YUBA COUNTY
ASSESSMENT PRACTICES SURVEY

SEPTEMBER 2010

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September 28, 2010

No. 2010/048

TO COUNTY ASSESSORS:

YUBA COUNTY
ASSESSMENT PRACTICES SURVEY

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

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

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from September 2008 through February 2009. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Mr. Brown 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/ John K. Thompson for

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:ps
Enclosure

TABLE OF CONTENTS

INTRODUCTION **1**
SCOPE OF ASSESSMENT PRACTICES SURVEYS **2**
EXECUTIVE SUMMARY **3**
OVERVIEW OF YUBA COUNTY **5**
ADMINISTRATION **6**
BUDGET AND STAFFING 6
APPRAISER CERTIFICATION 6
STAFF PROPERTY PROCEDURES 7
ASSESSMENT APPEALS 7
EXEMPTIONS 8
ASSESSMENT FORMS 11
ASSESSMENT OF REAL PROPERTY **13**
CHANGE IN OWNERSHIP 13
NEW CONSTRUCTION 15
DECLINES IN VALUE 17
AGRICULTURAL PROPERTY 19
TAXABLE POSSESSORY INTERESTS 20
LEASEHOLD IMPROVEMENTS 22
MINERAL PROPERTY 22
ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES **25**
AUDIT PROGRAM 25
BUSINESS PROPERTY STATEMENT PROGRAM 26
BUSINESS EQUIPMENT VALUATION 27
AIRCRAFT 28
APPENDIXES **29**
A. COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP 29
B. ASSESSMENT SAMPLING PROGRAM 30
C. RELEVANT STATUTES AND REGULATIONS 33
ASSESSOR'S RESPONSE TO BOE'S FINDINGS **40**

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

The assessor is required to file with the board of supervisors a response that states the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, and the Senate and Assembly, and to the Yuba 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 David A. Brown, Yuba 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* at page 2) 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[1] section 75.60, the BOE 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 Yuba 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 Yuba County who provided information relevant to the property tax assessment program. This survey also included an assessment sample of the 2008-09 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.

[1] 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.

We noted several positive elements in the Yuba County Assessor's program. The assessor is proactive in taxpayer education, which has lead to fewer appeals. Additionally, we noted that the assessor has been proactive in performing decline-in-value reviews and advising the public. Lastly, the assessor has a robust audit program and conducts numerous audits that far exceed what is mandated.

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

The assessor is effectively managing many administrative programs: budget and staffing, appraiser certification and training, staff property procedures, assessment appeals, and assessment forms. It should be noted the Yuba County assessment roll has increased 74 percent between fiscal years 2004-05 and 2008-09 while staffing has remained relatively constant over the same period. This is similar to the statewide increase of 70 percent of assessment rolls over that period.

We noted, however, that the assessor inappropriately exempts 100 percent of the taxable value of the real and personal property of veterans' organizations, including portions which are not exclusively used for charitable purposes within the confines of the welfare exemption.

In the area of real property assessment, the assessor has effective programs in the following areas: change in ownership, new construction, agricultural property, leasehold improvements, and mineral property. We do have recommendations, however, concerning a required notice involving declines in value, and the assessment of taxable possessory interests and mining claims.

The assessor has effective programs for the audit of personal property, business property statement processing, business equipment valuation, and the discovery and valuation of aircraft.

Despite the recommendations noted below, we found most properties and property types are assessed correctly.

The Yuba County assessment roll meets the requirements for assessment quality established by section 75.60. Our sample of the 2008-09 assessment roll indicated an average assessment ratio of 101.82 percent, and the sum of the absolute differences from the required assessment level was 3.41 percent. Accordingly, the BOE certifies Yuba 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: Exempt only qualifying portions of property owned by veterans' organizations. 10

RECOMMENDATION 2: Update the decline-in-value notice to meet the requirements of section 619(b). 19

RECOMMENDATION 3: Improve the taxable possessory interest assessment program by: (1) deducting appropriate lessor expenses when using the income approach, (2) enrolling supplemental assessments when there is a change in ownership, and (3) calculating supplemental assessments based on the full value of a newly created taxable possessory interest. 20

RECOMMENDATION 4: Assess unpatented mining claims consistent with the reasonably anticipated term of possession established by the assessor. 23

OVERVIEW OF YUBA COUNTY

Yuba County is a general law county, established by the California Legislature in 1850 as one of the original 27 counties. It is located in the Northern Sacramento Valley, about 125 miles east of San Francisco and 125 miles west of Reno, Nevada. Neighboring counties include Butte and Plumas to the north, Sierra and Nevada to the east, Placer to the south, and Sutter to the west.

The City of Marysville is the county seat. Governed by a five-member board of supervisors, Yuba County's 2008 population was approximately 73,000, with 15,000 persons residing in Marysville and in Wheatland, the county's two incorporated cities.

The following table illustrates the growth in assessed values over recent years:

ROLL YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2008-09	$5,210,563,000	-4.2%	4.7%
2007-08	$5,441,582,000	11.8%	9.6%
2006-07	$4,866,692,000	28.1%	12.3%
2005-06	$3,798,376,000	26.5%	11.1%
2004-05	$3,002,901,000	12.6%	8.3%

ADMINISTRATION

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

Budget and Staffing

To enable the assessor to perform his duties, the county board of supervisors annually funds the assessor's office through the county's general fund. The allotted funds are provided so the assessor can produce a timely assessment roll, administer legally permissible exemptions, develop and maintain a set of current maps delineating property ownership, defend assessments as required before an appellate body, and provide information and service to the public as needed.

As shown in the following table, the assessor's budget has grown over recent years:

BUDGET YEAR	GROSS BUDGET	ANNUAL INCREASE
2008-09	$1,619,974	8.92%
2007-08	$1,487,364	13.82%
2006-07	$1,306,727	16.65%
2005-06	$1,120,207	.71%
2004-05	$1,112,362	

For the 2008-09 roll year the assessor's permanent full-time staff numbered 21, including the assessor, assistant assessor, chief deputy assessor administrator, 5 real property appraisers, 2 auditor-appraisers, 9 support staff, and 2 cadastral draftsman technicians.

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 BOE. There are a total of nine certified appraisers on staff, including the assessor; six hold advanced appraiser's certificates. We found that the auditor-appraisers performing audits meet the requirements referenced in section 670(d). The assessor does not use contract appraisers.

In Yuba County, the assistant assessor oversees the training and certification program for appraisers and tracks individual appraiser education continuously using BOE annual training reports. Appraisers are encouraged to take the necessary courses to obtain their advanced certification as soon as possible, which is a requirement for promotion to an Appraiser III position.

Appraiser training is well tracked and all appraisers are current in their continuing education hours.

Staff Property Procedures

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

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

The assessor also becomes aware of employee-owned properties from either voluntary disclosure by the employees or from name recognition on permits, deeds, business licenses, or the newspaper. Employees are not allowed to value property they own in Yuba County. An employee-owned property is assigned to another appraiser to value. The appraisal is then reviewed by the assistant assessor to ensure all such properties are being properly assessed.

We reviewed the assessor's property and all of the employee-owned properties in Yuba County and found no discrepancies. The assessor's internal controls are adequate and effective.

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[2] 301 through 326 to regulate the assessment appeals process.

Assessment appeals in Yuba County are heard by one assessment appeals board (AAB) consisting of three regular members. All AAB members are required to have completed the assessment appeals training as required by sections 1624.01 and 1624.02.

[2] All Rule references are to sections of the California Code of Regulations, Title 18, Public Revenues.

The following table illustrates the appeals workload for recent years:

ASSESSMENT ROLL	2007-08	2006-07	2005-06	2004-05	2003-04
Appeals Filed	282	29	41	29	25
Appeals Carried Over From Prior Year	42	31	21	9	32
Total Appeals Workload	**324**	**60**	**62**	**38**	**57**
Resolution:					
Withdrawn	153	12	14	12	34
Stipulation	124	0	8	0	4
Other Determination*	26	6	9	5	10
Total Resolved	**303**	**18**	**31**	**17**	**48**
To Be Carried Over**	21	42	31	21	9

* Note: Includes, but not limited to late-filed appeals, applicants' failure to appear and board denied applications.

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

All assessment appeal applications are filed with the clerk of the board of supervisors, who reviews them for completeness before forwarding date-stamped copies of the applications to the assessor. The assistant assessor prepares and presents all assessment appeal cases before the AAB.

There were no appeal hearings scheduled during our review period. However, we found evidence in the property files indicating that the assessor prepares adequate appraisals for properties under appeal. The assessor is proactive in taxpayer education, which may eliminate issues which would otherwise lead to a larger volume of assessment appeals. We found the assessor and the AAB work closely together to ensure all appeals are tracked and heard within the required two-year time frame. Overall, the assessor has an effective assessment appeals program.

Exemptions

Church and Religious Exemptions

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

Article XIII, section 4(b), authorizes the Legislature to exempt property used exclusively for religious, hospital or charitable purposes and owned or held in trust by a corporation or other entity. The corporation or entity, however, must meet the following requirements: (1) it must be

organized and operated for those purposes, (2) it must be non-profit, and (3) no part of its net earnings can inure to the benefit of any private shareholder or individual. The Legislature has implemented this constitutional authorization in section 207, 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 may be claimed on property that is owned, leased or rented by a religious organization and used exclusively for religious worship services and other activities necessary for the accomplishment of the church's religious purpose. The church exemption requires an annual filing of the exemption claim. The religious exemption may be claimed on property owned by a church and used exclusively for religious worship or for both religious worship and school purposes. 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 four church exemption claims and 80 religious exemption claims for the 2008-09 assessment roll.

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

ROLL YEAR	CHURCH EXEMPTION	EXEMPTED VALUE	RELIGIOUS EXEMPTION	EXEMPTED VALUE
2008-09	4	$456,719	80	$23,091,781
2007-08	4	$433,120	82	$22,280,733
2006-07	4	$425,890	79	$21,290,009
2005-06	4	$433,233	82	$21,105,169
2004-05	4	$256,933	83	$20,504,200

The assessor has an effective program for administering the church and religious exemptions.

Welfare Exemption

Article XIII, section 4(b) of the California Constitution authorizes the Legislature to exempt property owned and used exclusively for religious, hospital or charitable purposes by organizations formed and operated exclusively for those purposes. When the Legislature enacted section 214 to implement this constitutional provision, a fourth purpose (scientific) was added. Both the organizational and property use requirements must be met for the exemption to be granted.

The welfare exemption is co-administered by the BOE and county assessors. The BOE 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 (OCC holder) 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 on an organization's property unless the organization holds a valid OCC issued by the BOE, or, a valid SCC issued by the BOE 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 BOE has issued an OCC or SCC to the claimant.

The following table shows welfare exemption data from recent years:

ROLL YEAR	WELFARE EXEMPTION	EXEMPTED VALUE
2008-09	135	$178,396,155
2007-08	136	$162,170,143
2006-07	135	$156,112,719
2005-06	131	$144,849,209
2004-05	132	$135,978,282

We reviewed a variety of welfare exemption claims, including first-time filings and annual filings. We also reviewed the exemption claims for low-income housing properties, including properties owned by a limited partnership holding an SCC. We found one problem with the welfare exemption program.

RECOMMENDATION 1: Exempt only qualifying portions of property owned by veterans' organizations.

The assessor exempts 100 percent of the taxable value of the real and personal property of veterans' organizations, including portions not exclusively used for charitable purposes within the confines of the welfare exemption, for example, bars, meeting rooms, kitchen areas, game rooms, and locker rooms.

The veterans' organization exemption from local property taxes is available for the property of veterans' organizations under specific criteria. Section 215 exempts from taxation personal property owned by veterans' organizations. Section 215.1 exempts real property owned by veterans' organizations used exclusively for charitable purposes.

The assessor's practice inappropriately exempts taxable property.

Homeowners' and Disabled Veterans' Exemptions

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

The disabled veterans' exemption is authorized by Article XIII, section 4(a), of the California Constitution. This constitutional provision, implemented by section 205.5, exempts a specified amount of the full value of a dwelling when occupied as a principal place of residence by an owner who is a qualified disabled veteran (or unmarried surviving spouse). The amount of exemption is dependent upon the veteran's income, either a $100,000 exemption or a low-income $150,000 exemption (both are adjusted annually by a cost of living index).

The homeowners' exemption requires a one-time filing. Once granted, the exemption remains in effect until such time as title to the property changes, the owner does not occupy the dwelling as his or her principal place of residence as of the lien date, or the property is otherwise ineligible. The $100,000 disabled veterans' exemption requires a one-time filing; annual filing is required if the $150,000 low-income exemption is claimed to ensure that the claimant continues to meet the household income limit restriction.

The following table illustrates homeowners' and disabled veterans' exemption data for recent years:

ROLL YEAR	HOMEOWNERS' EXEMPTION	EXEMPTED VALUE	DISABLED VETERANS' EXEMPTION	EXEMPTED VALUE
2008-09	11,292	$78,769,297	170	$15,940,500
2007-08	10,982	$76,578,335	157	$13,887,600
2006-07	10,715	$74,726,141	153	$12,901,024
2005-06	10,144	$70,707,724	156	$12,278,655
2004-05	9,581	$66,747,361	150	$11,271,153

Our review indicates the assessor properly processed claims for homeowners' and disabled veterans' exemptions. Accordingly, we have no recommendations regarding these exemptions.

Assessment Forms

Government Code section 15606 requires the Board to prescribe and enforce the use of all forms for the assessment of property for taxation. Generally, the assessor may not change, add to, or delete the specific wording in a prescribed form. The assessor may, however, rearrange information on a form provided that the assessor submits such form to the BOE for review and approval. Assessors may also use county-developed forms to assist them in their assessment duties. However, such forms may not be used as substitutes for Board-prescribed forms that are required to be used, and no penalty may be imposed upon a property owner for failure to file such a form or questionnaire.

To enforce the use of prescribed forms, the BOE annually requires assessors to specify in writing the forms they will use in the succeeding assessment year. Assessors are also required to submit to the BOE copies of the final prints of all prescribed forms they intend to use.

Review of the forms used by the Yuba County Assessor's Office for 2008 revealed the following:

- The assessor used 59 of the 82 Board-prescribed forms.
- Of the 59 forms used, the assessor rearranged five.
- The assessor has timely provided the BOE with copies of rearranged forms, final prints, and forms checklists.

We have no recommendations regarding assessment forms.

ASSESSMENT OF REAL PROPERTY

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

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

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

Change in Ownership

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

Document Processing

The assessor's primary source of discovering properties which have changed ownership is through deeds and other documents recorded at the county recorder's office. The recorder's office requires form BOE-502-A, *Preliminary Change of Ownership Report* (PCOR), to accompany documents submitted for recordation for the transfer of ownership of real property. If a transfer document is received without a PCOR, the recorder's office will add a $20 charge to the recording fee. The assessor then sends a PCOR to the property owner, to be returned within 30 days. If the PCOR is not received within 30 days, a second PCOR is sent, to be returned within 15 days. The assessor no longer keeps paper copies of recorded documents so statistics for document workload are not available for this report. Although the assessor does not track the number of recorded documents and PCORs, the office has noticed a higher number of PCORs received from the recorder's office over the last few years.

All recorded documents are scanned by the recorder and only those affecting the conveyance of property rights are sent electronically to the assessor within ten days. Yuba County does not have an ordinance requiring the assessor's parcel number on recorded documents.

The recorded documents received from the recorder's office are reviewed daily, notes are entered in the system to identify whether events are or are not re-appraisable, and the percentages of ownership transferred are determined and noted. A document is placed in a hold status if further determination is needed, such as correcting a legal description, if a parent-child transfer form is needed, or if a PCOR was not submitted with the recorded document or was submitted but incomplete. If there are no errors or omissions, the document is transferred electronically to an assessment specialist for further processing. If the notes indicate a re-appraisable event, a worksheet is printed and given to the appraiser assigned to the map book in which the property is located. The appraiser reviews the document, pulls the file and processes the appraisal, and transfers the file to the assistant assessor for review. We found this process effective.

Legal Entity Ownership Program (LEOP)

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

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

Transfer analysts review the monthly LEOP statements received from the BOE, identify the parcels involved, and update the computer system if the change in control has not been processed. Any file which has not been processed is given to an appraiser for reassessment. We reviewed the assessments of some properties owned by legal entities. We found the assessor processes LEOP notices properly and promptly revalues parcels having undergone a change in ownership.

Section 408.1 Transfer Lists

Pursuant to section 408.1(a), the assessor shall maintain a list of transfers of any interest in property, other than undivided interests, which have occurred within the preceding two-year period. Section 408.1(e) states that the provisions of this section shall not apply to any county with a population of under 50,000 people, as determined by the 1970 federal decennial census. Based upon the population of Yuba County in 1970, the assessor is not required to maintain a transfer list. Although not required, the assessor maintains a two-year transfer list for public

review at no charge. Information on the transfer list is updated monthly. No confidential information is inappropriately disclosed.

Change in Ownership Exclusions

Section 63.1 excludes from the definition of "change in ownership" the purchase or transfer of principal residences and the first one million dollars of other real property between parents and children. Certain transfers between grandparents and grandchildren are also eligible for this exclusion.

Section 69.5 allows a qualified homeowner who is 55 years of age or older, or severely and permanently disabled, to transfer the base year value of his or her principal residence to a replacement dwelling purchased or newly constructed within the same county. Claims must be filed within three years of the purchase or completion of the new construction of the replacement dwelling. Section 69.5 also allows counties to adopt an ordinance to include inter-county transfers; however, Yuba County does not have such an ordinance.

The following table represents section 63.1 and section 69.5 claims in Yuba County in recent years:

ROLL YEAR	SECTION 63.1	SECTION 69.5
2007-08	200	3
2006-07	303	1
2005-06	233	9
2004-05	246	6
2003-04	166	1

Claims for section 63.1 and section 69.5 change-in-ownership exclusions are reviewed and logged by the transfer analyst. The transfer analyst also reviews reports from the BOE regarding claim amounts in excess of $1,000,000, forwards claims to appraisers, and sends quarterly reports to the BOE. Applications and information regarding the exclusions are available at the assessor's office and from the assessor's website.

We found the program for processing section 63.1 and section 69.5 claims effective and in compliance.

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 the Assessors' Handbook Section 502, *Advanced Appraisal*, Chapter 6, provides guidance for the assessment of new construction.

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

Discovery

Building permits are the main source for the assessor's discovery of assessable new construction. To ensure all qualifying new construction is assessed, the assessor must receive a copy of all approved building permits pursuant to section 72(a).

Currently, the assessor receives building permits from five permit-issuing agencies: Yuba County Environmental Health Department, Yuba County Building Department, the cities of Marysville and Wheatland, and the State of California Department of Housing and Community Development. Other sources used to discover new construction include newspaper articles, business property statements, and field canvassing by appraisers.

Permit Processing

Construction permits are received by the assessor either electronically or by courier weekly or monthly depending upon the agency and the volume of permits being granted. The assistant assessor reviews all newly submitted permits and separates permits for new subdivisions to be valued as individual parcels. The remaining permits are forwarded to an assessment assistant I for further processing. Maintenance and repair permits are separated and the files for these properties are pulled and updated before the corresponding permits are discarded. For the remaining permits, the assessment assistant verifies that APNs and addresses are correct, and sorts the permits by APN for entry into the computer system at the end of each month. The permits are coded as to the event and the issuing origin. Supplemental assessments and numbers are then prepared. Finally, an appraisal worksheet is created with the supplemental numbers added to the worksheet. The permit is stapled to the worksheet and put in the appropriate appraiser's in-box.

The appraiser flags the file for lien date construction in progress (CIP) valuation and works the permit. The assistant assessor distributes permits for completed new construction to the corresponding appraiser for valuation, and subsequently reviews the valuation and processes supplemental assessments. A list of all open permits is generated near the end of the year to cross check all construction in progress to ensure valuation for lien date.

The following table shows data on permits and the resulting workload over recent years:

CALENDAR YEAR	PERMITS RECEIVED	PERMITS WORKED	REAPPRAISABLE EVENTS
2007	2,422	1,302	1,386
2006	3,429	2,084	2,155
2005	4,140	2,943	2,289
2004	4,068	2,889	2,353
2003	2,863	1,859	1,003

Self-Reporting Program

The Yuba County Assessor's new construction self-reporting program is a system in which a mail-out questionnaire titled *Property Owner's Statement of New Construction and Cost*, is used to gather data for certain types of new construction. The assessor sends questionnaires to all property owners who qualify for the self-reporting program. Approximately 35-50 percent of the questionnaires are returned to the assessor. The assigned appraiser checks information provided on the self-reporting form for reasonableness and values the new construction. We reviewed assessor's records with new construction and found the records were properly documented both on the appraisal record and on the assessor's system.

The self-reporting program is a valuable and productive method for obtaining data on new construction.

Valuation

In Yuba County, the assessor values new construction by estimating the full value of new construction as of the date of completion. The appraiser determines the completion status of new construction from an on-site review, a notice of completion from the building department, or from the assessee. Upon completion of new construction, supplemental assessments are sent to the assessee. The assessor primarily determines the value of new construction by the market approach, but also relies on several cost sources, including local cost studies; Assessors' Handbook Section 531, *Residential Building Costs*; assessee's actual cost; and *Marshall Valuation Service* for commercial and industrial properties.

Overall, the assessor has an effective assessment program for new construction.

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 or its current full cash value, as defined in section 110. Thus, if a property's full cash value falls below its factored base year value 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 factored base year value, then the assessor must enroll the factored base year value adjusted for inflation up to two percent.

The following table shows the number of declines in value processed in Yuba County over recent years:

ROLL YEAR	PROCESSED DECLINES IN VALUE
2008-09	6,273
2007-08	302
2006-07	388
2005-06	194
2004-05	297

Due to the weakening of the local real estate market, the number of properties experiencing a decline in value below the factored base year value has increased. The assessor is continuously watching the local market for any changes and is proactive in processing declines in value when discovered.

Yuba County does not have a formal or computerized program to annually identify properties with a market value less than the factored base year value. The assessor relies upon property owners to request reviews of their assessments to discover declines in value on a case-by-case basis, as well as his appraisers who are expected to be familiar with value trends within their areas of responsibility. The assessor has information on declines in value on the Yuba County website and has also utilized the newspaper to inform the public about local declines in value. The assessor is proactively making mass adjustments in homogeneous tracts where sufficient comparable sales data supports the reductions.

Once a request for a review is received, an appraiser reviews the property for a possible decline in value using comparable sales analysis. After the determination of a decline in value, the valuation is reviewed by the assistant assessor and forwarded to the assessor for approval and processing. The property is coded into the assessment system to prevent application of the annual inflation factor. A letter is then mailed to the taxpayer explaining the review process and the reduced value.

Reviews of decline-in-value properties are completed annually. Each year a list is printed from the assessment system and distributed to the appraisers. The properties are reviewed and comparable sales analysis are completed and reviewed.

Value notices are sent to property owners when the assessed value has changed due to a decline in value, if the decline in value remains on the roll for the current assessment year, or if the decline in value has been fully or partially restored. The notice meets only some of the requirements of section 619(b).

RECOMMENDATION 2: Update the decline-in-value notice to meet the requirements of section 619(b).

Although the value notice sets forth the procedure for filing an appeal, the notice does not contain an explanation of the stipulation procedure. Section 619(b) provides that the information given by the assessor to the assessee must include an explanation of the stipulation procedure set forth in section 1607.

Without this information, taxpayers are not being informed of the stipulation procedure, as required.

Agricultural Property

Agriculture is the foundation of Yuba County's economy. On the 2007-08 assessment roll, the total value of agricultural production in Yuba County was $153,364,000. The total agricultural acreage harvested was 268,962 acres. Most of the rural property in Yuba County consists of rangeland and cropland. The bulk of the agricultural revenue generated in Yuba County is derived from rice, walnuts, peaches, dried plums, and dairy/livestock.

Yuba County has not implemented the California Land Conservation Act (CLCA) of 1965. However, the county is currently in the process of evaluating adoption of this program, which restricts the taxable value of agricultural property and limits the use of the property to agricultural and related uses.

The following table shows agricultural acreage harvested and agricultural revenue over recent years:

CROP YEAR	HARVESTED ACREAGE	ANNUAL REVENUE
2007	268,962	$153,364,000
2006	270,763	$163,119,000
2005	274,032	$136,869,000
2004	273,684	$135,403,000

Valuation of Agricultural Property

One real property appraiser is responsible for valuing all rural and agricultural properties in the county, including changes in ownership and new construction.

The assessor exempts trees and vines for the proper period, He annually sends a tree and vine questionnaire and tracks new plantings. The assessor correctly values wells as improvements to land. The assessor's agricultural appraisal program is operating effectively and efficiently.

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 upon 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 166 taxable possessory interests on the 2008-09 assessment roll totaling $16,675,417. These possessory interests are located on properties owned by 14 public agencies.

One real property appraiser is responsible for the discovery and assessment of these interests. The appraiser annually requests from all public agencies whose properties are subject to existing taxable possessory interests updated lists of tenants and lease terms. We found that, for month-to-month tenancies or leases without stated terms of possession, anticipated terms of possession used for valuation purposes are reasonable. For leases with stated terms of possession, the assessor uses the stated term of possession for valuation purposes. We also found rents and capitalization rates used are market-derived, and reviews for declines in value are performed periodically or annually on taxable possessory interests with stated terms of possession.

The assessor is in compliance with most applicable statutes; however, we did find some areas needing improvement.

RECOMMENDATION 3: Improve the taxable possessory interest assessment program by: (1) deducting appropriate lessor expenses when using the income approach, (2) enrolling supplemental assessments when there is a change in ownership, and (3) calculating supplemental assessments based on the full value of a newly created taxable possessory interest.

Deduct appropriate lessor expenses when using the income approach.

We found the assessor does not deduct operating expenses from the gross income of a taxable possessory interest before converting the income stream into a value indicator.

Assessors' Handbook Section 510, *Assessment of Taxable Possessory Interests*, provides that allowed expenses paid by the public owner should be deducted from the estimated economic rent. Rule 21(e)(3)(C) provides that the income to be capitalized in the valuation of a taxable possessory interest is the "net return" attributable to the taxable possessory interest. A public owner will incur at least some management expense with each taxable possessory interest. Also, lease agreements may require the public owner to pay for insurance, maintenance, or utilities.

Capitalizing the gross income rather than the net income to the lessor overstates the full cash value of a taxable possessory interest. Typical expenses such as management should be

recognized, in addition to any other expenses specifically designated to be the responsibility of the lessor in the lease agreement.

Enroll supplemental assessments when there is a change in ownership.

Although the assessor revalues the interest when there is a change in ownership of an existing taxable possessory interest, he does not issue a supplemental assessment if the possessor remains the same, (for example, in the case of a renewal or extension).

Section 61(b) provides that the creation, renewal, extension, or assignment of a taxable possessory interest is a change in ownership. Section 75.5(b) excludes from the definition of "property" and hence, from supplemental assessment, newly created taxable possessory interests, established by month-to-month agreements in publicly-owned real property, having a full cash value of fifty thousand dollars ($50,000) or less. All other changes in ownership of taxable possessory interests should receive supplemental assessments.

The assessor's practice has resulted in loss of revenue to the county. The assessor is required to enroll supplemental assessments for all changes in ownership of taxable possessory interests, except those excluded by section 75.5(b).

Calculate supplemental assessments based on the full value of a newly created taxable possessory interest.

When the assessor issues a supplemental assessment for the creation of a new taxable possessory interest, we found he calculates the supplemental assessment based on the difference between the existing taxable possessory interest roll value and the value of the new taxable possessory interest.

Assessors' Handbook Section 510, *Assessment of Taxable Possessory Interests*, outlines the procedure to be followed when there is a termination and creation of a taxable possessory interest in the same assessment year. There should not be a negative supplemental assessment for the taxable possessory interest that terminated, and the supplemental assessment amount for the newly created possessory interest should be based on its fair market value (that is, its full cash value or new base year value) without offset for a prior value on the regular assessment roll.

The reasoning behind this treatment is as follows. It is not the government's land and improvements being assessed; rather, it is the taxpayer's right to possess the land and improvements that is being assessed. Thus, each respective taxpayer's taxable possessory interest, each right to possess, is subject to separate assessment.

The assessor's practice has resulted in underassessments of newly created 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.

In Yuba County, responsibility for the assessment of leasehold improvements classified as structures is assigned to the real property division; responsibility for the assessment of those classified as fixtures is assigned to the business property division.

The real property division initially reviews building permits, and the business property division initially reviews business property statements. The two divisions share and exchange information to ensure all property is assessed, there are no duplicate assessments, and supplemental assessments are processed when appropriate.

We reviewed and compared information on the business property statements with corresponding real property records and found the coordination between the two divisions is effective, consistent, and in compliance with current statutes.

The assessor assesses leasehold improvements not included in the original construction of the building to the tenant on an unsecured account. The assessment is moved to the secured roll if requested by the real property owner, or if the leasehold improvements are abandoned and deemed to still have value.

We found the assessor's leasehold improvements program to be in compliance with all statutory requirements.

Mineral Property

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 that pertain to the assessment of mineral properties. There are no assessable petroleum or high temperature geothermal properties in Yuba County.

Unpatented Mining Claims

The assessor continues to treat unpatented mining claims in a manner contrary to procedures recommended by the BOE.

RECOMMENDATION 4: Assess unpatented mining claims consistent with the reasonably anticipated term of possession established by the assessor.

The assessor takes the position that unpatented mining claims are annually renewed and not entitled to a base year value. The assessor bases this position on the requirement that the claim-holder make an annual filing and payment to the Department of the Interior to retain the claim. This is contrary to BOE staff's position since at least 1980 where BOE staff has maintained that the filing of the proof of labor for a mining claim does not represent an extension or renewal of the possessory interest and therefore, does not give rise to reappraisal of the possessory interest. In 1992, Congress temporarily suspended, and later made permanent the proof of labor requirement and substituted a $100 per-year, per-claim fee. However, this change had no impact on the assessment of such claims, as discussed in LTA 93/64. This fee has been raised twice to account for inflation. At the time of the survey, the fee was $125. It is now at $140 per-year per-claim.

The Department of Interior publications pertaining to mining claims discuss new claims and a requirement to pay an additional location fee of $34; but, in subsequent years, only the annual maintenance fee ($140) has been required. In the federal documentation regarding unpatented mining claims, there is no indication that the intended term of possession is one year or that the claim requires an annual renewal. The position taken by the assessor is that the annual maintenance fee is a renewal of the claim and therefore, such claims are not eligible for base-year value protection: the reasonable term of possession is one year.

In 2006, the assessor reviewed the parameters he uses for valuing unpatented mining claims. While purchases of claims are few and not often reported, the assessor had information to support an average purchase price of $2,000 per claim. The assessor estimated the economic rent for the mining claims at $250 per-year per-claim. This was based upon the then-current $125 rental fee and $125 of annual improvement work done on the claims. While there is no stated term of possession for unpatented mining claims in federal law, the assessor used an anticipated term of possession of five years in his calculations. The use of economic rent to calculate the added value to the comparable sales price conflicts with the requirements of Rule 21(e)(1)(A)(i) which states the present value on the sale date of any unpaid future contract rent for the term of possession is to be added to the sale price of the taxable possessory interest.

The five-year term of possession is the primary inconsistency with the assessor's valuation. Since there is no stated term of possession, the assessor must use a reasonably anticipated term of possession as demonstrated by the public owners' and claimholders' actions, among other

criteria. The assessor's position of annual renewal for the claims implies a one year term. However, his calculations of value are based upon a five year term.

In asserting that mining claims should be treated as having an annual renewal, the assessor is, in effect, stating that the anticipated term of possession is only one year. Therefore, the value to add to the purchase price of the mining claim should be one year's contract rent, leading to a value of $2,125 instead of the $3,000 used by the assessor.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

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

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

In this section of the survey report, we review the assessor's audit, business property statement processing, business equipment valuation, and aircraft programs.

Audit Program

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

Prior to January 1, 2009, section 469 required county assessors to audit, at least once every four years, the books and records of any taxpayer engaged in a profession, trade, or business, if the taxpayer had assessable trade fixtures and business tangible personal property valued at $400,000 or more. These statutorily required audits are commonly referred to as *mandatory audits*. Additionally, a county assessor may audit the books and records of taxpayers with holdings below $400,000 in value under the authority of section 470. These audits are referred to as *nonmandatory audits*. Generally, county assessors perform both mandatory and nonmandatory audits to ensure that their audit program includes a representative sample of all sizes and types of property taxpayers with personal property holdings subject to the property tax.

Effective January 1, 2009, county assessors are no longer required to audit all taxpayers with trade fixture and business tangible personal property holdings of $400,000 or more at least once every four years. Instead, the county assessor is required to annually audit a *significant number of audits* as specified in section 469. The significant number of audits required is at least 75 percent of the fiscal year average of the total number of mandatory audits the assessor was required to have conducted during the 2002–03 fiscal year to the 2005–06 fiscal year, with at least 50 percent of those to be selected from a pool of those taxpayers with the largest assessments. Thus, while section 469 still mandates a certain level of audits which must be performed annually, assessors now have some flexibility in determining which accounts will comprise this mandated workload.

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

ROLL YEAR	TOTAL AUDITS	MANDATORY AUDITS	NONMANDATORY AUDITS
2007-08	71	20	51
2006-07	72	25	47
2005-06	64	19	45

The assessor is averaging approximately 70 audits per year. We commend the assessor's diligence in performing audits at a level far exceeding the 16 audits per year mandated by amended section 469.

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-period, 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 the required audits were completed timely.

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 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, audits were accurate and well documented.

Business Property Statement Program

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

The assessor recently processed business property statements for the 2008-2009 assessment roll as shown in the table below:

CATEGORY	BUSINESS PROPERTY STATEMENTS
General Business	1,830
Agriculture	396
Apartments	106
Mining claims	81
Total	2,413

Data submitted upon business property statements serve as the basis for the subsequent business property assessments. In addition, business property statements provide important information regarding changes in business ownership, situs of property, and business start dates at current locations.

The discovery of taxable property is an essential function of the county assessor. It is a difficult but necessary task to maintain accurate, up-to-date listings of businesses. The assessor has an effective discovery program. Taxpayer self-reporting is the principal means of discovering assessable property. Other means of discovery include business permits, fictitious business name filings, newspaper articles and advertisements, telephone directories, BOE notifications, and referrals from other counties. We found the assessor employs effective methods for discovering business personal property.

We have no recommendations for the assessor's business property statement program.

Business Equipment Valuation

Commercial, Industrial, and Agricultural Equipment

Assessors value most machinery and equipment using business property value factors. Value factors are derived by combining price index factors 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 BOE shall issue information that promotes uniformity in appraisal practices and assessed values. Pursuant to that mandate, the BOE annually publishes Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581).

The assessor uses the valuation factor tables published by the California Assessors' Association (CAA) to value business equipment. These factors follow the AH 581 factors closely except for older equipment, in which case the percent good of the equipment is held at a certain minimum level. The index and percent good factors are programmed into the assessor's evaluation system. The factors are updated each year prior to the lien date. Additionally, we found the assessor has

adopted the CAA factors for computer equipment. The factors agree with those found in the AH 581.

We found no problems with the valuation of business equipment.

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

The assessor valued 94 general aircraft, plus one commercial aircraft, and six historical aircraft for the 2008-09 assessment roll having a total value of approximately $5,780,000. The assessor discovers aircraft through airport operator's reports, other counties' referrals, United States Department of Transportation Federal Aviation Administration reports, and field inspections.

An aircraft property statement is mailed to the owner in the first year the aircraft is assessed in Yuba County. The statement requests a description of the aircraft, purchase price, description of any additions or deletions of equipment, engine hours since last major overhaul, date of last overhaul, and overall condition. Each year thereafter the owner receives a post card requesting any changes to the aircraft over the past year. If the aircraft has been sold since the last lien date, information about the transfer is also requested.

Upon receipt of the aircraft property statement, the assessor makes adjustments for the overall condition of the aircraft, additional or special equipment, and engine hours since last major overhaul to determine a market value estimate. The values of newer aircraft are most affected by the presence or lack of optional equipment, while the values of older aircraft are affected more by the condition of the aircraft.

We reviewed a sample of aircraft property statements and found the procedures to be correctly administered and the estimates of value to be properly calculated. We have no recommendations regarding the aircraft program.

APPENDIXES

A. County-Assessed Properties Division Survey Group

Yuba County

Chief

Dean Kinnee

Survey Program Director:

Benjamin Tang	Principal Property Appraiser

Survey Team Supervisor:

Sally Boeck	Supervising Property Appraiser

Survey Team Leader:

Dale Peterson	Senior Specialist Property Auditor-Appraiser

Survey Team:

Jim McCarthy	Senior Petroleum and Mining Appraisal Engineer
Teresa Quento	Senior Specialist Property Auditor-Appraiser
John Frank	Senior Specialist Property Appraiser
Andy Austin	Associate Property Appraiser
Zella Cunningham	Associate Property Appraiser
Angie Berry	Assistant Property Appraiser
Dave Barbeiro	Associate Property Auditor-Appraiser
Aaron Martinez	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[3] 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 (CAPD) 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.)[4]

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.

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[3] 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.

[4] 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.

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.

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 CAPD. 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 ten 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 ten 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 ten largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.

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

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

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

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

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

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

Rule 371. **Significant assessment problems**.

(a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, "significant assessment problems" means procedure(s) in one or more areas of an assessor's assessment operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:

(1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or

(2) the sum of all the differences between the board's appraisals and the assessor's values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor's entire roll, exceeds 7.5 percent of the assessment level required by statute.

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

(1) Uniformity of treatment for all classes of property.

(2) Discovering and assessing newly constructed property.

(3) Discovering and assessing real property that has undergone a change in ownership.

(4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.

(5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.

(6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.

(7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.

(8) Discovering and assessing property that has suffered a decline in value.

(9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.

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

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the Board a response to the findings and recommendations in the survey report. The Yuba County Assessor's response begins on the next page.

Section 15645 also allows the Board to include in the report comments regarding the assessor's response. Our comments begin on the next numbered page (there are no page numbers for the assessor's response).

BOE'S COMMENTS ON ASSESSOR'S RESPONSE

The assessor stated that he believes a holder of a mining claim's annual filing with the BLM in order to continue in possession of the claim constitutes a reappraisable "renewal" within the meaning of section 61(a). The BOE staff position is that a holder of a mining claim's satisfaction of the annual requirements is not a "renewal" or "extension" of the mining claim and therefore there is not an annual change in ownership under section 61(b).

Letter To Assessors No. 82/77 deals with the issue of the length of term of possession for a mineral possessory interest. That letter concludes that the annual filing of required proof of labor with the BLM does not constitute a renewal of the claim and, thus, is not an annual change in ownership of the claim. It states, "By expending certain labor, money, and filing proof of such, the holder of a mining claim unilaterally perpetuates his possessory interest in the claim; no new government permission is necessary. The scope of the right does not change, nor are new rights created. The holder has simply satisfied a condition for continuation of the right acquired by the holder when the claim was filed."

Mining claims do not have a "stated term of possession," and they can be held indefinitely as long as the annual filing requirements are met. The holder of the mining claim continues in possession so long as the annual requirements are satisfied, and claims are subject to forfeiture only if it is determined that the conditions for holding the claim have not been met. The annual filings are a necessary part of the mining claim since mineral properties can take several years to develop. Annual assessment work, payment of maintenance fees, and filing with the BLM are the requirements for maintaining possession.

The County of Yuba

OFFICE OF THE COUNTY ASSESSOR

DAVID A BROWN
COUNTY ASSESSOR

(530) 749-7820

August 23, 2010

State Board of Equalization
County – Assessed Properties Division
PO Box 942879
Sacramento, CA 94279-0064

RECEIVED
AUG 24 2010
County-Assessed Properties Division
State Board of Equalization

Attn: Mr. Dean R. Kinnee, Chief

Re: Yuba County Assessment Practices Survey

Dear Mr. Kinnee,

Pursuant to Section 15645 of the California Government Code, I am providing our written response to the Assessment Practices Survey and sample of the 2008-2009 Assessment Roll. Please incorporate my response in your final Assessment Practices Survey Report.

I want to express my appreciation to Ms. Sally Boeck, Survey Team Supervisor, and the entire survey team for the professional manner in which the survey was conducted. The periodic, independent survey of Assessors' Assessment Practices is a valuable tool and serves as an essential checks and balances on the proper administration of California's Property Tax System.

In reviewing my response, you will note that we agree with many of the recommendations and have already implemented or are planning to implement the changes necessary to achieve compliance. I am pleased to note that the small number of recommendations are minor technical matters that do not involve or affect the major duties and functions of the department.

Most importantly, I want to thank my staff for their hard work, professionalism and dedication to serving the property owners and citizens of Yuba County. It was only through their committed effort that this overall outstanding practices survey was made possible.

Sincerely,

David A. Brown
Yuba County Assessor

DAB/my

915 8th Street, Suite 101 - Marysville, CA 95901-5273 - Fax (530) 749-7824

YUBA COUNTY ASSESSOR'S RESPONSE
TO
STATE BOARD OF EQUALIZATION ASSESSMENT PRACTICE SURVEY
AUGUST 23, 2010

Recommendation 1:
Exempt only qualifying portions of property owned by veterans' organizations.

Response:
We concur with this recommendation. Any property owned and operated by a qualifying exempt veterans' organization not used exclusively by the veterans' organization for exempt purposes will not be eligible for exemption.

Recommendation 2:
Update the decline in value notice to meet the requirements of Section 619(b).

Response:
We concur with this recommendation. Our decline in value notification form has been developed in a cooperative effort by the twenty one California counties utilizing the Megabyte Property Tax System. This matter will be brought to the group's attention.

Recommendation 3:
Improve the taxable possessory interest assessment program by: (1) Deducting appropriate lessor expenses when using the income approach, (2) enrolling supplemental assessments when there is a change in ownership, and (3) calculating supplemental assessments based on the full value of a newly created taxable possessory interest.

Response:
(1) We concur and will request expense information. (2) We concur and are currently enrolling supplemental assessments upon all changes in ownership not excluded by Revenue and Taxation Code 75.5(b). (3) We disagree with this recommendation. We believe that to value multiple possessory interests for the same property in the same year, without an offset for a prior value, would be in violation of Revenue and Taxation Code 75.11 and would result in the illegal creation of a double assessment.

Recommendation 4:

Assess unpatented mining claims consistent with the reasonably anticipated term of possession established by the Assessor.

Response:

We disagree with this recommendation. First is the legal question. The Board's position is the filing of the Proof of Labor for a mining claim does not represent an extension or renewal of the possessory interest and does not give rise to a reappraisal. We disagree. The owner of the mining claim is required by law to make an annual filing with the Bureau of Land Management (BLM). Failure to pay the annual maintenance fees, file a waiver of maintenance fees, or perform proper assessment work on a claim/site, will render the claim/site subject to cancellation. The assessor believes this annual filing constitutes a renewal of the mining claim and a change of ownership subject to reappraisal. Section 61 "Change in Ownership" includes, in part, "(a) The creation, renewal, sublease, assignment, or other transfer of the right to produce or extract oil, gas, or other minerals regardless of the period during which the right may be exercised," emphasis added. Second, mining claims are in our opinion year to year tenancies. Annually, the Assessor reviews the anticipated term, the economic rent, and the capitalization rate and determines the proper market value.