



STATE BOARD OF EQUALIZATION

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Executive Secretary

No. 79/10

January 15, 1979

TO COUNTY ASSESSORS:

LEGISLATION AFFECTING AUDIT RESULTS AND APPEALS

Senate Bill 1752 (Chapter 732) was signed by the Governor on September 11, 1978. As the bill did not contain an urgency clause, it became effective on January 1, 1979. The bill amends several sections of the Revenue and Taxation Code dealing with audit results, assessment appeals, and refunds.

Following is a discussion of the amendments:

1. Revenue and Taxation Code, Section 469

The amendment adds two paragraphs. The first paragraph provides that where a mandatory audit discloses property subject to an escape assessment for any year, then the original assessment of all property of the assessee at that location for the year the escape occurred shall be subject to review, equalization, and adjustment by the county board of equalization or assessment appeals board, unless it had previously been equalized. "All property" at a location includes land, buildings, and all other property assessed to the taxpayer at the subject location. Thus, base year values established for real property of the assessee will be subject to appeal even though the base year value was established in a year prior to the year of audit.

The second paragraph requires that the assessor notify the taxpayer of a possible refund and of the fact a claim for refund may be filed where an audit discloses excessive assessments caused by incorrect values or misclassification for any cause.

2. Revenue and Taxation Code, Section 533

This section is revised in two significant areas. First, over-assessments uncovered in any year under audit will offset escapes uncovered during any year under audit. Current law allows offsets between escapes and refunds occurring only in the same year.

Second, where total refunds exceed total escapes for a location for all years under audit, the assessor must notify both the taxpayer and the State Controller of the amount of excess and of the fact a claim for refunds or cancellation may be filed.

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Although the language of the measure is somewhat unclear, it is our belief that a practical interpretation that would best effectuate the legislative intent is one which would require the assessor to net tax liabilities rather than assessed values over the period of the audit. Furthermore, the notice to the State Controller should only be required when an adjustment to the amount of business inventory exemption subvention is necessary as a result of an audit.

3. Revenue and Taxation Code, Section 1605

This section contains the same revision as Section 469 regarding the possible appeal to the local equalization board of all property at a location following an escaped assessment.

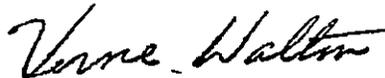
4. Revenue and Taxation Code, Section 4831

A sentence is added to subsection (a) providing that any assessors' errors uncovered by audit may be corrected up to six months after completion of the audit. We suggest that the term "completion of the audit" be interpreted to mean the point in time when the result is entered on the current roll, or if the roll is delivered to the auditor the point in time when the result is forwarded to the auditor.

We believe that certain amendments contained in this legislation present practical problems, and we will attempt to have the Board seek corrective legislation during the 1979 legislative session.

If you have any questions regarding the above, please call Bud Florence of this division.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

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