



JEFFREY PRANG
Assessor

**OFFICE OF THE ASSESSOR
COUNTY OF LOS ANGELES**

500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012-2770
assessor.lacounty.gov
1(888) 807-2111



*Valuing People
and Property*

January 27, 2015

Ms. Sherrie Kinkle, Tax Administrator II
State Board of Equalization
County-Assessed Properties Division
P.O. Box 942879, MIC 64
Sacramento, California 94279-0064

Dear Ms. Kinkle:

**ASSESSORS' HANDBOOK SECTION 506
PROPERTY TAX AUDITS AND AUDIT PROGRAM**

As requested, our county has reviewed the revised draft of Assessors' Handbook Section 506, *Property Tax Audits and Audit Program*.

Please see enclosed matrix for our comments and suggestions.

If you have any questions, please contact Matthew Herrera at 213.974.9209 or MHerrera@assessor.lacounty.gov.

Sincerely,

Dale Hough
Chief Appraiser
Assessment Services Division

DH:CA:ca

Enclosure

c: Sharon Moller, Chief Deputy Assessor
File – Appraisal Standards Section

**ASSESSORS' HANDBOOK SECTION 506, PROPERTY TAX AUDITS AND AUDIT PROGRAM
ALTERNATIVE LANGUAGE/COMMENTS ON THIRD DRAFT**

No.	PAGE/LINE REFERENCE	PROPOSED LANGUAGE / LOS ANGELES COUNTY COMMENTS
1	1 5	While most assessees report their taxable property in good faith, errors by both the assessee or the county assessor may occur. <i>Remove “both” and replace “or” with “and/or”</i>
2	4 8	The significant number of audits classifications and audits of special consideration are discussed in the following sections. <i>Replace “audits” with “audit”</i>
3	4 19	trade fixtures and tangible personal property... <i>No ellipsis required. Nothing was omitted at the end of sec 469(a)(1).</i>
4	9 20	Depending on the amount of information needed, it may not be logical for the taxpayer to physically transport the business records. <i>Replace “logical” with “practical”</i>
5	10 19	An audit tracking schedule that lists the pool of the largest taxpayers that must be audited once at least every four years, <i>Change “once at least” to “at least once”</i>
6	11 6	conjunction with Last Year Audited field (number 7 above) <i>Change number “7” to number “5”</i>
7	11 10	Completed field (number 10 below) <i>Change number “10” to number “8”</i>
8	16 27	owns and controls... (Emphasis added.) <i>(period – space – ellipsis) Change to “owns and controls. ...”</i>
9	17 8	and proper reporting of property as required by this article... (Emphasis added.) <i>(period – space – ellipsis) by this article. ... (Emphasis added.)</i>
10	17 17	required by subdivision (d) of Section 441... (Emphasis added.) <i>(space after 1, ellipsis, space, period, space, open parenthesis)</i>
11	18 6	before such court at a time and place specified in the order... <i>(period – space – ellipsis) the order. ...</i>
12	18 8	The county assessor may subpoena and examine any person in relation to: <i>The original text of the citation does not have the word “county” and “subpoena” is spelled without the “o”.</i> 454. Examinations. The assessor may subpoena and examine any person in relation to:
13	18 11	stored with, possessed, controlled by the person...

No.	PAGE/LINE REFERENCE	PROPOSED LANGUAGE / LOS ANGELES COUNTY COMMENTS
		<i>(period – space – ellipsis)</i> possessed, controlled by the person. ...
14	24 3	acquisition date information, an auditor should also determine if any other machinery and Change “an auditor” to “the auditor”. (consistency)
15	26 15	Land and improvements, for example, are an appraisal unit Change “are” to “is”
16	32 8	Referral forms resulting from processing property statements or conducting audits of lessees may be helpful. The referrals will contain information from property statements filed by lessees and information extracted during audits of lessees. <i>Combine the first two sentences to read:</i> Referral forms containing information from property statements filed by lessees and information extracted during the audits of lessees may be helpful.
17	34 22	Discovers property not in the books and records. Replace period with semi-colon
18	38 6	Factors (functional, technological, or external) in addition to valuation techniques already used. Change to - factors (physical deterioration, functional, or external) – <i>to be consistent with AH 504</i>
19	41 17	liability for an escape assessment may generally be offset... Change “may” to “shall”
20	42 26	assessment... ⁶⁴ <i>(period – space – ellipsis)</i> assessment. ... ⁶⁴
21	43 12	of its escape except as provided in Section 2905 of this code... <i>(period – space – ellipsis)</i> Section 2905 of this code. ...
22	43 24	If the audit discloses an escape assessment as a result of the an assessee's error Remove “the”
23	46 6 & 7	(1) CIP was overreported by \$10,000 resulting in an overassessed value of \$10,000. (2) M&E was underreported by \$50,000 resulting in an underassessed value of \$39,000. Replace period in (1) with ; Replace period in (2) with ; and
24	49 8	sequence of the working papers. Change “working papers” to “work papers” to be consistent with page 36
25	50 3	After working papers and audit reports are completed, Change “working papers” to “work papers” to be consistent with page 36
26	50 4	The audit report and all working papers are reviewed to ensure:

No.	PAGE/LINE REFERENCE	PROPOSED LANGUAGE / LOS ANGELES COUNTY COMMENTS																									
		Change “working papers” to “work papers” to be consistent with page 36																									
27	50 19	subject of the audit.... <i>(period – space – ellipsis)</i> Subject of the audit. ...																									
28	51 6	his written comments shall become part of the audit report.... <i>(period – space – ellipsis)</i> become part of the audit report. ...																									
29	51 24	County assessors are required to notify assesses of any proposed escaped assessments by Change “escaped” to “escape” – consistency in usage																									
30	51 29	Proposed Escape Assessment” with respect to one or more specified tax years.... <i>(period – space – ellipsis)</i> one or more specified tax years. ...																									
31	64 5	<table border="1" data-bbox="310 565 1583 1019"> <thead> <tr> <th colspan="4" data-bbox="310 565 1583 630">PRE-AUDIT REVIEW</th> </tr> </thead> <tbody> <tr> <td data-bbox="310 630 394 695"><input type="checkbox"/></td> <td data-bbox="394 630 947 695">Property Statements</td> <td data-bbox="947 630 1024 695"><input type="checkbox"/></td> <td data-bbox="1024 630 1583 695">Files of Related Entities</td> </tr> <tr> <td data-bbox="310 695 394 768"><input type="checkbox"/></td> <td data-bbox="394 695 947 768">Prior Audit</td> <td data-bbox="947 695 1024 768"><input type="checkbox"/></td> <td data-bbox="1024 695 1583 768">Assessment Appeal Files</td> </tr> <tr> <td data-bbox="310 768 394 841"><input type="checkbox"/></td> <td data-bbox="394 768 947 841">Real Property Records</td> <td data-bbox="947 768 1024 841"><input type="checkbox"/></td> <td data-bbox="1024 768 1583 841">Prior Owners Files</td> </tr> <tr> <td data-bbox="310 841 394 954"><input type="checkbox"/></td> <td data-bbox="394 841 947 954">Lessor Files</td> <td data-bbox="947 841 1024 954"><input type="checkbox"/></td> <td data-bbox="1024 841 1583 954">Applicable R&T Code Sections and Rules</td> </tr> <tr> <td data-bbox="310 954 394 1019"><input checked="" type="checkbox"/></td> <td data-bbox="394 954 947 1019">Property Statements</td> <td data-bbox="947 954 1024 1019"><input checked="" type="checkbox"/></td> <td data-bbox="1024 954 1583 1019">Market Value Calculations</td> </tr> </tbody> </table> <p data-bbox="310 1068 1654 1179">Two items were added to the <i>Pre-Audit Review</i> checklist, “Property Statements” and “Market Value Calculations”. Both should be combined into one checklist item, “Market Value Calculations” and moved to the left column Property Statements is already an item at the top of the left column</p>		PRE-AUDIT REVIEW				<input type="checkbox"/>	Property Statements	<input type="checkbox"/>	Files of Related Entities	<input type="checkbox"/>	Prior Audit	<input type="checkbox"/>	Assessment Appeal Files	<input type="checkbox"/>	Real Property Records	<input type="checkbox"/>	Prior Owners Files	<input type="checkbox"/>	Lessor Files	<input type="checkbox"/>	Applicable R&T Code Sections and Rules	<input checked="" type="checkbox"/>	Property Statements	<input checked="" type="checkbox"/>	Market Value Calculations
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