpayers of the

proposed reassessments. Along with the authority to initiate the reassessment, the assessor still uses the application process. The application form is available on the county website and at the front counter in the assessor’s office.

The assessor discovers calamities through building permits issued for repairs, newspaper articles, taxpayer notification, and field investigation. The assessor’s staff constantly reviews these types of sources to discover properties damaged or destroyed by misfortune or calamity. Additionally, the assessor becomes aware of all fire calls and calamities in the northern part of the county through his membership and involvement with the Yreka Volunteer Fire Department.

The following table shows the number of disaster relief claims filed for recent years:

<b>ROLL YEAR</b>	<b>CLAIMS FILED</b>
2006-07	27
2005-06	38
2004-05	33
2003-04	20
2002-03	23

We reviewed ten records of properties that were either damaged or destroyed by misfortune or calamity. We found that the assessor noted the disaster information on the records, properly calculated the value reductions, and lowered the assessed values of properties that had been granted relief. The assessor promptly sent applications for disaster relief to property owners who requested them.

***Assessment Roll Changes***

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

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

The following table shows the number of roll changes processed in Siskiyou County in recent years:

ROLL YEAR	ROLL CHANGES
2006-07	1,024
2005-06	1,024
2004-05	1,125
2003-04	1,048
2002-03	938

The roll changes represent secured and unsecured properties. Siskiyou County does not have an ordinance to exclude low-value escape assessments. The assessor enrolls all escape assessments regardless of the amount.

Real property appraisers initiate roll changes involving value adjustments, such as new construction that escaped assessment or base year value changes. When a roll change is made, the appraiser documents the roll change with remarks on the appraisal record. The principal appraiser or assistant assessor approves the roll change and forwards the file to the administrative assessment supervisor for processing.

Appraisers who handle mandatory audits of business and personal property accounts write a narrative of the findings along with any escape assessments or roll corrections. The code section pertaining to the escape assessment or roll correction is also noted in the narrative. Copies of the audit and narrative are routed to the administrative assessment supervisor to process the roll change.

Assessment technicians initiate roll changes involving exemptions and clerical errors. Roll change remarks for homeowners' exemptions are made on the homeowners' exemption form. Other roll change remarks are indicated on a *Request for Correction/Cancellation on Assessment Roll* form. The administrative assessment supervisor receives all forms for processing roll changes.

The administrative assessment supervisor finalizes the process by entering codes to initiate the required letters, with the exception of mandatory audits. In accordance with section 531.8, the computer system generates a *Notice of Proposed Escape Assessment*, which is mailed to taxpayers at least ten working days before roll changes are entered. During this ten-day period, a hold is placed on the file to prevent any further processing.

After the ten-day period, the values are enrolled and a *Notice of Enrollment of Escape Assessment* is generated and mailed to the taxpayer in accordance with section 534(b). Siskiyou County has not adopted a resolution pursuant to section 1605(c)(1), and therefore uses Board-prescribed Form 66-A.

In accordance with section 534(c), the notice must include the following information:

- The date the notice was mailed;
- Information regarding the assessee's right to an informal review and the right to appeal the assessment; and
- A statement that the appeal shall be filed within 60 days of the date of mailing printed on the notice or the postmarked date, whichever is later.

Values are then transmitted both electronically and in paper form to the county auditor and to the county tax collector.

When an appraiser completes a mandatory audit, he or she will send the taxpayer a cover letter along with an audit results form. Where there is an escape assessment, the cover letter advises the taxpayer of the date the escape assessment will be enrolled as well as information on how to appeal the findings. This cover letter serves as the *Notice of Proposed Escape Assessment*.

We reviewed several assessment roll changes and found the assessor notifies the county auditor to apply penalties and interest when required. The assessor observes the section 532 statute of limitations for making escape assessments and the section 51.5 statute of limitations for base year value roll corrections. We did find an area, however, where the assessor's procedures for roll corrections do not meet statutory requirements.

**RECOMMENDATION 1:** Cite the caption required by section 531.8 when providing taxpayers with a *Notice of Proposed Escape Assessment*.

Section 531.8 requires the words "NOTICE OF PROPOSED ESCAPE ASSESSMENT" be prominently displayed on the notice sent to taxpayers when a roll change is generated for an escape assessment.

During our review of the assessor's procedures, we found several inconsistencies in sending the *Notice of Proposed Escape Assessment* letters to taxpayers. Several of the files reviewed indicated that the letters sent to taxpayers omitted the language required by section 531.8.

In this regard, we found that appraisers who complete mandatory audits notify taxpayers of the audit results by sending a cover letter along with an audit results form. The cover letter advises the taxpayer of the date the escape assessment will be enrolled as well as providing information about appealing the findings. There are two versions of the audit results form, one that displays the words "NOTICE OF PROPOSED ESCAPE ASSESSMENT" (the language required by section 531.8) and one that only displays the words "AUDIT RESULTS."

The form containing the language required by section 531.8 should be sent to taxpayers when an audit results in an escape assessment or a refund. The other form may be sent when the audit does not result in an escape assessment or a refund since the section 531.8 language is not required when an audit concludes that there has been no change. However, we found inconsistencies in sending the correct form to taxpayers. Several of the files reviewed indicated that the assessor sometimes sends the form that does not contain the language required by

section 531.8 when an audit results in an escape assessment or a refund, contrary to the requirements of section 531.8.

Therefore, we recommend that the assessor cite the language required by section 531.8 on all audit results sent to taxpayers where an escape assessment or refund is involved.

### ***Low-Value Property Tax Exemption***

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

Section 155.20(b)(1) provides that a county board of supervisors shall not exempt property with a total base year value or full value of more than \$5,000, or more than \$50,000 in the case of certain taxable possessory interests. A board of supervisors must adopt a low-value property tax exemption ordinance 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.

On October 22, 2002, the Siskiyou County Board of Supervisors adopted revised Resolution No. 02-211. The revised resolution authorized the assessor to exempt any real property having a base year value of \$1,000 or less, except for taxable possessory interests and any personal property having a value of \$2,000 or less.

We found that the assessor properly enrolls all low-value property tax exemptions.

### ***Exemptions***

#### **Church and Religious Exemptions**

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

County assessors administer the church and religious exemptions. The church exemption, including the church parking exemption, requires an annual filing of the exemption claim. The religious exemption requires a one-time filing by the claimant, although the assessor annually mails a form to claimants to confirm continuing eligibility for the exemption. Once granted, the

religious exemption remains in effect until terminated or until the property is no longer eligible for the exemption.

The assessor processed two church exemption claims and 104 religious exemption claims for the 2005-06 assessment roll. The following table illustrates the number of properties and the amount of assessed value exempt under the religious and church exemptions for recent years:

ROLL YEAR	RELIGIOUS	EXEMPTED VALUE	CHURCH	EXEMPTED VALUE
2005-06	104	\$23,375,957	2	\$251,988
2004-05	106	\$23,371,887	1	\$200,888
2003-04	106	\$22,890,847	1	\$197,207
2002-03	133	\$22,229,923	1	\$193,341
2001-02	132	\$21,842,763	1	\$189,551

In Siskiyou County, church and religious claims are processed by the administrative assessment supervisor. For guidance, she relies on Assessors' Handbook Section 267, *Welfare, Church, and Religious Exemptions* (October 2004) and advisory Letters To Assessors issued by the Board that deal with exemption issues. Field inspections of properties for which the church or religious exemption are claimed are conducted by either the administrative assessment supervisor or a real property appraiser.

If a field inspection results in a determination of only partial eligibility for exemption, the appraisal record is documented with the appraiser's calculations.

The assessor sends form BOE-267-SNT, *Religious Exemption Change in Eligibility Termination Notice*, to organizations claiming the religious exemptions. His procedures are effective, and we found no problems with his administration of the religious exemption.

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

### Welfare Exemption

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

The welfare exemption is co-administered by the Board and county assessors. The Board is responsible for determining whether an organization itself is eligible for the welfare exemption and for issuing either *Organizational Clearance Certificates* (OCCs) to qualified organizations or *Supplemental Clearance Certificates* (SCCs) to limited partnerships, which have a qualified organization as the managing general partner, that own and operate low-income housing. The assessor is responsible for determining whether the use of a qualifying organization's property is eligible for exemption and for approving or denying exemption claims.

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

The following table shows the number of welfare exemptions granted and the corresponding property values taken from the assessment rolls for recent years:

<b>ROLL YEAR</b>	<b>WELFARE</b>	<b>EXEMPTED VALUE</b>
2005-06	118	\$75,756,491
2004-05	84	\$45,861,570
2003-04	88	\$67,169,554
2002-03	85	\$63,793,221
2001-02	65	\$58,246,560

We reviewed a variety of welfare exemption claims on file at the assessor's office, including youth organizations, volunteer fire departments, a medical clinic, a church with a parsonage, summer camps, and a senior housing project. We found that the assessor requires evidence of an OCC or SCC from each claimant, correctly applies late-filing penalties, and properly allocates values for exempt and taxable areas of properties receiving partial exemptions.

The assessor does a conscientious job of administering the welfare exemption. Staff relies on advisory Letters To Assessors issued by the Board that deal with exemption issues and material prepared for a Board welfare exemption workshop. We found no problem areas.

## ASSESSMENT OF REAL PROPERTY

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

- revaluation of properties that have changed ownership,
- valuation of new construction,
- annual review of properties that have experienced declines in value, and
- annual revaluations of certain properties subject to special assessment procedures, such as property subject to California Land Conservation Act contracts, taxable government-owned property, and property in Timberland Production Zones.

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

### ***Change in Ownership***

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

### **Discovery and Document Processing**

The assessor's primary means of discovering properties that have changed ownership is through the review of deeds and other documents recorded with the county recorders' office. The assessor also regularly reviews newspaper articles and obituaries to aid in the discovery of unrecorded transfers.

Each day, the recorder scans deeds and other recorded documents that transfer ownership into a computer database. The recorder's office requires that form BOE-502-A, *Preliminary Change of Ownership Report* (PCOR), accompany documents that transfer the ownership of real property. As provided in section 480.3, the recorder imposes a \$20 fee whenever a PCOR does not accompany such documents. Blank PCOR forms are available to the public, at no charge, at both the recorder's and the assessor's public counters. The recorder receives approximately 95 percent of the required PCORs. Ordinance 98-29, adopted by the board of supervisors on December 8, 1998, requires that the assessor's parcel number be on all transfer documents.

Once a week, the recorder sends all weekly recordings to the assessor on a compact disc, accompanied by the PCORs. In addition, the assessor has the ability to directly access the recorder’s database to view all document recordings.

Two senior assessment technicians in the assessor's office analyze the recorded documents to determine appraisable changes in ownership and what percentage of ownership is being transferred. If a required PCOR is not received, the assessor mails form BOE-502-AH, *Change of Ownership Statement* (COS), to the transferee. The assessor also sends a COS whenever there is insufficient or incomplete information on the PCOR. The assessor reports that he sends taxpayers approximately 100 COSs each year, with a 98 percent return rate.

Appraisable events are entered into a computer file that can be accessed by all of the property appraisers. The computer generates an appraisal worksheet for each appraisable event. A technician sends the worksheet, along with the property record, PCOR (or COS), and a copy of the deed of trust, to the appraiser responsible for the geographical area in which the property is located. After the appraiser enters the new assessed value on the property record, the supervisor reviews and approves the new values. Finally, the appraisal support staff enters the new values onto the assessment roll.

The following table shows the total number of recorded documents and reappraisable transfer documents processed by the assessor's office for recent years:

<b>ROLL YEAR</b>	<b>RECORDED DOCUMENTS</b>	<b>REAPPRAISABLE TRANSFER DOCUMENTS</b>
2006-07	5,100	2,591
2005-06	6,843	4,164
2004-05	6,349	3,733
2003-04	5,607	3,450

We reviewed properties valued by the assessor for changes in ownership and found that the assessor establishes the correct base year, adheres to the presumption contained in Rule 2 that the sales price reflects the full cash value of the property, and uses reasonable appraisal techniques. He also correctly values partial interest transfers, applies the annual inflation adjustment, and enrolls supplemental assessments.

**Legal Entity Ownership Program (LEOP)**

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

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

When the assessor receives the LEOP listing from the Board, the mapping unit reviews the list, identifies the parcels, and updates the computer system. There has been only one legal entity change in control in Siskiyou County in the past five years; it involved two parcels. We found that the assessor processed the LEOP notices properly and promptly revalued the parcels that had undergone a change of ownership.

### **Section 63.1 Exclusion**

Section 63.1 excludes from the definition of change in ownership the purchase or transfer of the principal residence and the first \$1 million of other real property between parents and children. Under limited circumstances, certain transfers from grandparents to their grandchildren are also excluded. Siskiyou County processes approximately 250 section 63.1 claims each year. The transfer staff prepares and submits the quarterly reports as requested by the Board.

We reviewed several section 63.1 claims processed by the assessor. We found that the claim forms were filed timely, included the required information, and contained all required signatures. Additionally, the assessor contacts taxpayers when more information is needed. We found that this program complies with the provisions of section 63.1.

### **Section 69.5 Base Year Value Transfers**

Section 69.5 generally allows for the transfer of the base year value of a principal residence to a replacement dwelling of equal or lesser value, provided the property owner meets several requirements, including, but not limited to being at least 55 years of age or severely and permanently disabled, the owner files a claim timely, and the properties are within the same county.

Siskiyou County processes approximately fifteen section 69.5 claims each year. The transfer staff prepares the section 69.5 reports quarterly for the Board as required by section 69.5(b)(7). We found that section 69.5 claims are properly processed and that the assessor's program complies with section 69.5.

### ***New Construction***

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

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

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

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

**Discovery**

Most new construction activity is discovered from building permits. Currently, the assessor receives building permits from seven permit-issuing agencies – the County of Siskiyou, and the cities of Dunsmuir, Dorris, Mount Shasta, Tulelake, Weed, and Yreka. The cities of Etna, Fort Jones, and Montague contract with the county to issue permits for new construction work in their jurisdictions. The county health department has the responsibility for issuing permits for wells and waste. Other discovery sources include newspaper articles, business property statements and field canvassing. The assessor receives copies of building permits from these various agencies on a monthly basis.

The following table illustrates the number of building permits received by the assessor by permitting agencies for recent years:

<b>PERMITTING AGENCIES</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>
Dunsmuir	84	65	48	57
Dorris	7	0	0	0
Mount Shasta	80	120	114	114
Tulelake	0	0	0	0
Weed	60	56	77	60
Yreka	231	227	162	155
County	910	1,050	1,188	990
<b>TOTAL</b>	<b>1,372</b>	<b>1,518</b>	<b>1,589</b>	<b>1,376</b>

All pertinent data is entered into the assessor’s computer system. Permits for non-reappraisable new construction (e.g., re-roofs, electrical service changes, woodstoves, and monitor heaters) are also logged into the computer system; however, they are not placed on the list of building permits to be worked by the appraisers.

**Owner's Self-Reporting Program**

For all building permits that represent new construction, the assessor sends a *Property Owner's Statement of New Construction Questionnaire* to the property owners. Using the questionnaire, the property owners can provide information about the type of structure, size and cost of construction, interior and exterior detail, project completion date, and contractor information. The assessor estimates that property owners return approximately 90 percent of the questionnaires. In addition, the assessor performs field reviews of all new construction. The questionnaires are used as supporting data for the final value determination.

**Valuation**

The assessor values new construction by estimating its full value as of the date of completion. Appraisers determine the completion status of new construction from on-site reviews and notices of completion from the permit-issuing agencies. Several sources of cost data are used in valuing new construction, including the Assessors' Handbook Section 531, *Residential Building Costs*, local costs, the owner's actual costs, and the *Marshall Valuation Service*.

We reviewed several new construction appraisal records and found the appraisal files to be well documented. The assessor's program for assessing new construction complies with all statutory requirements.

**Declines in Value**

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

For the 2006-07 roll year, the assessor enrolled 434 parcels whose full cash value had declined below their FBYV. The following table shows the number of decline-in-value assessments in Siskiyou County for recent years:

ROLL YEAR	DECLINES IN VALUE
2006-07	434
2005-06	708
2004-05	949
2003-04	1,926
2002-03	2,196

To discover property with a full cash value below its FBYV, the assessor relies on his appraisal staff's knowledge of current property values, and upon taxpayers' requests for value reviews. In

addition, each appraiser annually receives a list of properties located in his or her assigned area(s) that were enrolled at less than the FBV for the prior year.

The appraisers review the valuations of these decline-in-value properties and determine whether the values should be changed on the roll being prepared. They submit the lists along with documentation supporting any new value conclusions to the assistant assessor for review.

### ***California Land Conservation Act Properties***

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

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

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

In Siskiyou County for the 2006-07 assessment roll, there were 2,507 parcels comprising 409,761 acres encumbered by CLCA contracts, including 28 parcels comprising 2,873 acres in nonrenewal status. The total assessed value for CLCA properties was \$52,473,561, which represented approximately 1.5 percent of the total \$3.6 billion local roll value. The uses for CLCA property in Siskiyou County include cattle grazing (approximately 70 percent of all CLCA properties), alfalfa and hay production, and field crops, such as wheat, barley, and mint.

The valuation of CLCA properties in Siskiyou County is the responsibility of the assistant assessor and one senior appraiser. A computer program calculates restricted values for CLCA properties. The capitalization rate is updated annually. Prices, production, compatible use income, and rents are updated based on the appraiser's knowledge of the market and information reported on the CLCA questionnaires, which are mailed to all CLCA property owners on the first of October of each year.

The assessor reports that over 90 percent of the questionnaires are completed and returned. The computer program compares the restricted value to the factored base year value and enrolls the lower value. In addition, the appraisers compare the computer-generated value to the current market value to ensure the lowest value is enrolled.

We reviewed several CLCA properties and found them to be well documented and in compliance with all applicable statutes. In addition, we found that CLCA properties in nonrenewal status are

also being correctly assessed, with all calculations and values listed on a single computerized spreadsheet.

### Homesites

Section 428 provides that the restricted valuation standard for CLCA land does not apply to residences or the site of a residence. AH 521 at page II-51 provides that "even though it might be highly unlikely (or impossible where local zoning regulations forbid the separate parcelization and/or sale of a homesite on an agricultural property) for the homesite to actually be bought and sold in the marketplace, the homesite must be valued as though it were a separate appraisal unit and traded in that manner." In other words, the homesite must be valued at the lesser of the factored base year value or the fair market value of a comparable homesite. We found that this is the assessor's policy and practice.

The assessor issues supplemental assessments on homesites and improvements on CLCA properties that experience changes in ownership and for any new improvements. Our review of homesites located on CLCA properties indicated that they are valued properly according to section 428.

### Income and Expenses

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

Since the income to be capitalized in the valuation of open-space properties is the net income attributable to the land, the expenses necessary to maintain this income and the portion of the income attributable to improvements must be subtracted from the expected gross income prior to capitalization. The type of expenses deducted, and to some extent the amount of the deductions, will depend upon the composition of the gross income. For example, a gross income derived from cash rents will generally require fewer adjustments than a gross income derived from share rents, and, while a management charge is generally applicable to both income streams, this charge will normally be less in cash rental analysis. In addition to the expenses that are incurred for the creation and maintenance of the income, the property owner is entitled to a fair return on the value of the improvements that are necessary to produce the income and the return of (recapture) the value of such improvements.

The data provided in the annual CLCA questionnaires is analyzed, and economic rents are estimated for each parcel under contract. Expense estimates for vacancy, management, and owner's insurance are then deducted to yield an estimated net income. In addition, income from compatible uses is considered in the final value estimate. Compatible use income in Siskiyou

County includes income from hunting and fishing rights, quarrying rights, and a few wireless communication towers. We found the assessor's income and expense analyses to be reasonable and well documented.

### **Capitalization Rates**

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

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

In developing his capitalization rate for the valuation of CLCA properties, the assessor uses the annually-announced Board interest component, the actual tax rate, and a risk rate of 1.25 percent. Since the majority of land in Siskiyou County under CLCA contract is subject to similar weather and commodity price fluctuations, and similarly located from the end market users, the basic risk rate appears to be reasonable for all CLCA properties.

We found that the assessor has an effective and comprehensive CLCA program that is in compliance with all applicable statutes.

### ***Taxable Government-Owned Properties***

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

For the assessment year 2006-07, the Siskiyou County Assessor assessed 54 parcels that were owned by government agencies and that were located outside of the agencies' boundaries. These parcels are owned by the various cities, irrigation districts, community service districts, sanitary districts, and fire protection districts. The 54 parcels have a total assessed value of \$888,582.

The assessor determines the taxability of government-owned properties at the time of acquisition by the local agency. To determine whether a parcel was taxable when acquired, the assessor checks the parcel for a previous base year value by comparing tax-rate area maps to the county's list of government agencies located within each tax-rate area.

We reviewed several parcels on the county's list of 9,360 zero-value properties, which includes government-owned properties. We compared them to the Board's list of tax rate areas and verified that all of the properties were tax exempt and not taxable government-owned properties. We also reviewed 10 of the 54 taxable government-owned properties; we found that these properties were also properly assessed.

The assessor's computer system annually updates the land and improvement value of each taxable government-owned property. The computerized valuation spreadsheet, produced annually, contains all of the taxable government-owned parcels and identifies each parcel's 1967 value, the restricted value, the factored base year value, and the current market value.

The assessor performs an annual three-way value comparison for the land value of each taxable government-owned property. Based on this comparison, he enrolls the lowest of the three values. For improvements, the assessor performs a two-way value comparison, enrolling the lower of the current market value or factored base year value. Each year's enrolled value is noted on the property record. The assessor determines the base year value when a property transfers and does not issue supplemental assessments when there is a change in ownership of taxable government-owned properties.

We found the assessor's taxable government-owned property program to be properly administered.

### ***Timberland Production Zone Properties***

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

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

Siskiyou County has 1,653 TPZ parcels comprising approximately 570,136 acres of timberland. The following table shows the total TPZ acreage and assessed value for recent years:

ROLL YEAR	ACRES	TOTAL ASSESSED VALUE
2006-07	570,136	\$44,964,178
2005-06	570,151	\$45,895,122
2004-05	570,201	\$46,515,981
2003-04	570,832	\$47,631,356
2002-03	570,227	\$48,336,168

In 1976, the Siskiyou County Board of Supervisors passed an ordinance adopting the TPZ district. The ordinance was amended in 1994. Land zoned TPZ is assessed in accordance with values determined each year by the Board. The Board's values exclude the value of standing timber.

All TPZ properties located in Siskiyou County are classified as Pine-Mixed Conifer and are valued accordingly. New TPZ properties are inspected and classed by area foresters.

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

Currently, there are several TPZ parcels that have been rezoned by way of immediate rezoning. The assessor developed the tax recoupment fee according to Government Code section 51142, and a letter advising of the new value was transmitted to the property owners and the county auditor. There are also several parcels in nonrenewal status. The assessor properly values TPZ parcels in nonrenewal status pursuant to section 426.

Siskiyou County has 336,806 acres of TPZ land identified as nonexclusive compatible use. The majority of the acres are utilized for grazing. If the assessor is aware of exclusive compatible uses of TPZ land for homes and other structures, he will value the use and the structure at the lower of the factored base year value or the current market value.

However, the assessor has no formal procedures for discovering exclusive and nonexclusive compatible uses of TPZ properties. Therefore, we make the following recommendation.

**RECOMMENDATION 2:** Send periodic questionnaires to owners of TPZ land, requesting information on compatible, nonexclusive uses.

We found the assessor values permitted exclusive uses, such as residential home sites, but has no systematic canvassing program of TPZ lands to determine the existence of other compatible uses, whether exclusive or nonexclusive. Once land is zoned TPZ and enrolled as such by the assessor, there is usually little contact between the assessor and owners of TPZ lands. This

creates a discovery problem if there is income derived from other compatible uses of the property.

Section 435(a) requires the assessor to value timberland according to the site value schedules expressed in section 434.5 plus the value of any compatible, nonexclusive uses of the land. These uses may include grazing, hunting, camping, mining, or other types of compatible uses of the land. The value of these compatible uses must be determined annually and be added to the site class values of the timberland.

The assessor should remedy his discovery problem by periodically sending TPZ landowners a questionnaire requesting information on other compatible uses of their property.

**Taxable Possessory Interests**

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

The assessor enrolled 637 taxable possessory interests on the 2006-07 assessment roll with a total assessed value of \$68,251,803. The following table shows the number and the total assessed value of taxable possessory interests for recent years:

<b>ROLL YEAR</b>	<b>TAXABLE POSSESSORY INTERESTS</b>	<b>TOTAL ASSESSED VALUE</b>
2006-07	637	\$68,251,803
2005-06	592	\$67,140,219
2004-05	571	\$60,331,070
2003-04	531	\$59,698,816
2002-03	537	\$53,732,889

To assist in the discovery of taxable possessory interests, the assessor annually requests information on all newly created and existing taxable possessory interests from 31 government agencies owning property within Siskiyou County. These requests for information are made in early January, and approximately 95 percent of the agencies comply with the requests by the following March. The types of taxable possessory interests found in Siskiyou County include interests at fairgrounds, cable television franchises, government-employee housing, and summer cabins, mining claims, and grazing rights located on United States Forest Service land.

We found that the assessor is properly handling taxable possessory interests.

### ***Leasehold Improvements***

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

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

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

When new construction by a tenant adds value to a property, the assessor must reflect the changes in the property's assessed value. Discovery of such additions is accomplished through tenant improvement construction permits, sending new construction questionnaires to tenants, examining rent rolls for tenant changes and rent changes, and coordination between the business property and real property staff. The business property statement, an annual filing requirement of many business owners, is also a useful source for discovering leasehold improvements.

Proper classification of leasehold improvements as structure items or fixtures is important because fixtures are treated differently than structures. Fixtures are a separate appraisal unit when measuring declines in value; in certain cases, fixtures are not subject to supplemental assessments. Additionally, fixtures and personal property are components in the value criteria for qualification of a mandatory audit.

We found that the Siskiyou County Assessor properly classifies reported structural improvements on the secured roll and fixtures on the unsecured roll.

### ***Water Company Properties***

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

#### **Municipal Water Systems**

Article XIII, section 3(b) of the California Constitution exempts from taxation property owned by a local government and located within its boundaries. This includes both property owned by city water departments and located within city limits, and property owned by water districts

located within district boundaries. When the water system is located outside of the government agency's boundaries, this exemption does not apply. Article XIII, section 11 of the California Constitution provides that publicly-owned property (including a water system) located outside its boundaries is taxable if it was taxable at the time it was acquired by the district.

We found the parcels owned by the municipal water systems located within the city limits or district boundaries to be assessed correctly. The parcels were exempt from taxation under article XIII, section 3(b) of the California Constitution. We also found that the parcels that were located outside of the respective agencies' boundaries were correctly assessed under article XIII, section 11 of the California Constitution.

### Private Water Companies – Regulated by the California Public Utilities Commission (CPUC)

Private water companies are privately owned utilities in business to earn a profit from the sale of water. This type of water company is subject to regulation by the CPUC. The CPUC regulates the rates charged by private water companies, limiting profits to a return on the company's unamortized investment in plant and equipment. Because the earning ability of a regulated private water company is tied to this "rate base," as it is known, the current market value of water company properties may be adversely affected by this restriction on earning capacity. The assessor should determine both the current market value and the factored base year value of such property and enroll the lower of the two as the taxable value (*Assessors' Handbook Section 542, Assessment of Water Companies and Water Rights, Part I, p. 14*).

We found that neither the assessor nor the CPUC has had the cooperation of the owner of the one regulated private water company located in Siskiyou County, despite repeated documented requests by both agencies. As a result of the taxpayer's lack of responsiveness, the assessor has considered only the factored base year value for the valuation of the properties owned by this water company.

### Mutual Water Companies

A mutual water company is a private association created for the purpose of providing water at cost primarily for its members or stockholders. Usually, the individual ownership interests in a mutual water company are appurtenant to individual parcels of land eligible for water service from the company. In such cases, little value should be assigned to land, improvement, and delivery system owned by the mutual water company because the values of these properties are reflected in the assessments of the member or stockholder parcels.

We were able to identify seven mutual water companies in Siskiyou County. We found that the value of the mutual water company properties is reflected in the assessments of the lots served by the water systems. The assessor has correctly enrolled a nominal value for the real property owned by these mutual water companies.

## **Mineral Properties**

By statute and case law, mineral properties are taxable as real property. They are subject to the same laws and appraisal methodology as all real property in the state. However, there are three mineral-specific property tax rules that apply to the assessment of mineral properties. They are Rule 468, *Oil and Gas Producing Properties*, Rule 469, *Mining Properties*, and Rule 473, *Geothermal Properties*. These rules are interpretations of existing statutes and case law with respect to the assessment of mineral properties. Siskiyou County has no assessable petroleum property.

### **Geothermal Properties**

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

There are several geothermal leases in the county. As of 2002, one company has acquired all the leases; however, future development is uncertain as there are several petitions filed with the courts to block development of the properties. The enrolled value of the geothermal property in Siskiyou County is \$21,469,279. This value includes exploratory wells that have been drilled and are awaiting approval of the geothermal project before being completed. Approval and future development is uncertain as there are several petitions in various courts to block development. The latest decision from the United States Court of Appeals for the Ninth Circuit has blocked further development pending appeal to the United States Supreme Court.

The assessor has done an excellent job of documenting the geothermal lease appraisals and recent changes in ownership. The geothermal leases are taxable possessory interests since they are located on U.S. Bureau of Land Management land. The base year values for the leases are based upon the recent documented sales prices and future per acre rental payments to be made while appeals or other reviews are completed. The lease holder still has exclusive rights to the geothermal energy located in the area until development issues are finally resolved.

There are no recommendations regarding geothermal property assessments in Siskiyou County.

### **Mining Properties**

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

There are 29 mining properties in Siskiyou County, of which 25 are sand and gravel. The value of these mineral properties is \$1,729,866. The assessor primarily uses the royalty method for determining the value of mineral rights. This method capitalizes the annual royalty payments to provide an indication of the leasehold value of the mineral right. Given the smallish nature of the properties in the county and that little or no equipment is specifically associated with an individual site, this method provides a reasonable indication of value. However, we note two areas that need improvement regarding the appraisal procedures of mineral property.

**RECOMMENDATION 3:** Revise appraisal procedures of mineral property by: (1) using the correct present worth factors, and (2) determining declines in value based on the full appraisal unit of mineral properties in accordance with Rule 469(e)(2)(C).

**Use the correct present worth factors.**

We found the assessor uses the incorrect present worth factors in discounting the future royalty cash flows when valuing mining properties. Beginning in 2002, and on some properties even earlier, the assessor used the wrong present worth factors in the calculation of the value of the mining property. In subsequent years, instead of adjusting the present worth factor for the discount period, it appears that the assessor tied the discount factor to a specific calendar year.

For example, in 2001, the present worth factors were as follows:

<b>YEAR</b>	<b>PRESENT WORTH FACTOR</b>
2001	.945
2002	.844
2003	.753
2004	.673
2005	.536
2006	.479

In 2002, the present worth factors were listed as follows:

YEAR	PRESENT WORTH FACTOR
2002	.844
2003	.753
2004	.673
2005	.536
2006	.479

The present worth factors should have been the same for each year following the appraisal year given the same discount rate. In this case, for the year 2002, the first year following the appraisal year should be 0.945 at the same discount rate. The result of the assessor’s use of the incorrect factor is that the current market value of the mineral interest is underestimated.

**Determine declines in value based on the full appraisal unit of mineral properties in accordance with Rule 469(e)(2)(C).**

The assessor enrolls the lower of the current market value or the factored base year value of the mineral right. Separately, the improvements, fixtures, and personal property are appraised by the business property staff.

Declines in value for mineral properties are to be measured by reference to the entire appraisal unit, the combination of property most likely to transfer in the market place. Rule 469(e)(2)(C) defines this appraisal unit as land, improvements (including fixtures), and reserves. This is in contrast to most other properties, where fixtures are treated as separate appraisal units and typically enrolled each year at market value. It is possible that, for an individual property, the mineral rights could be enrolled at the factored base year value and the fixtures and personal property enrolled at current market value.

The clear intent of Rule 469 is that the entire appraisal unit, not the individual components, be evaluated for declines in value.

## **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; and
- Auditing taxpayers whose assessments are based on information provided in property statements.

Currently, the assessor's staff members that are certified by the Board to perform mandatory audits include the assessor, assistant assessor, a principal appraiser, a senior specialist, one senior auditor-appraiser, and two auditor-appraisers. Many of the above staff are able to perform both real property and business property functions, which assists in the coordination of real property and business property assessments.

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

### ***Audits***

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

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

DESCRIPTION	2005-06	2004-05	2003-04
<b>AUDIT WORKLOAD</b>			
Mandatory	16	12	12
Nonmandatory	12	15	33
<b>TOTAL AUDITS SCHEDULED</b>	<b>28</b>	<b>27</b>	<b>45</b>
Unfinished From Prior Year	0	0	0
<b>TOTAL AUDIT WORKLOAD</b>	<b>28</b>	<b>27</b>	<b>45</b>
<b>AUDITS COMPLETED</b>			
Mandatory	15	12	12
Nonmandatory	9	15	33
<b>TOTAL AUDITS COMPLETED</b>	<b>24</b>	<b>27</b>	<b>45</b>
<b>MANDATORY AUDITS CARRIED FORWARD</b>	<b>1</b>	<b>0</b>	<b>0</b>

### 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.<sup>7</sup>

There are approximately 60 accounts in Siskiyou County that are subject to the mandatory audit requirement. Each year, the assessor generates a computer listing of accounts attaining values of \$400,000 or more for four consecutive years. This forms the basis of the mandatory audit list. To remain current, the assessor must audit approximately 15 accounts each year. The assessor has an excellent record of completing his mandatory audit workload in a timely fashion.

### Nonmandatory Audits

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

There were 9 nonmandatory audits completed for fiscal year 2005-06, 15 for fiscal year 2004-05, and 33 for 2003-04. The assessor does an excellent job of performing nonmandatory audits.

<sup>7</sup> Effective January 1, 2009, the criteria for determining mandatory audits changed to require the assessor to conduct audits, equal to 75% of the number of audits completed during 2002-03 through 2005-2006, with at least 50% to be selected from a pool of those taxpayers with the largest assessments.

## Statute of Limitations

Section 532 provides that when the assessor discovers through an audit that property has escaped assessment, an assessment of such property must be enrolled within four years after July 1 of the assessment year during which the property escaped assessment. If the assessor cannot complete an audit within the prescribed time, the assessor may request, pursuant to section 532.1, a waiver of the statute of limitations from the taxpayer to extend the time for making an assessment.

We found that the assessor sought a waiver for the one mandatory audit account in recent years that could not be completed prior to the expiration of the four-year statute of limitations.

## Audit Quality

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

We found that the assessor performs change in control (ownership) reviews, verifies leased equipment, enrolls construction in progress, accounts for supplies, and properly classifies equipment, among other things. In all cases mandatory audits were accurate and well documented.

## ***Business Property Statement Processing***

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

We reviewed the assessor's business property statement program, including written procedures, methods of discovery, use of Board-prescribed forms, processing by non-certified staff, taxpayer interactions, application of penalties, real property division coordination, direct billing, and record storage and retention.

## Workload

The following table shows the assessor's workload of property statements for businesses, leased equipment, direct billing accounts, and other property types for the 2005-06 assessment roll:

<b>TYPE OF PROPERTY STATEMENTS</b>	<b>COUNT</b>	<b>SECURED</b>	<b>UNSECURED</b>
Agriculture	363	282	81
Apartments	28	27	1
Financial	27	9	18
General Business	1,204	283	921
Direct Billing	374	217	157
Leased Equipment	96	0	96
Service Stations	21	10	11
<b>Totals</b>	<b>2,113</b>	<b>828</b>	<b>1,285</b>

## Discovery

The discovery of taxable property is an essential function of the county assessor's office. It is a difficult but necessary task to maintain accurate, up-to-date listings of assessable business properties. Taxpayer self-reporting is the principal means of discovering assessable property. Other means of discovering assessable business property include reviewing sales tax permits, fictitious business name filings, and conducting field canvasses. Our survey indicates that the assessor's office effectively employs various methods to discover all forms of taxable property.

## Direct Billing

Many assessors utilize an assessment procedure called "direct billing" or "direct assessment." It is a method of assessing qualified, lower-value small business accounts without requiring the annual filing of a business property statement. The assessor establishes an initial value and continues that value for several years, with only periodic property statements or field reviews required. Examples of businesses suitable for direct billing include apartments, barber shops, beauty parlors, coin-operated laundrettes, small cafes, small restaurants, and professional firms with small equipment holdings.

The direct billing program is beneficial to both taxpayers 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 assessor.

In Siskiyou County, there were 457 direct billing accounts on the 2006-07 assessment roll. The assessor's criteria for direct billing are as follows: the cost of all assets must be under \$50,000; the account must have a history of asset stability; and the taxpayer must be scheduled to receive

a property statement every four years. Taxpayers are removed from this program if they fail to meet the criteria or if an auditor-appraiser determines that it is otherwise warranted.

We found no problems with the assessor's business property statement program.

### ***Business Equipment Valuation***

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

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

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

We found that the assessor uses AH 581 in valuing business machinery and equipment. We found no problems with the assessor's assessment of business equipment.

### ***Leased Equipment***

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

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

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

We reviewed the assessor's procedures for assessing leased equipment along with a sample of lessor and lessee assessment records. We found the leased equipment program is well managed, with staff doing an excellent job in the discovery, processing, and tracking of leased equipment.

**Manufactured Homes**

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

Siskiyou County has 1,968 manufactured homes with a total assessed value of \$46,819,418 for the 2006-07 roll year. The following table illustrates the number of manufactured homes assessed in recent years and their total enrolled values:

ROLL YEAR	MANUFACTURED HOMES	TOTAL ASSESSED VALUE
2006-07	1,968	\$46,819,418
2005-06	1,944	\$41,971,318
2004-05	1,939	\$40,860,677
2003-04	1,926	\$40,508,333
2002-03	1,917	\$41,677,187

There are 791 manufactured homes within the county's 46 mobile home parks and 118 manufactured homes sited on rented land. These manufactured homes are identified with an assessment number beginning with "910." The land is identified with a parcel number. If the manufactured home is located within a mobile home park, the assessment number relates to the space within the park. There are 1,059 manufactured homes where the taxpayer owns the home and the land. These homes, along with the land, are identified with an individual parcel number.

All manufactured homes have a use code ending with "A," indicating that they are assessed as personal property. In compliance with sections 5801(b)(2) and 5830, the assessor enrolls manufactured homes as personal property on the secured roll.

For accessories with a value of less than \$5,000 that were constructed at the time of setting up the manufactured home, the assessor includes the value of the accessories with the value of the manufactured home under one base year classified as personal property. For accessories with a value greater than \$5,000, the assessor will value the accessories separately, assign the accessories their own base year value, and classify them as real property structural improvements.

Each real property appraiser is assigned different geographical areas throughout the county. If a manufactured home is within that appraiser's area, he or she is responsible for the assessment of that manufactured home.

The assessor's office discovers taxable manufactured homes in the county by reviewing the State Department of Housing and Community Development reports, building permits, dealer reports of sale, and through field canvassing.

In determining the full cash value of a manufactured home on rented or leased land, the assessor uses the *N.A.D.A. Manufactured Housing Appraisal Guide* (NADA) and unit cost factors from the Assessors' Handbook, Section 531, *Residential Building Costs*. The guide used in the valuation process is typically documented in the appraisal record.

After an in-depth and thorough analysis, the assessor develops a factor schedule that calculates the taxable value of a manufactured home for each lien date in relation to its acquisition date, size, and condition. The assessor has been using this schedule for a few years, and in 2006, he incorporated the schedule into his computer system to annually review the values of manufactured homes automatically. The assessor updates the schedule annually based on data from NADA and local sales.

We reviewed a number of manufactured home assessments, including recent transfers and new installations, comparing the taxable value on the roll to the current NADA valuation. We found the assessor's taxable values were within the range of those indicated by the NADA values.

The assessor correctly applies supplemental assessments to new and transferred manufactured homes. He correctly exempts from assessment manufactured homes held in dealer's inventory and those held or owned by financial institutions and insurance companies.

We commend the assessor for creating and applying a sound and reliable manufactured home assessment program.

## ***Aircraft***

### **General Aircraft**

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

For the 2006-07 assessment roll, the assessor enrolled 90 general aircraft with a total assessed value of about \$9.6 million.

The following table details the number of general aircraft assessments and their corresponding enrolled values for Siskiyou County for recent years:

ROLL YEAR	ASSESSMENTS	ENROLLED VALUE
2006-07	90	\$9,575,422
2005-06	96	\$4,340,826
2004-05	101	\$4,223,014
2003-04	108	\$4,538,777

An auditor-appraiser is responsible for valuing general aircraft.

An aircraft property statement is mailed annually to the known owner of each aircraft in the county. The assessor uses the *Bluebook* and adjusts for airframe hours, avionics, hours before major overhaul, sales tax, and condition. Pursuant to Letter To Assessors No. 97/03, he also reduces listed retail values by 10 percent to provide reasonable estimates of fair market values for aircraft in truly average condition on the lien date.

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

On the lien date, or shortly thereafter, the assessor's staff visits the county airports, record tail numbers, and then compares the tail numbers to the *Airport Tenant Reports* provided by the airports in the county. Exceptions, if any, are investigated via the Federal Aviation Administration website. If ownership cannot be determined, then the assessor sends a property statement to the registered owner.

We found the assessor's aircraft valuation and discovery procedures to be correctly administered.

### Certificated Aircraft

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

Siskiyou County has one certificated aircraft subject to local assessment beginning in 2005-06. An auditor-appraiser is responsible for the assessment. The value of the commercial aircraft for recent years is as follows:

ROLL YEAR	ENROLLED VALUE
2006-07	\$36,400
2005-06	\$75,138

Since there is only one commercial airline in the county, the audits of the airlines are conducted by other counties that have several major commercial airlines. We found no problems with the certified aircraft assessment program.

**Vessels**

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

The assessor mainly uses the *National Automobile Dealer Association's Marine Appraisal Guide* (NADA) to value vessels. In certain instances he may use other sources, such as classified advertisements in local newspapers.

All registered vessel owners are sent a locally developed vessel reporting form on January 1 of each year. The vessels are valued using data from the current NADA, and sales tax is added to determine the current market value. Because the assessor uses a locally developed vessel reporting form, no penalty is applied for late-filed or non-filed vessel statements.

The following table shows the number of vessels assessed and their corresponding assessed values for recent years:

ROLL YEAR	PLEASURE VESSELS	ASSESSED VALUE
2006-07	893	\$6,881,360
2005-06	802	\$5,472,090
2004-05	692	\$4,257,660
2003-04	615	\$3,383,350
2002-03	860	\$3,921,510

We have no recommendations on this topic in our current survey.

## ***Animals***

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

Siskiyou County has a number of assessable animals. Most animals are reported either on form BOE-571-F, *Agricultural Property Statement*, or form BOE-571-F2, *Registered and Show Horse Statement*. It is the assessor's practice that all recipients of form BOE-571-F also receive form BOE-571-F2.

Methods of discovering taxable animals include review of telephone yellow pages, local news papers, the *Agricultural Property Statements*, and audits of agricultural property.

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

## APPENDIXES

### A. County-Assessed Properties Division Survey Group

#### Siskiyou County

*Chief*

Dean Kinnee

*Survey Program Director:*

Arnold Fong

Principal Property Appraiser

*Survey Team Supervisor:*

Bob Reinhard

Supervising Property Appraiser

*Survey Team Leader:*

Pamela Bowens

Senior Property Auditor-Appraiser

*Survey Team:*

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Charles Matura

Associate Property Appraiser

Robert Rossi

Associate Property Appraiser

Alan Dannen

Associate Property Auditor-Appraiser

Tammy Aguiar

Assistant Property Appraiser

Ella Chin

Tax Technician I

## **B. Assessment Sampling Program**

The need for compliance with the laws, rules, and regulations governing the property tax system and related assessing<sup>8</sup> activities is very important in today's fiscally stringent times. The importance of compliance is twofold. First, the statewide maximum tax rate is set at one percent of taxable value. Therefore, a reduction of local revenues occurs in direct proportion to any undervaluation of property. (It is not legally allowable to raise the tax rate to compensate for increased revenue needs.) Secondly, with a major portion of every property tax dollar statewide going to public schools, a reduction in available local property tax revenues has a direct impact on the State's General Fund, which must backfill any property tax shortfall.

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

The Board's County-Assessed Properties Division conducts the assessment sampling program on a five-year cycle for the 11 largest counties and cities and counties and on either a random or as needed basis for the other 47 counties. This sampling program is described as follows:

A representative random sampling is drawn from both the secured and unsecured local assessment rolls for the counties to be surveyed.

These assessments are stratified into 18 value strata (nine secured and nine unsecured.)<sup>9</sup>

From each stratum a random sampling is drawn for field investigation, sufficient in size to reflect the assessment level within the county.

For purposes of analysis, after the sample is drawn, the items are identified and placed into one of the five categories listed below:

**Base year properties.** Those properties the county assessor has not reappraised for either an ownership change or new construction during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

**Transferred properties.** Those properties last reappraised because of an ownership change that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

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<sup>8</sup> The term "assessing" as used here includes the actions of local assessment appeals boards, the boards of supervisors when acting as boards of equalization, and local officials who are directed by law to provide assessment-related information.

<sup>9</sup> The nine value strata are \$1 to \$99,999; \$100,000 to \$199,999; \$200,000 to \$499,999; \$500,000 to \$999,999; \$1,000,000 to \$1,999,999; \$2,000,000 to \$19,999,999; \$20,000,000 to \$99,999,999; \$100,000,000 to \$249,999,999; and \$250,000,000 and over.

**New construction.** Those properties last reappraised to reflect new construction that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

**Non-Proposition 13 properties.** Those properties not subject to the value restrictions of article XIII A, or those properties that have a unique treatment. Such properties include mineral-producing property, open-space property, Timberland Production Zone property, and taxable government-owned property.

**Unsecured properties.** Those properties on the unsecured roll.

From the assessment universe in each of these 18 value strata (nine strata on both secured and unsecured local rolls), a simple random sampling is drawn for field investigation that is sufficient in size to reflect the assessment practices within the county. A simple nonstratified random sampling would cause the sample items to be concentrated in those areas with the largest number of properties and might not adequately represent all assessments of various types and values. Because a separate sample is drawn from each stratum, the number of sample items from each category is not in the same proportion to the number of assessments in each category. This method of sample selection causes the raw sample, that is, the "unexpanded" sample, to over-represent some assessment types and underrepresent others. "Expanding" the sample data eliminates this apparent distortion in the raw sampling; that is, the sample data in each stratum are multiplied by the ratio of the number of assessments in the particular stratum to the number of sample items selected from the stratum. Once the raw sampling data are expanded, the findings are proportional to the actual assessments on the assessment roll. Without this adjustment, the raw sampling would represent a distorted picture of the assessment practices. This expansion further converts the sampling results into a magnitude representative of the total assessed value in the county.

The field investigation objectives are somewhat different in each category, for example:

**Base year properties** -- for those properties not reappraised during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: was the value properly factored forward (for the allowed inflation adjustment) to the roll being sampled? Was there a change in ownership? Was there new construction? Or, was there a decline in value?

**Transferred properties** -- for those properties where a change in ownership was the most recent assessment activity during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that a reappraisal was needed? Do we concur with the county assessor's new value? Was the base year value trended forward (for the allowed inflation adjustment)? Was there a subsequent ownership change? Was there subsequent new construction? was there a decline in value?

**New construction** -- for those properties where the most recent assessment activity was new construction added during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that the construction caused a reappraisal? Do we concur with the value enrolled? Was the base year amount trended forward properly (for the allowed inflation adjustment)? Was there subsequent new construction? Or, was there a decline in value?

**Non-Prop 13 properties** -- for properties not covered by the value restrictions of article XIII A, or those properties that have a unique treatment, do we concur with the amount enrolled?

**Unsecured properties** -- for assessments enrolled on the unsecured roll, do we concur with the amount enrolled?

The results of the field investigations are reported to the county assessor, and conferences are held to review individual sample items whenever the county assessor disagrees with the conclusions.

The results of the sample are then expanded as described above. The expanded results are summarized according to the five assessment categories and by property type and are incorporated into the published assessment practices survey report.

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

### **C. Relevant Statutes and Regulations**

#### **Government Code**

##### **15640. Survey by board of county assessment procedures.**

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

##### **15641. Audit of records; appraisal data not public.**

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

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

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

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

**15642. Research by board employees.**

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

**15643. When surveys to be made.**

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

**15644. Recommendations by board.**

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

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

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

(b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report.

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

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

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

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

**Revenue and Taxation Code****75.60. Allocation for administration.**

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

(b) For purposes of this section:

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

**Title 18, California Code of Regulations**

**Rule 370. Random selection of counties for representative sampling.**

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

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

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

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

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

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

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

**Rule 371. Significant assessment problems.**

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

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

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

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

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

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

## **ASSESSOR'S RESPONSE TO BOARD'S FINDINGS**

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

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



**MIKE MALLORY, ASSESSOR**  
**County of Siskiyou**

Courthouse • 311 Fourth Street • Room 108 • Yreka, CA 96097-2984 • (530) 842-8036

February 20, 2009

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

Re: Assessor's Response – *Siskiyou County Assessment Practices Survey*

Dear Mr. Kinnee:

Enclosed please find the Siskiyou County Assessor's response to the State Board of Equalization's Assessment Practices Survey of the 2006-07 Assessment Roll. Please include this response as part of your published report as provided for in Section 15645 of the California Government Code.

I wish to thank Arnold Fong, Bob Reinhard, Pamela Bowens, and the entire Survey Team for their professionalism and courtesy as shown during the course of the review. My staff and I benefited greatly from the open dialogue afforded by your team during field work and subsequent conversations. We appreciate the many positive comments contained in the report, most notable of which is the observation on Page 4 which states “. . . we believe that the Siskiyou County Assessor's Office is a prime example of a well-run, efficient, assessing organization.”

I welcome the sample/survey process, as it provides an invaluable source of information to assist us in providing fair and accurate assessments to the citizens of Siskiyou County. You will note that we agree with the three recommendations presented, and that we have already fully implemented two of them for the 2008-09 Roll.

Our unprecedented Average Assessment Ratio of 100.00%, a “perfect score” if you will, is a direct reflection of the quality of work performed by current and former employees of the Siskiyou County Assessor's Office. I wish to commend my staff for their hard work, dedication, and professionalism, which has enabled us to consistently produce high-quality assessment rolls, while at the same time providing the excellent service the public has come to expect from this office.

I would also like to take this opportunity to express my appreciation to the Siskiyou County Board of Supervisors which, through its various members over the years, has provided the Assessor's Office with the resources necessary to support the quality of work as required under statute.

Please feel free to contact me if you should require any additional information or clarification.

Sincerely,

Mike Mallory  
Siskiyou County Assessor

MM:jw

Attachment

## **RESPONSE TO SURVEY RECOMMENDATIONS**

**Recommendation 1:** Cite the caption required by section 531.8 when providing taxpayers with a *Notice of Proposed Escape Assessment*.

*We concur and have revised our procedures to comply with statutory requirements.*

**Recommendation 2:** Send periodic questionnaires to owners of TPZ land, requesting information on compatible, nonexclusive uses.

*While we agree that there is often little contact between our office and owners of TPZ lands, we are still diligent in our discovery of income from compatible, nonexclusive uses such as grazing leases, cellular and repeater site leases, etc. This is reinforced by the fact that no specific problems were noted by the Survey Team. We will, however, comply with this recommendation as time and resources allow.*

**Recommendation 3:** Revise appraisal procedures of mineral property by: (1) using the correct present worth factors, and (2) determining declines in value based on the full appraisal unit of mineral properties in accordance with Rule 469(e)(2)(C).

*(1) We concur and have revised our valuation procedure to utilize correct present worth factors.*

*(2) We concur and have revised our procedures to coordinate valuation between the real and business property departments.*