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November 3, 2009

RAMON J. HIRSIG  
Executive Director

No. 2009/049

TO COUNTY ASSESSORS:

SIGNIFICANT NUMBER OF BUSINESS PROPERTY AUDITS

Assembly Bill 550 (Stats. 2008, Ch. 297) amended Revenue and Taxation Code section 469. Effective January 1, 2009, county assessors are no longer required to audit all taxpayers with trade fixtures and business tangible personal property holdings of \$400,000 or more at least once every four years. Instead, a county assessor is required to annually audit a *significant number of audits* as specified in section 469, subdivision (a)(1):

For purposes of this section, "significant number of audits" means at least 75 percent of the fiscal year average of the total number of audits the assessor was required to have conducted during the 2002–03 fiscal year to the 2005–06 fiscal year, inclusive, on those taxpayers in the county that had a full value of four hundred thousand dollars (\$400,000) or more of locally assessable trade fixtures and business tangible personal property.

Enclosed is a listing of *Minimum Annual Property Tax Audits* for each county. The data was developed and compiled by Board staff and staff in each county assessor's office. Column 2, "Significant Number of Audits," is the *minimum* number of annual audits that will be required pursuant to the provisions of Revenue and Taxation Code section 469. The significant number of audits required for your county will not change under the provisions of section 469. Column 4, "Annual Audits Required – From Pool of Largest Assessments," is the minimum number of annual audits that must be conducted from the taxpayers with the largest assessments in the county. Column 5, "Annual Audits Required – From Pool of All Other Taxpayers," is the minimum number of annual audits that must be conducted of taxpayers other than those with the largest assessments in the county.

Column 3, "Pool of Taxpayers with Largest Assessments," is the total number of taxpayers with the largest assessments of trade fixtures and business tangible personal property that must be included in the largest assessment pool. This pool is compiled by ranking all of the taxpayers in the county in descending order by the total assessed value of trade fixtures and business tangible personal property. The number of taxpayers in this pool will not change, but the actual taxpayers in the pool of taxpayers with the largest assessments may change from year to year as businesses close, open, grow, or reduce. Therefore, it will be necessary to compile the listing of taxpayers with the largest assessments annually in order to make the audit selections.

County assessors may audit additional taxpayers as workload permits. However, when determining which additional taxpayers to audit, be aware that selecting the "additional"

taxpayers from the pool of taxpayers with the largest assessments may impact the ability to meet the minimum number of *annual audits required* from the pool of taxpayers with the largest assessments in the following years.

We want to thank county assessors and their staff for the assistance provided in compiling the data on the enclosed listing. If you have questions regarding the new audit procedures, you may contact our Assessment Services Unit at 916-445-4982.

Sincerely,

/s/ David J. Gau

David J. Gau  
Deputy Director  
Property and Special Taxes Department

DJG:sk  
Enclosure

**MINIMUM ANNUAL PROPERTY TAX AUDITS**  
**Revenue and Taxation Code Section 469**

County (1)	* Significant Number of Audits (2)	Pool of Taxpayers with Largest Assessments (3)	Annual Audits Required	
			From Pool of Largest Assessments (4)	From Pool of All Other Taxpayers (5)
Alameda	387	774	193 (194)	194 (193)
Alpine	1	2	0 (1)	1 (0)
Amador	6	12	3	3
Butte	41	82	20 (21)	21 (20)
Calaveras	4	8	2	2
Colusa	13	26	6 (7)	7 (6)
Contra Costa	175	350	87 (88)	88 (87)
Del Norte	7	14	3 (4)	4 (3)
El Dorado	22	44	11	11
Fresno	220	440	110	110
Glenn	4	8	2	2
Humboldt	24	48	12	12
Imperial	40	80	20	20
Inyo	12	24	6	6
Kern	139	278	69 (70)	70 (69)
Kings	25	50	12 (13)	13 (12)
Lake	7	14	3 (4)	4 (3)
Lassen	5	10	2 (3)	3 (2)
Los Angeles	1686	3372	843	843
Madera	28	56	14	14
Marin	45	90	22 (23)	23 (22)
Mariposa	6	12	3	3
Mendocino	22	44	11	11
Merced	74	148	37	37
Modoc	2	4	1	1
Mono	2	4	1	1
Monterey	77	154	38 (39)	39 (38)
Napa	54	108	27	27
Nevada	18	36	9	9
Orange	1014	2028	507	507
Placer	61	122	30 (31)	31 (30)
Plumas	3	6	1 (2)	2 (1)
Riverside	283	566	141 (142)	142 (141)
Sacramento	200	400	100	100
San Benito	15	30	7 (8)	8 (7)
San Bernardino	283	566	141 (142)	142 (141)
San Diego	584	1,168	292	292
San Francisco	303	606	151 (152)	152 (151)
San Joaquin	179	358	89 (90)	90 (89)
San Luis Obispo	57	114	28 (29)	29 (28)
San Mateo	217	434	108 (109)	109 (108)
Santa Barbara	216	432	108	108
Santa Clara	675	1,350	337 (338)	338 (337)
Santa Cruz	40	80	20	20
Shasta	40	80	20	20
Sierra	2	4	1	1
Siskiyou	10	20	5	5
Solano	62	124	31	31

County (1)	* Significant Number of Audits (2)	Pool of Taxpayers with Largest Assessments (3)	Annual Audits Required	
			From Pool of Largest Assessments (4)	From Pool of All Other Taxpayers (5)
Sonoma	107	214	53 (54)	54 (53)
Stanislaus	112	224	56	56
Sutter	23	46	11 (12)	12 (11)
Tehama	11	22	5 (6)	6 (5)
Trinity	1	2	1 (0)	0 (1)
Tulare	98	196	49	49
Tuolumne	8	16	4	4
Ventura	128	256	64	64
Yolo	59	118	29 (30)	30 (29)
Yuba	16	32	8	8

\* When the significant number of audits does not result in an even number, a determination must be made on how to split the odd number audit. For example, in a county with 118 in the pool of taxpayers with the largest assessments and 59 significant number of audits, the county assessor may conduct 29 audits from the pool of the taxpayers with the largest assessments and 30 audits from among any other taxpayer in the county in the first year, or vice versa. In this example, the only issue would be to meet the requirement of auditing 118 of the taxpayers with the largest assessments in the county within a four-year cycle.