

PLACER COUNTY ASSESSMENT PRACTICES SURVEY

AUGUST 2019

CALIFORNIA STATE BOARD OF EQUALIZATION

TED GAINES, SACRAMENTO

MALIA M. COHEN, CHAIR, SAN FRANCISCO

ANTONIO VAZQUEZ, VICE CHAIR, SANTA MONICA

MIKE SCHAEFER, SAN DIEGO

BETTY T. YEE

FIRST DISTRICT

SECOND DISTRICT

THIRD DISTRICT

FOURTH DISTRICT

STATE CONTROLLER

BRENDA FLEMING, EXECUTIVE DIRECTOR





STATE BOARD OF EQUALIZATION
PROPERTY TAX DEPARTMENT
450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064
1-916-274-3350 • FAX 1-916-285-0134
www.boe.ca.gov

TED GAINES
First District, Sacramento

MALIA M. COHEN, CHAIR
Second District, San Francisco

ANTONIO VAZQUEZ, VICE CHAIR
Third District, Santa Monica

MIKE SCHAEFER
Fourth District, San Diego

BETTY T. YEE
State Controller

BRENDA FLEMING
Executive Director

No. 2019/022

August 7, 2019

TO COUNTY ASSESSORS:

**PLACER COUNTY
ASSESSMENT PRACTICES SURVEY**

A copy of the Placer 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 specified counties 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 Kristen Spears, Placer 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 Placer 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 March through April 2018. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Ms. Spears and her staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
Property Tax Department

DY:dcl
Enclosure

TABLE OF CONTENTS

INTRODUCTION..... 1

OBJECTIVE 2

SCOPE AND METHODOLOGY 2

EXECUTIVE SUMMARY 4

OVERVIEW OF PLACER COUNTY 5

FINDINGS AND RECOMMENDATIONS 6

ADMINISTRATION 7
EXEMPTIONS 7

ASSESSMENT OF REAL PROPERTY 10
CHANGE IN OWNERSHIP..... 10
MINERAL PROPERTY 11

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES..... 13
AUDIT PROGRAM 13
BUSINESS PROPERTY STATEMENT PROGRAM..... 14
BUSINESS EQUIPMENT VALUATION 15

APPENDIX A: STATISTICAL DATA 18
TABLE 1: ASSESSMENT ROLL 18
TABLE 2: CHANGE IN ASSESSED VALUES 18
TABLE 3: GROSS BUDGET AND STAFFING 19
TABLE 4: ASSESSMENT APPEALS 19
TABLE 5: EXEMPTIONS – WELFARE 20
TABLE 6: CHANGE IN OWNERSHIP 20
TABLE 7: NEW CONSTRUCTION 21
TABLE 8: DECLINES IN VALUE 21
TABLE 9: AUDITS 22

**APPENDIX B: PRIOR SURVEY RECOMMENDATIONS,
RESPONSES, AND CURRENT STATUS 23**

APPENDIX C: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP 32

APPENDIX D: RELEVANT STATUTES AND REGULATIONS 33

ASSESSOR'S RESPONSE TO BOE'S FINDINGS 34

BOE'S COMMENTS TO ASSESSOR'S RESPONSE 38

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 specified county assessors' offices. This report reflects the BOE's findings in its current survey of the Placer 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 Placer 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 Kristen Spears, Placer County Assessor, elected to file her initial response prior to the publication of our survey; it is included in this report following the Appendixes.

OBJECTIVE

The survey shall "...show the extent to which assessment practices are consistent with or differ from state law and regulations."¹ The primary objective of a survey is to ensure the assessor's compliance with state law governing the administration of local property taxation. This objective serves the three-fold purpose of protecting the state's interest in the property tax dollar, promoting fair treatment of taxpayers, and maintaining the overall integrity and public confidence in the property tax system in California.

The objective of the survey program is to promote statewide uniformity and consistency in property tax assessment by reviewing each specified county's property assessment practices and procedures, and publishing an assessment practices survey report. Every assessor is required to identify and assess all properties located within the county – unless specifically exempt – and maintain a database or "roll" of the properties and their assessed values. If the assessor's roll meets state requirements, the county is allowed to recapture some administrative costs.

SCOPE AND METHODOLOGY

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.

Pursuant to Revenue and Taxation Code² 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.

This survey examined the assessment practices of the Placer County Assessor's Office for the 2017-18 assessment roll. Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.

Our survey methodology of the Placer County Assessor's Office included reviews of the assessor's records, interviews with the assessor and her staff, and contacts with officials in other public agencies in Placer County who provided information relevant to the property tax assessment program.

For a detailed description of the scope of our review of county assessment practices, please refer to the document entitled *Scope of Assessment Practices Surveys*, available on the BOE's website at

¹ Government Code section 15642.

² Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code and all rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

<http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf>. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

We conducted reviews of the following areas:

- Administration

We reviewed the assessor's administrative policies and procedures that affect both the real property and business property assessment programs. Specific areas reviewed include the assessor's budget and staffing, workload, staff property and activities, assessment appeals, and exemptions.

- Assessment of Real Property

We reviewed the assessor's program for assessing real property. Specific areas reviewed include properties having experienced a change in ownership, new construction assessments, properties experiencing a decline in value, and certain properties subject to special assessment procedures, such as California Land Conservation Act (CLCA) property, taxable possessory interests, and mineral property.

- Assessment of Personal Property and Fixtures

We reviewed the assessor's program for assessing personal property and fixtures. Specific areas reviewed include conducting audits, processing business property statements, business equipment valuation, and aircraft assessments.

EXECUTIVE SUMMARY

We examined the assessment practices of the Placer County Assessor's Office for the 2017-18 assessment roll. 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.

In the area of administration, the assessor is effectively managing staffing and workload, staff property and activities, and assessment appeals. However, we made a recommendation for improvement in the welfare exemption program.

In the area of real property assessment, the assessor has effective programs for new construction, declines in value, and California Land Conservation Act (CLCA) property. However, we made recommendations for improvement in the change in ownership and mineral property programs.

In the area of personal property and fixtures assessment, we made recommendations for improvement in the audit, business property statement, and business equipment valuation programs.

Despite the recommendations noted in this report, we found that most properties and property types are assessed correctly, and that the overall quality of the assessment roll meets state standards.

We found no significant assessment problems as defined in Rule 371. Since Placer County was not selected for assessment sampling pursuant to Government Code section 15643(b), this report does not include the assessment ratios that are generated for surveys that include assessment sampling. Accordingly, pursuant to section 75.60, Placer County continues to be eligible for recovery of costs associated with administering supplemental assessments.

OVERVIEW OF PLACER COUNTY

Placer County is located in northern California and was created in April of 1851. The county encompasses 1,407.01 square miles of land area and 95.45 square miles of water area. The county is bordered on the north by Yuba and Nevada Counties, on the west by Sutter County, on the south by Sacramento and El Dorado Counties, and on the east by the state of Nevada.



At the time of our survey period, Placer County had a population of 386,166. There are six incorporated cities in Placer County. Those cities include Auburn, Colfax, Lincoln, Loomis, Rocklin, and Roseville. The county seat is Auburn.

The Placer County local assessment roll ranks 18th highest in assessed value of the 58 county assessment rolls in California. The total assessed roll value has increased by an annual average of 6.6 percent over the last five years.³

³ Statistics provided by the California State Board of Equalization Annual Report, Table 7– *Assessed Value of County-Assessed Property Subject to General Property Tax 2017-18* and can be found at: http://www.boe.ca.gov/annual/2016-17/table_17/Table7-16-17.pdf.

FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the Placer County assessment roll meets the requirements for assessment quality established by section 75.60. This report does not provide a detailed description of all areas reviewed; it addresses only the deficiencies discovered.

Following is a list of the formal recommendations contained in this report.

- RECOMMENDATION 1:** Improve the welfare exemption program by:
(1) ensuring field inspection notes are properly maintained in the property record, and (2) accepting only form BOE-267, *Claim for Welfare Exemption (First Filing)* for new claimants.....8
- RECOMMENDATION 2:** Modify the notification letters to reflect proper filing deadlines and when a processing fee is collected in accordance with section 63.1(j).11
- RECOMMENDATION 3:** Measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469.....12
- RECOMMENDATION 4:** Modify the language advising taxpayers of their right to appeal as stated on the *Notice of Correction to the Section 601 Assessment Roll* in cases where no escape assessment was discovered in an audit.13
- RECOMMENDATION 5:** Reject *Vessel Property Statements* and *Aircraft Property Statements* filed prior to the lien date.15
- RECOMMENDATION 6:** Improve the business equipment valuation program by: (1) properly classifying cell towers as structures, (2) properly developing the historical cost less depreciation (HCLD) value indicator for fixtures and personal property of rate base regulated water companies, and (3) using the correct prescribed factors when valuing harvesters.....16

ADMINISTRATION

Exemptions

Article XIII, section 1 of the California Constitution sets forth the general principle that all property is taxable unless otherwise provided. Section 3 of article XIII authorizes exemption of certain types of property from property taxation and section 4 authorizes the Legislature to exempt certain other types of property from property taxation.⁴

Our review of the assessor's exemptions program only included the welfare 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 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 welfare exemptions program in Placer County is administered by an appraisal technician and supervising appraiser who report to the chief deputy assessor. The appraisal technician reviews claims and determines if the property, or portion thereof, is eligible for exemption.

We reviewed a variety of welfare exemption claims which included those that were granted full and partial exemptions, first-time and annual filings, and late filings. We reviewed claims for properties used for charitable, religious, scientific, and hospital purposes, including low-income rental housing properties and found that appropriate timely filing procedures were observed and

⁴For a detailed description of the scope of our review of this topic, please refer to the document entitled *Exemptions*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/exemptions_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

that documents and information necessary to administer exemptions were well-maintained and readily available. The assessor has a good understanding of the welfare exemption; however, we found areas in need of improvement.

RECOMMENDATION 1: Improve the welfare exemption program by:
(1) ensuring field inspection notes are properly maintained in the property record, and (2) accepting only form BOE-267, *Claim for Welfare Exemption (First Filing)* for new claimants.

Ensure field inspection notes are properly maintained in the property record.

We have found that the assessor has not been properly maintaining field inspection notes in property records. Additionally, the assessor does not use a BOE form or county developed form for maintaining field inspection notes. The assessor inputs the date of the inspection without including any notes regarding the exempt uses or description of the property.

As part of co-administering the welfare program, the assessor should include a record of the physical inspection of real property for which the exemption is claimed. Notes should be incorporated on a field inspection report, the exemption claim, and any other documents that clarify and document the use of the property for the purposes of determining if uses of the property qualify for the welfare exemption. Additionally, these notes should be maintained in the property record for review.

An onsite inspection of the property serves to verify the information provided on the claim. Maintaining notes of the onsite inspection in the property record is a vital step in determining exempt uses of the property over time. As part of the field inspection, the assessor should use a standardized form to accurately document the claimant's property use observed during the field inspection. The form may be one that is developed by the assessor or the suggested form BOE-267-FIR, *Welfare Exemption Assessor's Field Inspection Report*. These reports and other supporting documentation should be readily available and maintained in the property record for review in case questions arise regarding the uses of the property qualifying it for the exemption.

With field inspection reports that note only the date of inspection, it is not possible to determine if the assessor has correctly granted the exemption for all qualifying uses of the property.

Accept only form BOE-267, *Claim for Welfare Exemption (First Filing)* for new claimants.

We found instances where the assessor has been accepting form BOE-267-A, *Claim for Welfare Exemption (Annual Filing)*, for new claimants.

Both Publication 149, *Property Tax Welfare Exemption* and form BOE-267-A *Claim for Welfare Exemption (Annual Filing)* state that this form should only be used after the initial "been met" finding and the exemption was granted in the prior year. The use of the proper form will require the claimant to provide additional information about the organization, the uses of the property, all of which are essential to determine qualification for the exemption and exempt or non-exempt uses of the property.

Accepting form BOE-267-A, *Claim for the Welfare Exemption (Annual Filing)* in lieu of form BOE-267, *Claim for the Welfare Exemption (First Filing)* for new claimants in the county is contrary to established guidelines.

ASSESSMENT OF REAL PROPERTY

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 a change in ownership for property tax purposes. Section 50 requires the assessor to enter a base year value on the roll for the lien date next succeeding the date of the change in ownership; a property's base year value is its fair market value on the date of the change in ownership.⁵

Change in Ownership Exclusions – Section 63.1

Section 63.1 generally excludes from the definition of "change in ownership" the purchase or transfer of principal residences and the first \$1 million of other real property between parents and children. Section 63.1 also excludes qualifying purchases or transfers from grandparents to their grandchildren.

To enforce the \$1 million limit for property other than principal residences, the BOE maintains a database that lists transfers of such property statewide. To further the state and local interests served by tracking these transfers, section 63.1 encourages county assessors to report such transfers to the BOE on a quarterly basis. The quarterly reporting, which was formerly mandatory, is now optional. However, if an assessor opts not to report quarterly to the BOE, the assessor must track such transfers internally to be in compliance with section 63.1.

The BOE uses the information received by assessors to generate quarterly reports notifying assessors of any transferors who have exceeded their \$1 million limit. With this information, assessors are able to identify ineligible claims and, if necessary, take corrective action.

Placer County has passed and adopted an ordinance allowing the assessor to charge a \$175 processing fee if a transferee fails to return a certified claim for exclusion pursuant to section 63.1(j)(2).

Our review shows the assessor's office does a thorough job reviewing section 63.1 claim forms and found the 63.1 claims to be properly processed. However, we did recognize one area in need of improvement.

⁵ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Change in Ownership*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/cio_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

RECOMMENDATION 2: Modify the notification letters to reflect proper filing deadlines and when a processing fee is collected in accordance with section 63.1(j).

The assessor notifies the transferee in writing of potential eligibility for exclusion from change in ownership under section 63.1. However, the first notice has misleading language concerning the filing deadlines and the second notice has misleading language concerning the collection of the processing fees. On the second page of the first notice, there is a statement for the claimant to "Please complete and return the claim within 10 days" which is in conflict with the 45 day filing period under section 63.1(j)(1).

The second notification letter conflicts with section 63.1(j)(2). The letter does not provide the correct information about the collection of a processing fee if the claim for exclusion is received after 60 days from the date of the second notice. The letter states, "This letter is to advise you that a fee of \$175.00 will be required in order to process the claim" and goes on to say "In order to avoid the processing fee, the claim form must be turned in within 60 days of the date of this letter."

Section 63.1(j)(1) states that if the assessor notifies the transferee in writing of a potential eligibility for exclusion from change in ownership, a certified claim for exclusion shall be filed within 45 days of the date of the notice. If the transferee fails to file within 45 days, the assessor may send a second notice allowing the transferee 60 days from the date of the second notice to file the certified claim for exclusion. The second notice shall indicate whether a certified claim for exclusion that is not filed within 60 days will be subject to a processing fee as provided for in section 63.1(j)(2).

Section 63.1(j)(2) states that if a certified claim for exclusion is not filed within 60 days of the date of the second notice and the transferee subsequently files a claim after the 60 days and qualifies for the exclusion, the assessor may, upon authorization by the county board of supervisors, require the transferee to pay a one-time processing fee. The assessor shall collect the fee at the time the claim is submitted and shall reimburse the fee to the transferee if the claim is determined to be ineligible. The fee shall not exceed the amount of the actual and reasonable costs incurred by the assessor for reassessment work done due to the transferee's failure to file the claim for exclusion or \$175, whichever is less.

By not advising the taxpayer of the correct number of days to file the claim and by misrepresenting when the associated processing fee is payable, the assessor is not in compliance with statute and the taxpayer is not being properly notified of the filing deadline and collection and reimbursement of the processing fees.

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 with respect to the assessment of mineral properties.⁶

Mining Property

According to the assessor, mineral production in Placer County has significantly decreased over the last several years. Demand for construction materials is primarily being met either by producers outside of the county or through the use of recycled materials.

Our review of mineral properties indicate an area where improvement is needed.

RECOMMENDATION 3: Measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469.

We found that the assessor does not evaluate the entire appraisal unit when measuring declines in value. The assessor's staff indicate that there have not been any significant changes to mineral property assessment procedures. The county procedures incorrectly treat fixtures as a separate appraisal unit.

In accordance with article XIII A, all real property receives a base year value on each lien date. The taxable value of the real property unit is the lesser of its adjusted base year value or current market value. Section 105 defines fixtures as a type of improvement that are considered to be real property.

For most properties, fixtures are treated as a separate appraisal unit for the purpose of determining a decline in value. Mineral properties, however, are treated differently. Rule 469(e)(2)(C) specifically defines the appraisal unit of a mineral property to include land, improvements including fixtures, and reserves. Proper procedure is to determine the current market value of the appraisal unit and compare the adjusted base year value of the appraisal unit. The lower of the two aggregate values is enrolled. The assessor should use this unit to measure a possible decline in value.

Failure to properly determine the decline in value of a mineral property using the entire mineral property appraisal unit could result in an underassessment of the fixtures and equipment or an overassessment of the mineral rights.

⁶ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Mineral Property*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/mineralprop_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

Audit Program

County assessors are required to annually conduct 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 50 percent of those to be selected from a pool of those taxpayers with the largest assessments.⁷

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.

In the Placer County Assessor's Office, the audit responsibility rests on five auditor-appraisers. The audit program is overseen by a chief appraiser and a managing auditor appraiser. The chief appraiser oversees the business division and the commercial division.

We sampled numerous completed audits and found they were thoroughly conducted, well documented, and supported by a comprehensive audit narrative and checklist that included the important elements of an audit. We reviewed the assessor's notification procedures to ensure that taxpayers of escaped assessment were properly notified of escapes and of their right to appeal. We found that the taxpayers were, in most cases, properly notified and that, overall, the assessor's audit program is well administered. However, we found one area in need of improvement.

RECOMMENDATION 4: Modify the language advising taxpayers of their right to appeal as stated on the *Notice of Correction to the Section 601 Assessment Roll* in cases where no escape assessment was discovered in an audit.

We found that the assessor includes language advising taxpayers of their right to appeal in all *Notice of Correction to the Section 601 Assessment Roll* letters. This is true even in cases where the audit did not find any evidence of escape assessment for any of the years under audit.

⁷ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Audit Program*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/auditprogram_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

Rule 305.3(a) states, in part, if the result of an audit discloses property subject to an escape assessment for any year covered by the audit, then, pursuant to section 1605, an application may be filed for review, equalization, and adjustment of the original assessment of all property of the assessee at the location of the profession, trade, or business for that year, except any property that has previously been equalized for the year in question. Additionally, Rule 305.3 (b)(2) provides appeal rights in cases where the assessor does not find evidence of escaped assessment during an audit. In such a case, the taxpayer may file an application and present evidence to the board of the existence and disclosure of property of material value subject to escape assessment.

When the net result of an audit for any year under audit is an overassessment, the assessor correctly provides appeal rights in the *Notice of Correction to the Section 601 Assessment Roll* letter. However, in cases where the audit does not disclose an escape assessment, the assessor should modify the language advising taxpayers of their appeal rights to include language that reflects that the taxpayer may file an application and present evidence to the board of the existence and disclosure of property of material value subject to escape assessment pursuant to Rule 305.3 (b)(2), and that if the board determines that property subject to escape assessment was disclosed as a result of an audit, the board shall permit the taxpayer's section 469 appeal.

By providing incorrect language advising taxpayers of their appeal rights in the *Notice of Correction to the Section 601 Assessment Roll* letter in cases where the audit does not disclose an escape assessment, it misleads the taxpayer to believe appeal rights exist without evidence of an escape assessment.

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.⁸

General Statement Processing

In Placer County, BPSs filed with the assessor are processed in the main office. Staff involved in the review of BPSs include: clerical staff, auditor-appraisers, a supervising appraiser and a managing auditor appraiser.

We reviewed all major aspects of the assessor's BPS program, including processing procedures, use of Board-prescribed forms, application of penalties, and record storage and retention. In addition, we reviewed several recently processed BPSs. We found that all BPSs sampled and accepted by the assessor evidenced the proper usage of Board-prescribed forms and were completed in sufficient detail. Overall, the assessor's BPS processing program is well administered. However, we found an area in need of improvement.

⁸ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Business Property Statement Program*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/businesspropstatement_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

RECOMMENDATION 5: *Reject Vessel Property Statements and Aircraft Property Statements filed prior to the lien date.*

We found instances where the assessor has been accepting vessel and aircraft statements prior to the lien date; claim forms for the lien date were accepted in December of the prior year.

Section 441(b) specifies that a property statement shall be filed with the assessor between the lien date (January 1, at 12:01 a.m.) and 5:00 p.m. on April 1. Property statements include information about the make, model, purchase, size, and condition of the property. The information reported by the taxpayer allows the assessor to make an informed valuation of the vessel or aircraft as of the lien date.

The assessor's acceptance of property statements filed before the lien date is contrary to statute and the taxpayer cannot attest to the actual condition of a vessel or aircraft on the lien date if the property statement is filed before the lien date.

Business Equipment Valuation

Assessors value most machinery and equipment using business property valuation factors. Some valuation factors are derived by combining price index factors with percent good factors, while other valuation factors result from valuation studies. Under this methodology, value for taxation purposes is established by multiplying a property's historical cost by an appropriate valuation factor.⁹

We reviewed the assessor's valuation procedures as well as the assessor's application of percent good and trend factors to ensure that they were accurate and applied consistently. Samples were analyzed to verify that the assessor was applying the correct factors to various business and equipment type, estimating supplies when not reported, making appropriate trade-level adjustments when necessary, appropriately assessing fixtures, and correctly assessing mobile construction and agricultural equipment.

Overall, the assessor's business equipment valuation program is comprehensive and well managed. However, we found three areas in need of improvement.

⁹ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Business Equipment Valuation*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/businessequipval_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

RECOMMENDATION 6: Improve the business equipment valuation program by: (1) properly classifying cell towers as structures, (2) properly developing the historical cost less depreciation (HCLD) value indicator for fixtures and personal property of rate base regulated water companies, and (3) using the correct prescribed factors when valuing harvesters.

Properly classify cell towers as structures.

We found the assessor incorrectly classifies cell towers as fixtures.

Letters To Assessors No. 2001/024, *Delegation of Assessment Jurisdiction of Wireless Communications Tower Sites*, states that wireless communication towers should be classified as structures. Assessors' Handbook Section 502, *Advanced Appraisal (AH 502)* provides that an improvement will be classified as a structure when its primary use or purpose is for housing or accommodation of personnel, personalty, or fixtures; or when the improvement has no direct application to the process or function of the trade, industry, or profession. Wireless communication towers are not considered to have a direct application to the process or function of the trade, industry, or profession. The function of the tower is to house wireless communications antennas and related equipment.

Proper classification is an important factor for cell tower because supplemental assessments are levied only on improvements classified as structures. By not classifying cell towers as structures the assessor fails to make supplemental assessments for newly constructed cell towers or cell towers that change ownership.

Properly develop the historical cost less depreciation (HCLD) value indicator for fixtures and personal property of rate based regulated water companies.

We found that the assessor deducts the factored base year value (FBYV) of real property from the reported historical cost of rate based regulated water companies when developing the HCLD indicator of value for fixtures and personal property.

According to Assessors' Handbook 542, *Assessment of Water Companies and Water Rights (AH 542)*, the HCLD approach is a generally accepted method for valuing property interests of rate based regulated utilities, whether centrally or locally assessed, that utilizes accounting information (cost and depreciation) as prescribed by the agency regulating that property to compute a value indicator.

HCLD tends to approximate market value because it closely approximates the rate base on which the regulating agency allows a company to earn a return. In order for an HCLD indicator of value to effectively approximate market value, the assessor must use the company's accounting information or, when necessary, reasonable substitutes when making adjustments. Therefore, when developing the HCLD indicator of value the assessor should deduct the accounting cost of land and structures. However, there may be instances when real property accounting costs are bundled with other improvement costs. In such instances, the assessor should make an effort to obtain the unbundled land and structural accounting costs from the taxpayer. When this is not

possible, a reasonable substitute for the taxpayer's accounting costs of land and structure is the base year value of land and structure contained in the assessor's files.

By deducting the FBVYV of land and structures from the taxpayer's historical costs instead of the company's historical accounting costs or the base year value of the land and structures, the assessor will underassess the fixtures and personal property of rate based regulated water companies.

Use the correct prescribed factors when valuing harvesters.

We found that the assessor does not input the correct percent good factors into the property tax system for the valuation of harvesters. Instead, the assessor values harvesters using the except-harvesters percent good factors.

Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581), prescribes the use of the Agricultural Equipment Index and Percent Good Factors. The appropriate index factor on Table 3 under the "Agricultural" column must be selected for the year of acquisition. The next step is to select the appropriate percent good factor that is found in Table 6 under the column heading "Harvesters". These factors are to be used in valuing harvesters for assessment purposes.

The assessor's practice of using the except-harvester percent good factors to determine the value of harvesters leads to overassessment of this property type and is not in accordance with Board guidance.

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following chart displays pertinent information from the 2017-2018 assessment roll.¹⁰

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	\$22,320,175,994
	Improvements	\$48,929,124,685
	Personal Property	\$305,627,138
	Total Secured	\$71,554,927,817
Unsecured Roll	Land	\$52,956,635
	Improvements	\$581,724,253
	Personal Property	\$1,104,240,932
	Total Unsecured	\$1,738,921,820
Exemptions¹¹		(\$2,136,645,944)
	Total Assessment Roll	\$71,157,203,693

Table 2: Change in Assessed Values

The next table summarizes the change in assessed values over recent years:¹²

YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2017-18	\$71,157,204,000	5.7%	6.3
2016-17	\$67,344,373,000	5.3%	5.5
2015-16	\$63,984,789,000	8.8%	6.0
2014-15	\$58,804,580,000	6.9%	6.2
2013-14	\$54,994,270,000	6.1%	4.3

¹⁰ Statistics provided by BOE-822, *Report of Assessed Values By City*, Placer County for year.

¹¹ The value of the Homeowners' Exemption is excluded from the exemptions total.

¹² State Board of Equalization Annual Report, Table 7.

Table 3: Gross Budget and Staffing

The assessor's budget has grown from \$10,423,825 in 2013-14 to \$12,991,882 in 2017-18.

The assessor has 77 budgeted permanent positions. These positions consist of the assessor, chief deputy assessor, 5 supervisors, 31 appraisers, 4 auditor-appraisers, 3 drafting/mapping technicians, 5 computer analysts, 19 technical/professionals, and 8 support staff.¹³

The following table identifies the assessor's budget and staffing over recent years:¹⁴

BUDGET YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2017-18	\$12,991,882	0.5%	77
2016-17	\$12,923,299	1.0%	76
2015-16	\$12,801,291	10.1%	77
2014-15	\$11,626,914	11.5%	76
2013-14	\$10,423,825	7.9%	76

Table 4: Assessment Appeals

The following table shows the number of assessment appeals filed in recent years:¹⁵

YEAR	ASSESSMENT APPEALS FILED
2017-18	544
2016-17	749
2015-16	1,097
2014-15	543
2013-14	859

¹³ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

¹⁴ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

¹⁵ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

Table 5: Exemptions – Welfare

The following table shows welfare exemption data for recent years:¹⁶

YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2017-18	498	\$1,523,673,369
2016-17	506	\$1,477,435,046
2015-16	398	\$1,370,034,846
2014-15	363	\$1,330,690,357
2013-14	344	\$1,290,285,780

Table 6: Change in Ownership

The following table shows the total number of transfer documents received and the total number of reappraisable transfers due to changes in ownership processed in recent years:¹⁷

YEAR	TOTAL TRANSFER DOCUMENTS RECEIVED	REAPPRAISABLE TRANSFERS
2017-18	33,929	13,353
2016-17	33,278	13,237
2015-16	30,650	11,986
2014-15	30,451	12,686
2013-14	35,097	14,537

¹⁶ Statistics provided by BOE-802, *Report on Exemptions*.

¹⁷ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

Table 7: New Construction

The following table shows the total number of building permits received and the total number of new construction assessments processed in recent years:¹⁸

YEAR	TOTAL BUILDING PERMITS RECEIVED	NEW CONSTRUCTION ASSESSMENTS
2017-18	3,677	2,648
2016-17	8,348	2,538
2015-16	9,430	2,284
2014-15	15,253	1,776
2013-14	11,537	1,769

Table 8: Declines In Value

The following table shows the total number of decline-in-value assessments in recent years:¹⁹

YEAR	DECLINE-IN-VALUE ASSESSMENTS
2017-18	26,213
2016-17	29,234
2015-16	31,794
2014-15	43,710
2013-14	64,873

¹⁸ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

¹⁹ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

Table 9: Audits

The following table shows the minimum number of audits required to be conducted and the total number of audits completed in recent years.²⁰

MINIMUM NUMBER OF AUDITS REQUIRED²¹	2017-18	2016-17	2015-16	2014-15	2013-14
Largest Assessments	30	31	30	31	30
All Other Taxpayers	31	30	31	30	31
Total Required	61	61	61	61	61
NUMBER OF AUDITS COMPLETED					
Total Audits Completed	65	63	62	63	62
Largest Assessments	31	32	31	32	31
Over/(Under) Required	1	1	1	1	1
All Other Taxpayers	34	31	31	31	31
Over/(Under) Required	3	1	0	1	0
CCCASE AUDITS					
Prepared for other county assessors	0	9	11	6	13

²⁰ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

²¹ See LTA 2009/049, Significant Number of Business Property Audit, for the minimum number of annual audits required pursuant to the provisions of Revenue and Taxation Code section 469.

APPENDIX B: PRIOR SURVEY RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following are the recommendations included in our November 2014 Assessment Practices Survey Report and the assessor's response to each recommendation. After each recommendation, we report the current status of the assessor's effort to implement the recommendation as noted during our survey fieldwork.

Exemptions

RECOMMENDATION 1: Improve the administration of church and religious exemptions by properly determining the use of a property prior to granting the exemption.

Original Findings:

We found when determining the exempt use of a property for church and religious exemptions, it is the assessor's practice to review the use of the property reported on the claim form by conducting field inspections, reviewing media articles, and/or using internet satellite maps. However, we found instances where the assessor neglected to fully investigate the use(s) of the property, resulting in the improper granting of the exemption. In one case, the assessor continued to grant the church exemption, even though one of the property users failed to file a claim when so requested. In another case, we found that the assessor granted 100 percent of the religious exemption for a property that was not being used for exempt purposes.

Original Assessor's Response:

We concur and have reviewed the two exemptions in question and have taken appropriate follow-up action to address these isolated occurrences. The practice of this office is to inspect every new church exemption claim to determine if the use of the property qualifies for an exemption. This also includes new subleases reported on the annual statement. Exempted church and religious properties are periodically inspected to verify the exemption is still valid.

Current Status:

Though we cannot verify whether the assessor has fully implemented this recommendation, we will not be repeating this recommendation. We found that the assessor was still improperly granting an exemption for a particular property that was found to be improperly granted an exemption in the prior survey. However, we found only one instance from the new evidence sampled from this survey where we found an exemption that was improperly granted. This single instance does not rise to the level of a

recommendation. At this time, we will not be repeating this recommendation in this survey.

RECOMMENDATION 2: Remove the disabled veterans' exemption as of the date the property is no longer the claimant's principal place of residence.

Original Findings:

When a claimant sells their principal place of residence, the assessor correctly terminates the disabled veterans' exemption as of the date of transfer. However, when the residence is still owned by the claimant as of lien date, and the claimant relocates to another property also owned by the claimant, the assessor does not terminate the disabled veterans' exemption until the end of the fiscal year in which the claimant relocated.

Original Assessor's Response:

We concur and have taken appropriate follow-up action to address the one exemption that was in question, out of the four reviewed. We are also developing a new procedure to ensure that our current practices are documented and consistently applied.

Current Status:

The assessor has implemented this recommendation. The assessor correctly terminates the disabled veterans' exemption as of the date of transfer or when the claimant relocates to another property.

Change in Ownership

RECOMMENDATION 3: Improve the change in ownership program by correctly implementing the penalty abatement process in compliance with section 483(b).

Original Findings:

When a property owner fails to file a requested COS within 90 days, the assessor sends the property owner a notice of penalty letter, along with an additional COS and a penalty abatement form. The assessor's notice of penalty letter states, in part:

"If you believe your failure to reply to the original request within the time allotted was due to reasonable cause, you may file for abatement of the penalty. Your application for abatement, together with your completed 'Change in Ownership Statement', must be received by this office no later than 60 days from the date of the letter. An abatement application form is enclosed for your convenience."

This procedure is incorrect, since Placer County has a resolution in place that gives the assessor the authority to automatically abate the penalties as provided for in section 483(b).

Original Assessor's Response:

We note that the Board's objection is to our use of a board form to facilitate the penalty abatement process. We further clarify that there were no examples found where the penalty should have been abated and was not. We will review our practices and use of this form.

Current Status:

The assessor has implemented this recommendation. The assessor has revised the language in the second Change in Ownership Statement (COS) letter that is sent out to property owners so that it now conforms to Revenue & Taxation Code 483(b). The previous letter directed the property owner to send in an abatement application to abate the COS penalty, however, Placer county has an automatic abatement resolution. The revised penalty notification letter indicates that the property owner has 60 days from the date of the letter to submit the completed COS to the assessor for automatic penalty abatement or the penalty will become final.

New Construction

RECOMMENDATION 4: Grant new construction exclusions for claims for disabled access improvements only upon compliance with sections 74.3 and 74.6.

Original Findings:

We found the assessor excludes new construction performed for the purpose of making a dwelling more accessible to a severely and permanently disabled person who is a permanent resident of the dwelling without the information required in section 74.3. The assessor also excludes new construction performed for the purpose of making a building or structure more accessible to, or more usable by, a disabled person without the information required by section 74.6. If the permit description indicates it is for a disabled person to have access to an improvement, the permit is filed with the building record and notes are made indicating the permit description. The assessor does not reassess the new construction nor request BOE-63, *Disabled Persons Claim for Exclusion of New Construction*, or BOE-63-A, *Claim for Disabled Accessibility Construction Exclusion from Assessment* be filed to qualify for the exclusion.

Original Assessor's Response:

We concur and will add the additional recommended step of having the disabled party sign and complete the appropriate board forms to receive their exclusion. We further clarify that disabled access improvements were verified prior to granting of the new construction exemptions in accordance with sections 74.3 and 74.6.

Current Status:

The assessor has implemented this recommendation. A review of current new construction, where disabled access improvements were excluded, indicated the assessor is in compliance with sections 74.3 and 74.6 and has obtained BOE-63, *Disabled Persons Claim for Exclusion of New Construction*, or BOE-63-A, *Claim for Disabled Accessibility Construction Exclusion from Assessment* from the claimant prior to granting the exclusion.

California Land Conservation Act (CLCA)

RECOMMENDATION 5: Improve the CLCA property program by: (1) valuing newly created homesites on land under CLCA contract pursuant to Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties (AH 521)*, (2) deducting all allowable expenses from the income stream to be capitalized when valuing CLCA properties, (3) valuing all unrestricted nonliving improvements on CLCA property, and (4) assessing all trees and vines located on CLCA property.

(1) Value newly created homesites on land under CLCA contract pursuant to Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties (AH 521)*.

Original Findings:

We found that for CLCA contracts entered into after a change in ownership has taken place, the assessor values the newly created homesite by estimating the current market value of a comparable homesite as of the date the homesite is created rather than reallocating the existing factored base year value of the land between the newly created homesite and the restricted land. For example, the assessor determines the current market value of the area to be designated as homesite and then adds this new homesite value to the existing value of the property. This practice would be proper if the change in ownership and the creation of the homesite took place concurrently; however, when a homesite is created after a change in ownership, the assessor's procedure should differ.

Original Assessor's Response:

We concur and will revise our process for valuing homesites on CLCA land.

Current Status:

The assessor has implemented this recommendation. Placer County has 100 CLCA parcels that contain a homesite. Of the 100 parcels, only one parcel is known to have entered into a CLCA contract during the scope of survey. When valuing homesites for newly created contracts, the assessor now estimates the market value of the homesite as of the date of the most recently change in ownership and then indexes up for inflation to the date the homesite was created.

(2) Deduct all allowable expenses from the income stream to be capitalized when valuing CLCA properties.

Original Findings:

The majority of CLCA properties in Placer County are irrigated by a series of canals and ditches controlled by the Nevada Irrigation District (NID) and the Placer County Water Association (PCWA), while a few CLCA properties are irrigated by well water. However, we found that the assessor does not deduct either water irrigation well charges or water irrigation district charges from the gross income of CLCA properties.

Original Assessor's Response:

We will revise our process for identifying and valuing irrigation improvement and wells for CLCA properties.

Current Status:

We will not be repeating this recommendation. We were unable to obtain sufficient evidence as few properties are irrigated by well water. Based on the evidence provided by the county and additional research, it appears that the wells in question did not serve the specific agricultural properties. For the water irrigation districts mentioned in the original findings, the county provided additional documentation supporting the payment of water charges by the lessee. Additionally, our research indicates that the one purchasing water for irrigation use (typically the lessee) pays all water use charges for these particular water districts. Only those charges paid by the property owner or lessor must be deducted as an allowable expense from the income stream to be capitalized.

(3) Value all unrestricted nonliving improvements on CLCA property.

Original Findings:

We found the assessor does not recognize and assess all unrestricted nonliving improvements, such as stakes and trellises associated with grape vineyards, on CLCA property.

Original Assessor's Response:

We concur and will revise our procedure for valuing unrestricted, non-living improvements on CLCA properties.

Current Status:

The assessor has implemented this recommendation. We found that the assessor is assessing unrestricted non-living improvements which is consistent with Placer County's CLCA contract provisions.

(4) Assess all trees and vines located on CLCA property.

Original Findings:

We found several instances where the assessor failed to assess trees and vines located on CLCA property.

Original Assessor's Response:

We concur and will assess trees and vines on CLCA land.

Current Status:

The assessor has implemented this recommendation. We documented several instances where the assessor assessed trees and vines. Furthermore, we note that the assessor maintains a discovery program that includes an annual survey of all CLCA properties.

Taxable Possessory Interest

RECOMMENDATION 6: Improve the taxable possessory interests program by:
(1) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, and (2) properly calculating supplemental assessments for taxable possessory interests.

(1) Periodically review all taxable possessory interests with stated terms of possession for declines in value.

Original Findings:

We reviewed several taxable possessory interests with stated terms of possession and found several instances where the assessor did not periodically review these taxable possessory interests for possible declines in value. Instead, the assessor enrolled the factored base year value each year until either a change in ownership occurred or the term of possession ended.

Original Assessor's Response:

We acknowledge the Board's recommendation but disagree. We believe that we have an adequate annual review program for possessory interests. We send out a request letter to all commercial property owners each year requesting their response if they believe their property values have declined. All requests are reviewed, and we take into account the remaining term of possession.

Current Status:

The assessor has implemented this recommendation. The assessor has improved her possessory interest program by pursuing additional information in an effort to identify

declines in value. The assessor continues to send letters to all commercial property owners requesting information and allowing property owners to request a review for a decline in value. The assessor's possessory interest team has aggressively pursued relationships with the agencies granting possessory interests. One example is when the assessor arranged an information meeting with parties holding boat piers in Lake Tahoe. While the assessor is not getting all lease and term information from all agencies, there has been improvements in the amount of information received. By analyzing this data, the possessory interest staff is able to identify possessory interests with potential declines in value. When available, remaining term information is analyzed to determine if values need to be reduced. Typically, the assessor finds most leases increasing in rent. The assessor has more difficulty identifying potential declines in value for possessory interests where information is not provided. Any potential possessory interest decline in value brought to the attention of the assessor is investigated.

(2) Properly calculate supplemental assessments for taxable possessory interests.

Original Findings:

We discovered several taxable possessory interests where the assessor incorrectly calculated the supplemental assessment upon a change in ownership by offsetting the fair market value against the prior value on the roll. We also found examples where the assessor had issued negative supplemental assessments due to a change in ownership.

Original Assessor's Response:

We acknowledge the Board's recommendation but disagree. We review each circumstance and create supplemental assessments from zero as recommended by the Board in those instances where the supplemental would not create a double assessment.

Current Status:

The assessor has implemented this recommendation. The possessory interest staff has stated that they create supplemental assessments for possessory interests when appropriate. We verified that supplemental assessments were created for possessory interest assessments.

Audit Program

RECOMMENDATION 7: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

Original Findings:

We found that the assessor did not conduct the minimum number of audits required under the provisions of section 469 for three out of the past four years as reported.

Original Assessor's Response:

We have carefully reviewed this recommendation and found that the Board's source document for Placer's audit completions was the annual Budget, Staff, and Assessment Roll Data reports. We have provided the Board with additional specific information regarding audit completions, along with amended numbers for each of the years in question. Our findings indicate the only year of deficiency was 2009, and we have met and/or exceeded the minimum audit production required for all subsequent years. In addition, we note that the Board may wish to review the survey questions that are used to garner the information for the annual Budget, Staff, and Assessment Roll Data reports to ensure consistency and accuracy in state-wide reporting.

Current Status:

The assessor has implemented this recommendation. CAPD reviewed the assessor's audit tracking schedule and determined that the assessor has completed the required number of audits in accordance with section 469. In the past there have been discrepancies between completed audits reported in the budget and workload report and the assessor's audit tracking schedule. Discrepancies between the numbers reported on the budget and workload report and the assessor's audit tracking schedule is likely due to the way the questions were framed in the budget and workload report. Recently the Board has streamlined the questions contained in the budget and workload report in order to clarify the data needed. Nevertheless, when conducting surveys, CAPD staff should always review the assessor's source record for audit production which is the assessor's audit tracking schedule. A discussion related to the audit tracking schedule is contained in Assessors' Handbook 506, Chapter 2.

Aircraft

RECOMMENDATION 8: Properly apply a 10 percent adjustment to the *Bluebook* listed retail value in accordance with the guidelines set forth in Assessors' Handbook Section 577, *Assessment of General Aircraft* (AH 577).

Original Findings:

We found according to AH 577, a 10 percent adjustment should be applied to the Bluebook listed retail values in order to provide reasonable estimates of fair market values for aircraft in truly average condition. While the assessor applies the Board-prescribed 10 percent adjustment, the 10 percent adjustment is incorrectly applied at the end of the calculation after adjustments for airframe hours, engine hours, avionics, and overall condition have been applied.

Original Assessor's Response:

We concur with this recommendation regarding the application of the 10% adjustment to Bluebook. We also note that for the average general aircraft in Placer County, the

difference in value between the current and recommended methodology is not material. In our review, either approach would fall within an acceptable range of value.

Current Status:

The assessor has implemented this recommendation. The assessor correctly applies the Board-prescribed 10 percent adjustment to the *Bluebook* listed retail value before applying any other adjustments.

APPENDIX C: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

Placer County

Deputy Director

David Yeung

Survey Program Director:

Diane Yasui

Manager, Property Tax

Survey Quality Control:

Michael Saunders

Senior Specialist Property Appraiser

Survey Team Supervisor:

David Dodson

Supervisor, Property Tax

Survey Team:

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Isaac Cruz

Senior Specialist Property Auditor-Appraiser

Tina Baxter

Associate Property Appraiser

Lee Coleman

Associate Property Appraiser

Bob Marr

Associate Property Appraiser

Nancy Le

Associate Property Auditor-Appraiser

Artemis Oestreich

Assistant Property Appraiser

Dany Lunetta

Associate Governmental Program Analyst

APPENDIX D: RELEVANT STATUTES AND REGULATIONS

Reference	Description
<i>Government Code</i>	
§15640	Survey by board of county assessment procedures.
§15641	Audit of records; appraisal data not public.
§15642	Research by board employees.
§15643	When surveys to be made.
§15644	Recommendations by board.
§15645	Survey report; final survey report; assessor's report.
§15646	Copies of final survey reports to be filed with local officials.
<i>Revenue and Taxation Code</i>	
§75.60	Allocation for administration.
<i>Title 18, California Code of Regulations</i>	
Rule 371	Significant assessment problems.

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 Placer 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 follow the assessor's response.

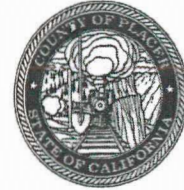
PLACER COUNTY ASSESSOR'S OFFICE

Kristen Spears, Assessor

2980 Richardson Drive • Auburn, CA 95603-2640

Telephone: (530) 889-4300 • Fax: (530) 889-4305

Website: www.placer.ca.gov/assessor • E-mail: assessor@placer.ca.gov



RECEIVED

JUN 21 2019

County-Assessed Properties Division
State Board of Equalization

June 20, 2019

Mr. David Yeung
Deputy Director
Property Tax Department
State Board of Equalization
P. O. Box 942879
Sacramento, CA 94279-0064

Subject: Placer County Assessment Practices Survey Response

Dear Mr. Yeung:

Enclosed is my response to the recommendations included in the State Board of Equalization Assessment Practices Survey of Placer County. This response was prepared in accordance with Section 15645 of the California Government Code. Please include my response in the published survey.

I wish to express my appreciation to the Board of Equalization survey team that visited Placer County for the professional manner in which the survey was conducted. I believe that a periodic, independent survey of Assessors' practices is an important tool that facilitates a beneficial dialogue between the State Board and local Assessors. Their constructive comments are much appreciated.

I would also like to express my sincere appreciation to the staff of the Placer County Assessor's Office for their dedication, professionalism, and unfailing commitment to serving the citizens of Placer County.

Sincerely,

Kristen Spears
Placer County Assessor

KBS/ag

Enclosure

Placer County Assessor 2019 Survey Responses

RECOMMENDATION 1: Improve the exemption program by: (1) ensuring field inspection notes are properly maintained in the property record, and (2) accepting only form BOE-267 Claim for Welfare Exemption (First Filing) for new claimants.

RESPONSE: We concur. We have created an inspection form that our staff members are required to complete when inspecting exempt properties. This form is now saved to the electronic record of the exempt property. We will also ensure that only form BOE-267 Claim for Welfare Exemption (First Filing) is accepted for new claimants.

RECOMMENDATION 2: Modify the notification letters to reflect proper filing deadlines and when a processing fee is collected in accordance with section 63.1(j).

RESPONSE: We concur. We have updated the language in our notification letters to more accurately reflect proper filing deadlines in accordance with section 63.1(j).

RECOMMENDATION 3: Measuring declines in value for mineral properties using the entire appraisal unit as required by Rule 469.

RESPONSE: We concur. We will implement this recommendation as time and resources permit.

RECOMMENDATION 4: Modify the language advising taxpayers of their right to appeal as stated on the Notice of Correction to the Section 601 Assessment Roll in cases where no escape assessment was discovered in an audit.

RESPONSE: We concur. We have developed a new notice for audits where all years result in a reduction or when the escape assessment is offset by a reduction or results in no change. This letter will be implemented for the upcoming audit season (fiscal year 2019-2020).

RECOMMENDATION 5: Reject Vessel Property Statements and Aircraft Property Statements filed prior to the lien date.

RESPONSE: We will take the recommendation under advisement. To add context to the recommendation, Placer County's vessel and aircraft property statements are mailed out mid-December each year, to assist the property owner's in filing an accurate statement on lien date, January 1st, each year. The statements which the BOE recommended the County reject were filed within two weeks of the January 1st lien date. The County would suggest that the owner's statement regarding the condition of the vessel filed within two weeks of the lien date should be an important consideration regarding the vessel or aircraft valuation, and rejection of such an early-filed statement would be administratively burdensome to the taxpayer and the assessor.

RECOMMENDATION 6: Improve the business equipment valuation program by: (1) properly classifying cell towers as structures, (2) properly developing the historical cost less depreciation (HCLD) value indicator for fixtures and personal property of rate base regulated water companies, and (3) using the correct Board-prescribed factor tables when valuing harvesters.

RESPONSE: 1) Placer County will continue to value cell towers using a Commercial 25-year life, consistent with the California Assessors' Association Annual Business Assessment Factor publication. 2) We concur. 3) We concur.

BOE'S COMMENTS TO ASSESSOR'S RESPONSE

Recommendation 6, Part 1: Improve the business equipment valuation program by:
(1) properly classifying cell towers as structures

Assessor's Response: 1) Placer County will continue to value cell towers using a Commercial 25-year life, consistent with the California Assessors' Association Annual Business Assessment Factor publication.

BOE's Comments to Assessor's Response on Recommendation 6, Part 1:

We acknowledge the assessor's decision to classify cell towers as fixtures. However, we stand by our original position that cell towers are structures, based upon the purpose of the cell towers, which is to house the wireless communication antennas and related equipment.