

# SISKIYOU COUNTY ASSESSMENT PRACTICES SURVEY

**AUGUST 2013**

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## CALIFORNIA STATE BOARD OF EQUALIZATION

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No. 2013/034

August 6, 2013

TO COUNTY ASSESSORS:

SISKIYOU COUNTY  
ASSESSMENT PRACTICES SURVEY

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

The Honorable Mike Mallory, Siskiyou County Assessor-Recorder, 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 Siskiyou County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from September through October 2011. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Mr. Mallory and his staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

These survey reports give government officials in California charged with property tax administration the opportunity to exchange ideas for the mutual benefit of all participants and stakeholders. We encourage you to share with us your questions, comments, and suggestions for improvement.

Sincerely,

/s/ David J. Gau

David J. Gau  
Deputy Director  
Property and Special Taxes Department

DJG:dcl  
Enclosure

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## **INTRODUCTION**

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest derives from state law that annually guarantees California schools a minimum amount of funding; to the extent that property tax revenues fall short of providing this minimum amount of funding, the State must make up the difference from the general fund.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews the practices and procedures (surveys) of every county assessor's office. This report reflects the BOE's findings in its current survey of the Siskiyou County Assessor-Recorder's Office.<sup>1</sup>

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 Siskiyou 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 Mike Mallory, Siskiyou County Assessor-Recorder, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendixes.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas, but they also contain information required by law (see *Scope of Assessment Practices Surveys* at page 2) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

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<sup>1</sup> This review covers only the assessment functions of the office.

## **SCOPE OF ASSESSMENT PRACTICES SURVEYS**

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor.

In addition, pursuant to Revenue and Taxation Code<sup>2</sup> section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team—based on objective standards defined in regulation—that there are no significant assessment problems in the county. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.

This report offers recommendations to help the assessor correct assessment problems identified by the survey team. The survey team makes recommendations when assessment practices in a given area are not in accordance with property tax law or generally accepted appraisal practices. An assessment practices survey is not a comprehensive audit of the assessor's entire operation. The survey team does not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment. In terms of current auditing practices, an assessment practices survey resembles a compliance audit—the survey team's primary objective is to determine whether assessments are being made in accordance with property tax law.

Government Code section 15643 requires the BOE to repeat or supplement each survey of a county's assessment practices at least once in five years. Our last full survey of Siskiyou County was conducted in 2007, and published in 2009. The current survey will serve to supplement the work done during the last survey by: (1) revisiting the issues about which we then made recommendations for improvement, (2) evaluating anew certain major areas of the assessor's operation, and (3) determining, for purposes of Revenue and Taxation Code section 75.60, whether Siskiyou County continues to be eligible to recover the costs associated with administering supplemental assessments.

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<sup>2</sup> 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.

## EXECUTIVE SUMMARY

As stated in the Introduction, this report emphasizes problem areas we found in the operations of the assessor's office.

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

In our review of the assessor's administration programs, we noted the assessor is properly handling the staffing, workload, assessment appeals, and tax rate area mapping programs. However, we noted that the staff property and activities program is in need of improvement.

In the area of real property assessment, the assessor has effective programs for change in ownership, declines in value, and Timberland Production Zone (TPZ) property. However, we found that improvement is needed in the new construction and mineral property programs.

In the area of personal property and fixtures assessment, the assessor is in need of improvement in conducting audits, processing business property statements, and valuing business equipment.

Despite the recommendations noted in this report, we found that most properties and property types are assessed correctly.

We found no significant assessment problems as defined in Rule 371. Since Siskiyou 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, Siskiyou County continues to be eligible for recovery of costs associated with administering supplemental assessments.

Following is a list of the formal recommendations contained in this report, arrayed in the order that they appear in the text.

<b>RECOMMENDATION 1:</b>	Develop written procedures that address economic interests and the assessment of staff-owned property.....	11
<b>RECOMMENDATION 2:</b>	Classify all wells as land pursuant to Rule 124. ....	25
<b>RECOMMENDATION 3:</b>	Track and use the adjusted base year value of mining fixtures and equipment when measuring declines in value for the entire mining appraisal unit.....	29
<b>RECOMMENDATION 4:</b>	Require a situs inspection as a standard component of the audit process. ....	32

**RECOMMENDATION 5:** Value taxable business property in accordance with section 501 when a taxpayer fails to file a business property statement (BPS).....34

**RECOMMENDATION 6:** Use the Board-prescribed factor tables as intended when valuing mobile agricultural equipment. ....35

## **PRIOR SURVEY RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS**

Following are the recommendations included in our March 2009 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.

### **Assessment Roll Changes**

**RECOMMENDATION 1:** Cite the caption required by section 531.8 when providing taxpayers with a *Notice of Proposed Escape Assessment*.

#### **Assessor's Response:**

*We concur and have revised our procedures to comply with statutory requirements.*

#### **Current Status:**

This recommendation has been implemented. The assessor is now citing the caption required by section 531.8.

### **Timberland Production Zone Properties**

**RECOMMENDATION 2:** Send periodic questionnaires to owners of TPZ land, requesting information on compatible, nonexclusive uses.

#### **Assessor's Response:**

*While we agree that there is often little contact between our office and owners of TPZ lands, we are still diligent in our discovery of income from compatible, nonexclusive uses such as grazing leases, cellular and repeater site leases, etc. This is reinforced by the fact that no specific problems were noted by the Survey Team. We will, however, comply with this recommendation as time and resources allow.*

#### **Current Status:**

This recommendation has been implemented. The assessor is now sending periodic questionnaires to owners of TPZ lands with the latest questionnaire being sent out for the 2011 lien date.



***Mineral Properties***

**RECOMMENDATION 3:** Revise appraisal procedures of mineral property by: (1) using the correct present worth factors, and (2) determining declines in value based on the full appraisal unit of mineral properties in accordance with Rule 469(e)(2)(C).

**Assessor's Response:**

*(1) We concur and have revised our valuation procedure to utilize correct present worth factors.*

*(2) We concur and have revised our procedures to coordinate valuation between the real and business property departments.*

**Current Status:**

The first part of this recommendation has been implemented and the assessor is now using the correct present worth factors when valuing mineral property; however, the second part has not been implemented and is repeated and expanded in the text of this report.

## **OVERVIEW OF SISKIYOU COUNTY**

Siskiyou County is located in the northern most part of California, along the Oregon border. Created in 1852, Siskiyou County is the fifth largest county by area in the state. The county encompasses 6,348 square miles, which consists of 6,278 square miles of land and 70 square miles of water. Approximately 60 percent of the land is publicly owned. Siskiyou County is bordered to the west by Del Norte and Humboldt Counties, to the south by Trinity and Shasta Counties, to the east by Modoc County, and to the north by the state of Oregon.

As of the 2010 census, the population of Siskiyou County was 44,900, which is a 1.4 percent increase in population from the 2000 census. There are nine incorporated cities: Dorris, Dunsmuir, Etna, Fort Jones, Montague, Mount Shasta, Tulelake, Weed, and Yreka. Yreka is the largest incorporated city in the county and it is the county seat.



## ADMINISTRATION

This section of the survey report focuses on administrative policies and procedures of the assessor's office that affect both the real property and business property assessment programs. Subjects addressed include the assessor's budget and staffing, workload, staff property and activities, assessment appeals, and tax rate area mapping.

### ***Budget and Staffing***

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

The following table shows the assessor's budget and staffing for recent years:

<b>BUDGET YEAR</b>	<b>GROSS BUDGET</b>	<b>CHANGE</b>	<b>PERMANENT STAFF</b>
2011-12	\$1,518,953	7.8%	16
2010-11	\$1,408,527	-20.8%	16
2009-10	\$1,779,093	-3.2%	16
2008-09	\$1,837,143	3.1%	16.66
2007-08	\$1,782,022	18.7%	18

At the time of our survey, the Siskiyou County Assessor's Office had 16 staff members. Staffing included the assessor, assistant assessor, deputy assessor-recorder, administrative assessment supervisor, one senior specialist appraiser, two senior appraisers, three appraisers, one senior cadastral mapping technician, three senior assessment technicians, and two assessment assistants.

### ***Workload***

Generally, the assessor is responsible for annually determining the assessed value of all real property and business personal property (including machinery and equipment) in the county. In order to accomplish this task, the assessor reviews recorded documents and building permits to discover assessable property. In addition, the assessor will identify and value all business personal property (including machinery and equipment), process and apply tax exemption claims for property owned by qualifying religious and welfare organizations, and prepare assessment appeals for hearing before the local board of equalization.

In addition, for most real property, the assessor is required to annually enroll the lower of current market value or the factored base year value. Therefore, when any factor causes a decline in the market value of real property, the assessor must review the assessment of the property to determine whether the decline has impacted the taxable value of the property for that year. In

certain economic times, this decline may greatly impact the workload of the assessor. Additionally, the number of assessment appeals may increase during this period.

According to the prior two tables, the assessor's total roll value and gross budget have increased three of the past five years. However, the assessor's gross budget has decreased by almost 15 percent from 2007-08 to 2011-12. The assessor's workload has been fluctuating over recent years. The number of reappraisable transfers due to changes in ownership and the number of new construction assessments have decreased each of the last four years. The number of decline-in-value assessments has increased significantly over the past four years, reflecting an increase of more than 6,000 decline-in-value assessments enrolled from 2006-07 to 2010-11. The number of assessment appeals filed has increased three of the past four years, with the most recent year reflecting a decrease.

These trends are shown in the following table:

<b>WORKLOAD DESCRIPTION</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>
Reappraisable Transfers	1,311	1,527	1,755	1,960	2,313
New Construction Assessments	374	520	622	757	912
Decline-In-Value Assessments	6,347	3,969	3,087	419	316
Assessment Appeals Filed	30	43	19	16	9

### ***Staff Property and Activities***

The BOE's assessment practices survey includes a review of the assessor's internal controls and safeguards as they apply to staff-owned properties and conflicts of interest. This review is done to ensure there are adequate and effective controls in place to prevent the assessor's staff from being involved in the assessment of property in which they have an ownership interest and to prevent conflicts of interest.

The assessor becomes aware of employee-owned property through name recognition when a recorded deed is received in the office, through self-declaration by the employee acquiring the property, and from the annual filing of the California Fair Political Practices Commission Form 700, Statement of Economic Interests (Form 700), which requests information regarding employee ownership in any real property, other than their primary residence, as well as ownership interest in any business entity.

In Siskiyou County, all certified appraisers in the assessor's office are required to annually submit Form 700. The forms are submitted to and maintained by the deputy clerk at the clerk's office. Annually, the assessor certifies to the BOE that he and his staff have complied with the requirements of section 672 by disclosing their financial interests.

The assessor does not have written policies or procedures in place for the assessment of staff-owned property in Siskiyou County. The assessor's informal policy is that when an appraisal is required on a staff-owned property, the assignment is given to the appraiser who is responsible for the geographic area in which the staff-owned property is located, unless the appraiser is also the owner of the property being appraised. In those instances, the appraisal is

assigned to an appraiser other than the property owner. When the appraisal is completed, it is forwarded to both the assistant assessor and the assessor for review. If an appraisal is needed for the assessor's property, the assignment is given to another county to perform the appraisal and then the appraisal is reviewed by the assistant assessor. In addition, the assessor reviews all permitted activity on staff-owned property, including those permitted activities issued for replacement, remodel, and general maintenance. The assessor also reviews all escape assessments and/or roll corrections on staff-owned property prior to enrollment.

The assessor has written guidelines to prevent conflicts of interest, and employees are required to sign and submit the assessor's Conflict of Interest Guidelines memorandum at the time of hire and periodically throughout their employment with the county. An activity that employees are not allowed to engage in is non-assessor office appraisal or appraisal related activities within Siskiyou County. The assessor's guidelines clearly state that violation of the assessor's policy regarding conflict of interest may subject an employee to disciplinary action.

In addition to reviewing the assessor's policies and procedures, we reviewed the forms submitted related to financial or economic interests, as well as property files and assessments for property owned by the assessor and his staff. We reviewed a number of staff-owned properties and found no problems with their valuation. For example, the assessor recently purchased a residence in Siskiyou County, and he requested that an assessor from another county value the property. Later, the assessor completed some new construction on the same residence and requested that the BOE value the new construction.

We found that the assessor is ever alert to potential conflicts of interest. However, we recommend the following improvement:

**RECOMMENDATION 1:** Develop written procedures that address economic interests and the assessment of staff-owned property.

We found the assessor has no written procedures relating to economic interests and relies on the deputy clerk at the county clerk's office to notify staff of the requirements to file Form 700 each year. Additionally, we found the assessor's informal procedures for staff-owned property do not fully address the assessment of real and personal property in which staff in the assessor's office hold an interest and do not include provisions for the review of such assessments.

One of the fundamental duties of an assessor is to establish the fair market value of property; at times, this will involve the assessment of property in which county staff has an interest. Letter To Assessors No. 2008/058 was issued as a guide to assist assessors in establishing procedures relative to the assessment of staff-owned property. Additionally, the issue of preventing conflicts of interest in assessors' offices has been statutorily addressed. Section 672 provides that certified employees must reveal their financial interests held in corporations and section 1365 prohibits the assessor and his/her employees from engaging in remunerative employment that would involve a conflict of interest with their official activities.

The procedures for the assessment of staff-owned property need not be lengthy or complicated, but should be formalized in a written format and provided to all staff. The procedures adopted by the assessor should:

- Clearly define the assessor's policies and procedures,
- Establish staff's responsibilities,
- Create a file or listing of all staff-owned property in the county,
- Contain well-defined review procedures, and
- Accurately track and document all events with potential assessment implications.

Development of procedures for staff-owned property that includes the above bulleted practices is recommended. This is deemed particularly important for smaller assessor operations, where staff is involved in a wide variety of office functions. In addition, development of written procedures related to economic interests is also recommended. These procedures should address contract appraisers and the assessor's annual letter to the BOE reporting that all of his certified appraisers have met the requirements of section 672.

Development of and adherence to written procedures in these areas would help ensure that staff is aware of the office policy.

### ***Assessment Appeals***

The assessment appeals function is prescribed by article XIII, section 16 of the California Constitution. Sections 1601 through 1641.5 are the statutory provisions governing the conduct and procedures of assessment appeals boards and the manner of their creation. As authorized by Government Code section 15606, the Board has adopted Rules 301 through 326 to regulate the assessment appeals process.

Pursuant to section 1601, the body charged with the equalization function for the county is the appeals board, which is either the county board of supervisors meeting as a county board of equalization or an appointed assessment appeals board. Appeal applications must be filed with the clerk of the board (clerk). The regular time period for filing an appeal application, as set forth in section 1603, is July 2 to September 15; however, if the assessor does not provide notice to all taxpayers of real property on the local secured roll of the assessed value of their real property by August 1, then the last day of the filing period is extended to November 30. Section 1604(c) and Rule 309 provide that the appeals board must make a final determination on an appeal application within two years of the timely filed appeal application unless the taxpayer and appeals board mutually agree to an extension of time or the application is consolidated for hearing with another application for reduction by the same taxpayer.

Siskiyou County Ordinance 592 provides for the creation of one assessment appeals board (AAB) to constitute the county board of equalization. The AAB consists of three regular members and three alternate members appointed by the Siskiyou County Board of Supervisors. The alternate members have the same authority to act for and in the temporary absence of a regular member. The county does not have hearing officers.

Assessment appeal applications are filed with the clerk. The clerk reviews the applications for completeness and timeliness of filing. The filing period for assessment appeals in Siskiyou County is July 2 through November 30.

Applications for changed assessment can be obtained at the clerk's office or through the clerk's website. The websites for both the assessor's office and the clerk's office provide guidance and detailed information to the public regarding the assessment appeals process, and provide links to the BOE's assessment appeals resources.

The clerk sends copies of all assessment appeals applications to the assessor's office. The assistant assessor reviews the appeal, tracks the appeal on a spreadsheet log, and assigns the appeal to the appraiser of that geographic area. Typically, the appraiser assigned to the appeal prepares the information and presents it before the AAB. However, the assistant assessor and senior specialist appraiser prepare and present the more complex assessment appeals. When preparing and presenting an appeal, the assessor's staff abides by the procedures set forth in Siskiyou County's *Outline of Assessment Appeals Hearing Procedures*. The assessor, assistant assessor, assigned appraiser, and county counsel attend every hearing.

Once an appeal has been filed, the assigned appraiser discusses the nature of the dispute with the applicant, performs a physical inspection of the property, and determines the value using sales, income, and cost data. If an agreement can be reached, the appeal may be resolved by a stipulation or a withdrawal. If the applicant agrees to withdraw without a value change, the applicant must notify the clerk in writing. In the event of a stipulation, the applicant and the assessor sign a document prepared by the assessor containing the agreed upon value. Pursuant to section 1607, a stipulation agreement is signed by county counsel, in addition to the applicant and the assessor, and sets forth the facts upon which the value is based. If no agreement can be reached, the clerk schedules the appeal for hearing.

In the event the applicant contacts the assessor's office prior to the hearing and submits any supporting information, it will be reviewed by the assigned appraiser. The assessor's staff provides information pertaining to taxpayer's records and sales data when the taxpayer requests data and when an exchange of information is initiated. The assessor adheres to the policies and practices as outlined in sections 408 and 1606.

The following table sets forth the assessment appeals workload in recent years:

<b>YEAR</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>
Appeals Filed	30	43	19	16	9
Appeals Carried Over From Prior Year	22	1	1	0	0
<b>Total Appeals Workload</b>	<b>52</b>	<b>44</b>	<b>20</b>	<b>16</b>	<b>9</b>
Resolution:					
Withdrawn	12	18	14	12	7
Stipulation	6	1	0	3	0
Appeals Reduced	1	1	1	0	0
Appeals Upheld	0	2	2	0	1
Appeals Increased	0	0	0	0	0
Other Determination*	0	0	2	0	1
<b>Total Resolved</b>	<b>19</b>	<b>22</b>	<b>19</b>	<b>15</b>	<b>9</b>
To Be Carried Over**	33	22	1	1	0

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

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

The majority of appeals filed in Siskiyou County for 2010-11 were decline-in-value appeals. No appeal filed in the last five years has gone unresolved for more than two years without a timely filed extension.

There were no assessment appeals hearings scheduled during our review period. However, we reviewed copies of appeal packets prepared and presented by appraisers from prior hearings; the packets were well organized. The assessor's assessment appeals program is well administered and we have no recommendations.

### ***Tax Rate Area Mapping***

Article XIII, section 14 of the California Constitution provides that all property taxed by local government shall be assessed in the county, city, and district in which it is situated. Section 95(g) provides for the definition of "tax rate area" as a specific geographic area all of which is within the jurisdiction of the same combination of local agencies and school entities for the current fiscal year.

The BOE's tax rate area system facilitates compliance with the constitutional requirement that all taxable property be assessed according to situs. The tax rate area system assigns a unique tax rate area number to every geographical area in the state that corresponds to a unique combination of overlapping tax levies made by local revenue districts, such as cities, school districts, and special districts. A general, countywide tax rate area number is also part of the system.



The tax rate area system is used for the assessment of property, and the collection and distribution of property tax revenue. The Tax Area Services Section (TASS) of the BOE is responsible for maintaining all property tax rate area maps and for maintaining special revenue district boundaries. TASS processes changes of jurisdictional boundaries based on the documents filed with BOE pursuant to Government Code sections 54900-54905, and issues change notices to the local taxing authorities. The tax rate area system does not reflect administrative boundaries of local, state, or federal government.

This survey focuses on how the assessor processes changes of jurisdictional boundaries of the taxing entities as they are reflected by the tax rate area chart. Our review indicates the assessor properly processes change notices for tax rate areas received from TASS. These changes are made in a timely manner, so that the appropriate property tax revenue allocations are made by the auditor to the various special revenue districts.

## ASSESSMENT OF REAL PROPERTY

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

- Revaluation of properties that have changed ownership.
- Valuation of new construction.
- Annual review of properties that have experienced declines in value.
- Annual revaluations of certain properties subject to special assessment procedures, such as Timberland Production Zone property, low-income housing, and mineral property.

Article XIII A of the California Constitution provides that, absent post-1975 new construction or changes in ownership, the taxable value of real property shall not exceed its 1975 full cash value, except that it can be adjusted annually for inflation by a factor not to exceed 2 percent.

### ***Change in Ownership***

Section 60 defines change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee simple interest. Sections 61 through 69.5 further clarify what is considered a change in ownership and what is excluded from the definition of change in ownership for property tax purposes. Section 50 requires the assessor to 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 change in ownership.

### **Document Processing**

The assessor's primary means of discovering properties that have changed ownership is through the analysis of deeds and other recorded documents at the county recorder's office. The recorder's office requires BOE-502-A, *Preliminary Change of Ownership Report (PCOR)*, to accompany documents submitted for recordation that transfer ownership of real property. PCORs are available at both the assessor's and recorder's offices and on the county website. Siskiyou County has a local ordinance that requires the assessor's parcel number to be included on all recorded documents involving real property.

In Siskiyou County, the assessor also functions as the county recorder. Images of all recorded documents are transferred electronically from the recorder's office to the assessor's computer system and those fitting certain parameters determined by the assessor are placed into a work queue for the assessor's staff to access. The recorder's staff also places all documents recorded for the week onto a CD for the assessor to review. Original PCORs are placed in a basket at the recorder's office and they are picked up twice a week by assessor's staff.

An assessment assistant reviews all recorded documents placed in the work queue, as well as those on the CD, to make sure no documents pertaining to the functions of the assessor were overlooked. The assessment assistant then determines whether the transfer is a reappraisable event. If the transfer is a reappraisable event, the assessment assistant prints an appraisal worksheet, updates the situs and owner information, pulls the property file, attaches the PCOR to

the file, and routes all information to an appraiser for valuation. Once the appraiser determines the value, the property file is returned to a senior assessment technician (SAT) to input the new value into the computer system and generate any necessary supplemental assessments.

The following table sets forth the total number of recorded documents received and the total number of reappraisable transfers processed in Siskiyou County in recent years:

<b>YEAR</b>	<b>RECORDED DOCUMENTS RECEIVED</b>	<b>REAPPRAISABLE TRANSFERS</b>
2010-11	3,548	1,311
2009-10	3,381	1,527
2008-09	3,918	1,755
2007-08	N/A	1,960
2006-07	N/A	2,313

The assessor also discovers potential changes in ownership through change of address requests, field checks by appraisers, and correspondence from transferors, transferees, attorneys, or family members. For deaths occurring within the county, discovery of potential changes in ownership are also obtained through monthly reports received from the recorder. An SAT conducts a name search to determine if any of the deceased person(s) listed on the report owned any property in the county. For changes in ownership resulting from the death of a property owner, the assessor properly uses the date of death as the event date.

We examined several recorded documents and found the assessor has an effective program for the discovery and determination of assessable events.

## Penalties

When a recorded document is received without a PCOR or the PCOR is incomplete, an assessment assistant sends BOE-502-AH, *Change in Ownership Statement* (COS), to the property owner. The property owner is given 45 days to respond to this request.<sup>5</sup> If the COS has not been returned within 45 days, a penalty is applied and a second COS is sent with the words "PENALTY APPLIED" stamped on the front of the COS, along with a letter advising the property owner of the penalty abatement process. The Siskiyou County Board of Supervisors adopted Resolution No. 43, Book 11, pursuant to section 483(b), which allows for the automatic abatement of section 482 penalties if the assessee files the COS with the assessor no later than 60 days from the date the assessee was notified of the penalty.

An assessment assistant monitors the COS requests on an electronic calendar. Once 45 days have lapsed, a notice on the computer alerts the assessment assistant to start the penalty process. The

<sup>5</sup> During the time of our survey, section 482(a) allowed property owners 45 days to return a completed COS when requested by the assessor before penalties were applicable. Effective January 1, 2012, Senate Bill 507 (Stats. 2011, ch. 708) amends section 482(a) to allow property owners 90 days to return a completed COS when requested by the assessor before penalties are applicable.

assessor processes very few section 482 penalties. Most property owners submit the required information timely. At times staff will call property owners or advise them in person during a field inspection if a PCOR or COS has not been filed. Without a PCOR or COS, property is reassessed by an appraiser using the cost approach or comparative sales approach to determine the value to be enrolled.

## Leases

The assessor typically discovers lease transactions through recorded documents. An assessment assistant initially processes all long-term and short-term lease transactions. The assessor attempts to obtain copies of all long-term leases. Once lease documents have been processed and determined to be reappraisable events, the information is sent to an appraiser for valuation.

We reviewed several files involving leases and found all were properly handled in accordance with section 61(c).

## Transfer Lists

Pursuant to section 408.1(a), the assessor shall maintain a list of transfers of any interest in property, other than an undivided interest, within the county, which have occurred within the preceding two-year period. Section 408.1(e) states the provisions of section 408.1(a) shall not apply to any county with a population under 50,000 people, as determined by the 1970 federal decennial census. Based on the population of Siskiyou County in 1970, the assessor is not required to maintain a transfer list and has elected not to maintain one.

## Legal Entity Ownership Program (LEOP)

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

To assist assessors, the BOE's LEOP section gathers and disseminates information regarding changes in control and ownership of legal entities that hold an interest in California real property. On a monthly basis, LEOP transmits to each county assessor a listing, with corresponding property schedules, of legal entities that have reported a change in control under section 64(c) or change in ownership under section 64(d). However, because the property affected is self-reported by the person or entity filing information with the BOE, LEOP advises assessors to independently research each entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

Sections 480.1, 480.2, and 482 set forth the filing requirements and penalty provisions for reporting of legal entity changes in control under section 64(c) and changes in ownership under 64(d). A change in ownership statement must be filed with the BOE within 90 days of the date of change in control or change in ownership; reporting is made on BOE-100-B, *Statement of*

*Change in Control and Ownership of Legal Entities.* Section 482(b) provides for application of a penalty if a person or legal entity required to file a statement under 480.1 and 480.2 does not do so within 90 days from the earlier of (1) the date of change in control or ownership or (2) the date of written request by the BOE.<sup>6</sup> The BOE advises county assessors of entities that are subject to penalty so they can impose the applicable penalty to the entity's real property.

In Siskiyou County, the assessor's main source of discovery for changes in control or ownership of legal entities is by reviewing the monthly LEOP reports from the BOE. The assessor also discovers potential changes in control or ownership of legal entities through newspaper articles, the Internet, business property statements, and word of mouth.

The monthly LEOP reports are reviewed by the senior cadastral mapping technician (SCMT) in order to determine if any property in Siskiyou County is owned by a legal entity having undergone a change in control or ownership. Parcels located within the county are identified and reviewed. In addition, the SCMT performs a name search to ensure all of the entity's real property is discovered for reassessment. The SCMT also conducts a search on all other entities listed in the LEOP report by company name to determine if any of these entities own property in Siskiyou County. When property is identified within the county as having undergone a change in control or ownership, the SCMT notifies the administrative assessment supervisor, who confirms that the change in control or ownership qualifies as an assessable event and assigns it to an appraiser for valuation.

We found that the assessor processes LEOP notices properly and promptly revalues parcels that have undergone a change in control or ownership. Our review of several records showed the county does a thorough job in reviewing the LEOP reports and in reassessing all property interests reported on the BOE-100-Bs. In recent years, the assessor has not discovered any late-filings of BOE-100-Bs; however, if a late-filing is discovered, the assessor reported that he would impose an appropriate late-filing penalty.

### **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.

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<sup>6</sup> Effective January 1, 2012, Senate Bill 507 (Stats. 2011, ch. 708) amends the filing requirement in section 482(b) from 45 days to 90 days for a person or legal entity to report a change in control or change in ownership, or to comply with a written request from the BOE, whichever occurs earlier.

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.

Applications and information regarding exclusions are available to the public at the assessor's office and on the assessor's website. The following table sets forth section 63.1 claims filed and granted in recent years:

<b>YEAR</b>	<b>SECTION 63.1 CLAIMS FILED</b>	<b>SECTION 63.1 CLAIMS GRANTED</b>
2010-11	252	252
2009-10	262	262
2008-09	307	307
2007-08	415	415
2006-07	294	294

If a section 63.1 claim form is submitted with the PCOR, an assessment assistant or the administrative assessment supervisor reviews the application and determines whether the exclusion will be accepted or denied. If a PCOR or COS indicates a transfer may be between a parent(s) and child(ren) or from grandparent(s) to grandchild(ren) and a claim form was not submitted, an SAT sends a claim form to the property owner advising them of a possible exclusion from reassessment. The SAT also sends a claim form if the last names of the transferor and transferee are the same, even if the PCOR does not indicate a possible section 63.1 exclusion. If the claim form is returned, the SAT determines if the exclusion will be accepted or denied. Typically, a property owner is advised either over the phone or in person if they qualify for the section 63.1 exclusion before filing a claim form and, therefore, it is usually only filed if the claim will be granted. No other notification is sent to the property owner advising if the claim was accepted or denied.

The Siskiyou County Board of Supervisors passed Ordinance No. 09-19, allowing a one-time processing fee of \$125.00 to recover costs incurred by the assessor due to failure of an eligible transferee to file a section 63.1 claim after two written requests. To date, the assessor has not had cause to administer this fee.

The assessor submits optional quarterly reports to the BOE listing approved section 63.1 transfer exclusions involving property other than the transferor's principal residence. When the assessor receives a *Report of Transferors Exceeding \$1,000,000* from the BOE, the SAT ensures the dates are correct, reviews the total value of transfers, disallows exclusions made after the limit was exceeded, and notifies appraisers of any reappraisable percentages. If necessary, contact is made with other counties to determine which property to exclude and which to reassess.

Pursuant to section 63.1(i), the assessor protects confidential information furnished on the claim forms by storing all claim forms in a secure area not accessible to the public.

We reviewed several accepted and denied section 63.1 claim forms and found them to be properly handled.

## Change in Ownership Exclusions – Section 69.5

Section 69.5 generally allows persons 55 years of age or older, or who are severely and permanently disabled, to transfer the base year value of a principal residence to a replacement residence of equal or lesser value located within the same county. A county board of supervisors may provide by ordinance that base year values may be transferred from properties located outside the county.

In general, a person may claim relief under section 69.5 only once during their lifetime. To prevent improper multiple claims for this relief, section 69.5 requires county assessors to report to the BOE, on a quarterly basis, any approved section 69.5 claims.

The BOE uses the information received by assessors to generate quarterly reports notifying assessors of any improper multiple claims. With this information, assessors are able to identify ineligible claims and, if necessary, take corrective action.

The assessor has had very few section 69.5 claims filed in the county. The following table sets forth section 69.5 claims filed and granted in recent years:

<b>YEAR</b>	<b>SECTION 69.5 CLAIMS FILED</b>	<b>SECTION 69.5 CLAIMS GRANTED</b>
2010-11	9	2
2009-10	5	1
2008-09	3	1
2007-08	8	N/A
2006-07	11	N/A

Siskiyou County does not accept base year value transfers from other counties. If a PCOR indicates a transfer may involve a base year value exclusion and a claim form has not been submitted, the SCMT sends the property owner a claim form giving the owner 60 days to respond. The SCMT tracks the claim forms sent and the property files are held in a pending status until a response is received or 60 days have elapsed.

Submitted claim forms are routed to the senior specialist appraiser, who determines the fair market value of both the replacement and original properties, computes the value comparison of the replacement property, and determines if a section 69.5 claim will be granted. The property owner is notified either by phone or in writing if a claim is denied.

The assessor submits required quarterly reports to the BOE listing approved section 69.5 exclusions. When a *Duplicate SSN Report* is received from the BOE, the report is reviewed to determine if any claims are duplicated within the county, have been made previously in another county, or have been filed and qualify for a second section 69.5 exclusion due to a severe and permanent disability.

Pursuant to section 69.5(n), the assessor protects confidential information furnished on the claim forms by storing all claim forms in a secure area not accessible to the public.

We reviewed several accepted and denied section 69.5 claim forms and found them to be properly handled.

### Valuation

Once a transfer has been determined to be a reappraisable event, the information is sent to an appraiser for valuation. Every reappraisable transfer is reviewed to confirm the reported sale price accurately reflects market value. The sale price is not automatically enrolled and may be overridden when data is available to rebut the presumption as stated in Rule 2.

Residential properties that have undergone a change in ownership are valued using the comparative sales approach or the cost approach, while commercial properties are valued using the comparative sales approach or the income approach. The assessor has created an in-house database containing comparable sales information for residential, commercial, industrial, and timberland properties. This is a very useful and valuable tool in assisting appraisers with the assessment of properties within the county. Market value conclusions are well documented on the property record. Any supporting documents are placed in the property file. Field inspections are conducted for any reappraisable transfer involving an improvement. If the transfer involves land only, an inspection is done at the appraiser's discretion.

Our review of several property records indicates the assessor correctly values properties subject to reappraisal due to changes in ownership, including foreclosures and partial interest transfers. In addition, the assessor properly applies the inflation factor and creates supplemental assessments when appropriate.

### **New Construction**

Section 70 defines newly constructed property, or new construction, as (1) any addition to real property since the last lien date, or (2) any alteration of land or improvements since the last lien date that constitutes a major rehabilitation of the property or converts the property to a different use. Further, section 70 establishes that any rehabilitation, renovation, or modernization that converts an improvement to the substantial equivalent of a new improvement, constitutes a major rehabilitation of the improvement. Section 71 requires the assessor to determine the full cash value of newly constructed real property on each lien date while construction is in progress and on its date of completion, and provides that the full cash value of completed new construction becomes the new base year value of the newly constructed property.

Rules 463 and 463.500 clarify the statutory provisions of sections 70 and 71, and the Assessors' Handbook Section 502, *Advanced Appraisal*, Chapter 6, provides guidance for the assessment of new construction.

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

The assessor has written procedures dealing with the assessment of new construction. The assessor's website provides general information, such as assessment terminology, as well as frequently asked questions to assist the taxpayer.



Discovery

Building permits are the assessor's primary means of discovering new construction. The assessor receives permits and notices of completion from the following permit issuing agencies: Siskiyou County Building Division of the Public Health Services & Community Development Department, City of Dunsmuir Building Department, City of Mt. Shasta Building Department, City of Weed Building Department, and City of Yreka Building Department. The Cities of Etna, Fort Jones, and Montague contract with the Siskiyou County Building Division to issue building permits for new construction in their jurisdictions. In addition, the Siskiyou County Environmental Health Division of the Public Health Services & Community Development Department issues permits for water wells and septic systems. The assessor has been unsuccessful in acquiring permits from the Cities of Dorris and Tulelake.

The following table shows the total number of permits received from each permit-issuing agency in recent years:

<b>BUILDING PERMITS RECEIVED</b>					
<b>REPORTING AGENCY</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>
Siskiyou County	549	552	725	864	822
Yreka	84	84	140	190	231
Dunsmuir	33	44	59	60	84
Mt. Shasta	89	49	75	100	80
Weed	44	28	60	41	60
Dorris	0	0	0	0	0
Tulelake	0	0	0	0	0
<b>Total</b>	<b>799</b>	<b>757</b>	<b>1,059</b>	<b>1,255</b>	<b>1,277</b>

Other discovery tools for new construction include performing field canvassing by appraisers in their assigned areas, reviewing business property statements, receiving information from taxpayers, and viewing an aerial mapping program. Also, the county building inspector notifies the assessor upon discovery of new construction.

Unpermitted new construction is enrolled as of the date of completion. If the appraiser is unable to get information from the property owner to determine the date of completion, the appraiser uses their best judgment to estimate the date of completion of the new construction. The assessor creates supplemental assessments, as allowed by law, for unpermitted new construction when discovered.

The following table shows the number of unpermitted (escaped) new construction discovered and the values enrolled in recent years:

<b>YEAR</b>	<b>ESCAPED NEW CONSTRUCTION</b>	<b>VALUE ENROLLED</b>
2010-11	75	\$1,847,630
2009-10	54	\$1,637,599
2008-09	64	\$1,265,811
2007-08	61	\$2,543,386
2006-07	30	\$1,409,635

### Permit Processing

The following table shows the number of new construction assessments processed in recent years:

<b>YEAR</b>	<b>NEW CONSTRUCTION ASSESSMENTS</b>
2010-11	374
2009-10	520
2008-09	622
2007-08	757
2006-07	912

The assessor is able to electronically access building permits and notices of completion from the Siskiyou County Public Health Services & Community Development Department. The information is processed by the assessor on a monthly basis. The Cities of Weed, Mt. Shasta, Dunsmuir, and Yreka mail copies of permits and final notices to the assessor for processing. Although not required by ordinance, the assessor's parcel number (APN) is listed on the permit. As stated previously, the Cities of Dorris and Tulelake do not submit permits to the assessor, so the appraiser assigned to these areas must contact the building inspector and/or the property owner to obtain information regarding new construction.

When building permits are accessed electronically, the senior assessment technician downloads the information regarding the permit to an index card or worksheet and attaches it to the property record. The property record is given to the appraiser assigned to the area. When a copy of the building permit is received by mail, it is attached to the property record and given to the appraiser assigned to the area. All permits are reviewed by the appraisers, including permits that do not add value, such as normal repair and maintenance, and re-roofing projects. The permit information is held by the appraiser until the final inspection is completed, at which time the appraiser values the new construction. It is then sent to the assessment section, where the new value is entered into the computer system. The assistant assessor is responsible for reviewing

randomly selected files of the new construction valuations, as well as reviewing any outstanding permits to ensure all permits are being addressed and worked.

### Construction in Progress

On each lien date, section 71 requires the assessor to enroll construction in progress at its fair market value. The appraiser must determine the completion status of new construction at each lien date and assign a value based on the percentage completed. On subsequent lien dates, if the new construction is still incomplete, the assessor must again enroll the construction in progress at its fair market value. This process continues until the new construction is complete, at which time the new construction is assessed at its fair market value and a base year value is assigned. We reviewed property records and found the assessor is correctly valuing new construction in progress by determining the percentage of completion as of lien date and calculating market value using published costs, reported costs, and market analysis.

### Valuation

Appraisers typically value new construction for residential properties using the comparative sales and cost approaches. When valuing new construction for commercial and industrial properties, appraisers use the income approach, as well as the comparative sales and cost approaches. The assessor uses a variety of sources to develop a cost indicator of value for new construction, which includes Assessors' Handbook Section 531, *Residential Building Costs* (AH 531), the owner's reported costs, and *Marshall Valuation Service* for commercial and industrial properties. Appraisers can elect to mail a *Property Owner's Statement On New Construction* to the property owner in order to gather information to assist in the valuation process. The statement requests information such as type of new construction, name of the contractor, cost information, and estimated date of completion.

The source of cost data for residential, commercial, and industrial properties is typically documented on the building record. Appraisers prepare diagrams for all newly constructed buildings using Apex software. The diagrams are either based on the building plans or actual field measurements. The appraisers are able to view building plans at the building department. Based on the type of new construction, the appraiser will determine if a field inspection is necessary. Supplemental assessments are created and issued based on the date of completion of the new construction.

Overall, we found the assessor's program for the assessment of new construction to be thorough and the values to be reasonable; however, there is an area where improvement is needed.

**RECOMMENDATION 2:** Classify all wells as land pursuant to Rule 124.

For California Land Conservation Act (CLCA) properties, we found that the assessor is correctly valuing wells as land. However, for all other types of properties, the assessor classifies wells as structural improvements. According to Rule 124(b)(1), wells are classified as land and, therefore, should be valued as land improvements. By classifying and assessing some wells as structural improvements, the assessor is underassessing the land, while overassessing the structural improvements on these properties. This practice may result in incorrect special assessments.

### **Declines in Value**

Section 51 requires the assessor to enroll on the lien date an assessment that is the lesser of a property's factored base year value (FBYV) or its current full cash value, as defined in section 110. Thus, if a property's full cash value falls below its FBYV on any given lien date, the assessor must enroll that lower value. If, on a subsequent lien date, a property's full cash value rises above its FBYV, then the assessor must enroll the FBYV.

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

<b>YEAR</b>	<b>DECLINE-IN-VALUE ASSESSMENTS</b>
2010-11	6,347
2009-10	3,969
2008-09	3,087
2007-08	419
2006-07	316

With the downturn of the housing market, Siskiyou County has experienced a notable decline in property values. Consequently, there has been a significant increase in the total number of properties in decline-in-value status. As can be seen in the previous table, the increase in the number of decline-in-value assessments has resulted in a major workload increase for the assessor and his staff.

Discovery and valuation of properties with declines in value are of high priority to the assessor and he has been proactive in adjusting the valuation of properties affected by declines in value. The assessor's primary methods of discovering declines in value are through taxpayer requests, assessment appeals, and appraisers' familiarity with their assigned areas. The assessor also uses the local Multiple Listing Service (MLS) to help identify trends in different areas within the county. Residential properties make up the majority of properties with declining values. All assessments reduced for declines in value are identified and tracked using a code in the assessor's computer system, which prevents the annual inflation factor from being applied to the decline-in-value assessment.

Appraisers are assigned specific geographical areas within the county and each appraiser maintains comparable sales information for their assigned areas. To determine current market values for comparison purposes, the assessor relies primarily on the income approach for commercial and industrial properties, and the comparative sales and cost approaches for residential and rural properties.

Siskiyou County has only a few small subdivisions or homogeneous tracts. Most of the properties are rural homesites. When a decline in value is discovered, the appraiser will review and lower the property value in question. If other properties in the area have similar features and dates of sale, the appraiser will review their assessments to determine if other properties in those surrounding areas have also suffered a decline in value. If it is apparent that a downward value

adjustment is warranted, such adjustments are made without requiring the taxpayer to request an informal review of their assessed value.

Each property coded for a decline in value is annually reviewed. The assessor compares current market value to the FBYV for each property in decline-in-value status and enrolls the lower of the two values. Value notices are sent to each property owner when the assessed value has been temporarily reduced due to a decline in value, when a reduced value remains on the roll for the current assessment year, or when the FBYV has been fully or partially restored. The value notice includes a statement of the assessment appeals filing period and an explanation of the stipulation procedure. In addition, the value notice shows the FBYV of the property, the proposed new assessment, and information about the assessment appeals filing process.

The taxpayer can initiate an informal assessment review by filing a *Request For Valuation Review*, which can be obtained at the assessor's public counter. Once received, the request is forwarded to an appraiser for review. After review, if the indicated market value is less than the current assessed value, the market value is enrolled and the property is placed in a decline-in-value status. If the property owner disagrees with the results of the assessor's review, they may obtain an *Application for Changed Assessment* from the Siskiyou County Clerk of the Board to file a formal assessment appeal.

We reviewed several residential and commercial property records for properties in decline-in-value status. Overall, we found the assessor's declines in value program to be efficient and we have no recommendations for this program.

### ***Timberland Production Zone Property***

Lands zoned "Timberland Production Zone" (TPZ) are valued in accordance with special TPZ site classifications; the valuation of such lands excludes the value of any standing timber. The annual value of a TPZ property is determined by its appropriate per-acre site value (section 434.5) plus the lower of the current market value or the factored base year value of any compatible, nonexclusive uses of the property (section 435).

The special valuation methods for TPZ lands do not apply to structures on TPZ lands or to reasonable sites for such structures. In other words, structures and the sites directly related to those structures are assessed similar to all other real property.

In Siskiyou County, the board of supervisors adopted Ordinance No. 721, establishing TPZ zoning. For the 2011-12 roll year, Siskiyou County had 1,663 TPZ parcels encompassing 570,916 acres, with a total roll value of approximately \$47,604,000. All land zoned TPZ is appropriately identified on the assessment roll with the notation "TPZ," in conformance with section 433.

The assessor values all TPZ properties pursuant to the timberland value schedule approved annually by the BOE. This schedule determines per-acre values by region and timber site classification. TPZ properties in Siskiyou County are classified as the "Pine-Mixed Conifer Region" and are valued using the five different site classifications.

Exclusive and nonexclusive compatible uses of TPZ lands are valued and enrolled annually at the lesser of fair market value or the factored base year value, in addition to the TPZ land values. The majority of compatible uses consist of homesites, residences, grazing, and cell towers and cell tower sites. The assessor discovers compatible uses for TPZ properties through permits from the Siskiyou County Building Division of the Public Health Services & Community Development Department and by monitoring the board of supervisor's minutes. The assessor sends requests for compatible use information periodically to property owners of TPZ parcels. In addition, the appraisal staff notes any observed changes to TPZ parcels while conducting their field work.

For the 2011-12 roll year, the assessor had four properties in nonrenewal. We found these properties to be valued pursuant to section 426 and Government Code section 51120(d).

Overall, the assessor has a thorough and well managed TPZ assessment program and we have no recommendations.

### ***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.

Siskiyou County does not have any assessable petroleum properties.

### **Geothermal Property**

There are several geothermal leases located in Siskiyou County. The leases are in the exploration phase. Two 49.9-megawatt geothermal plants have received approval from the Bureau of Land Management and the Forest Service in Siskiyou County. However, the future of the leases that would provide steam to these plants are uncertain because of legal proceedings to block geothermal development. The enrolled value of geothermal properties in Siskiyou County is \$15.1 million. There are no recommendations regarding the assessment of geothermal properties in Siskiyou County.

### **Unpatented Mining Claims**

Siskiyou County has an active mining history and currently has over 500 unpatented mining claims. The number of claims sold in the past few years has decreased due to California's ban on suction dredging operations; other forms of recovery remain available to hobbyists and active miners. The county tracks sales of mining claims and has developed a correlation for value based upon the size of the claim. The assessor also uses a 15 year anticipated term of possession to determine the value of the future maintenance payments to arrive at an assessable value for these claims. There are no recommendations regarding unpatented mining claims.

## Mining Property

Since the last survey, the assessor has undertaken a complete review of the mineral appraisal process. To address prior recommendations, base year values were rechecked to be certain that proper depletion had been applied, and cash flows were reexamined and corrected to reflect the proper discount factors. Additionally, the assessor has made efforts to gather better information from taxpayers regarding their properties. The assessor has developed a better working relationship with the county's planning department to improve operating parameters for the mining properties. However, we found an area in need of improvement.

**RECOMMENDATION 3:** Track and use the adjusted base year value of mining fixtures and equipment when measuring declines in value for the entire mining appraisal unit.

We found that the assessor treats fixtures associated with a mineral property as a separate appraisal unit for the purpose of determining a decline in value of such fixtures.

In general, fixtures are a separate appraisal unit for decline-in-value purposes as provided in Rule 461. However, in the case of mineral property, Rule 469(e)(2)(C) specifically provides that when measuring a decline in value, the appraisal unit shall be composed of land, improvements including fixtures, and reserves.

The assessor's practice of treating fixtures associated with a mineral property as a separate appraisal unit for decline-in-value purposes is contrary to Rule 469(e)(2)(C) and may result in the incorrect determination of the taxable value of a mineral property.

## ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

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

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

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

### **Audit Program**

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

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

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

Five of the six real property appraisers in the assessor's office, as well as the assessor and the assistant assessor, are Board-certified to conduct audits. The assessor contributes to audit production with regard to some of the more complex accounts.



As noted previously, effective January 1, 2009, section 469 specifies a minimum audit workload. Rule 192 prescribes the computation establishing minimum required audit production and provides the basis for the audit selection process. According to Letter To Assessors No. 2009/049, the amended statute requires the assessor to complete 10 audits per year. The assessor completed 18 audits for the 2009-10 roll year and 13 audits for the 2010-11 roll year. Given recent audit production levels, it appears the assessor will meet his audit workload for the 2011-12 roll year. We also reviewed and tested the assessor's audit selection methodology and found audit candidates included in the pool of largest accounts are being properly identified and processed.

### Statute of Limitations

Section 532 provides that when the assessor discovers through an audit that property has escaped assessment, an assessment of such property must be enrolled within four years after July 1 of the assessment year during which the property escaped assessment. If the assessor cannot complete an audit within the prescribed time period, the assessor may request, pursuant to section 532.1, a waiver of the statute of limitations from the taxpayer to extend the time for making an assessment.

The assessor requests signed waivers of the statute of limitations from taxpayers when he anticipates an audit will not be completed in a timely manner. We reviewed a number of waivers on record and found them to be adequately prepared and properly executed.

### Audit Quality

An audit should follow a standard format so that the auditor-appraiser may easily determine whether the property owner has correctly reported all taxable property. Audit narratives and summaries should include adequate documentation, full value calculations, reconciliation of the fixed assets totals to the general ledger and financial statements, review of asset invoices, reconciliation between reported and audit amounts, an analysis of expense accounts, and an analysis of depreciation and obsolescence factors that may affect the value of the business property.

We found that the assessor performs change in control (ownership) reviews, verifies leased equipment, accounts for supplies, and properly classifies equipment during the audit process. We sampled several recently completed audits and found that in all cases the audits were accurate and well documented. The assessor's audit quality is further enhanced by a standardized review process where every completed audit is reviewed by the assistant assessor or the assessor. Furthermore, the assessor adequately informs the property owner of their right to an appeal and separately enrolls roll corrections for each year in which the escape assessment took place pursuant to section 531.

Overall, the assessor's audit quality is consistent and effectively managed. However, there is one area where we found room for improvement.

**RECOMMENDATION 4:** Require a situs inspection as a standard component of the audit process.

For the majority of the audits we reviewed, we found no evidence that the assessor had conducted a situs inspection. We found that the assessor only includes a situs inspection in the audit process when time permits. A situs inspection is an essential aspect of any complete audit. Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*, discusses the importance of physical inspections in an audit program. An inspection should be standard procedure, especially for audits involving large commercial and industrial operations or in situations involving excess capacity, functional obsolescence, idle plants, or other unusual circumstances. By foregoing the physical inspection of the property, the assessor risks missing assets that have dropped from the books and he cannot gain a full appreciation of the overall condition of the taxable property. A physical inspection is a fundamental component of the audit process and can be a pivotal step in reaching an informed value conclusion.

### ***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 annually file a business property statement (BPS) with the assessor; other persons must file a BPS if requested by the assessor. Property statements form the backbone of the business property assessment program. Several variants of the BPS address a variety of property types, including commercial, industrial, agricultural, vessels, and certificated aircraft.

### **Workload**

The following table displays the assessor's workload of secured and unsecured BPSs and assessments for the 2011-12 roll year:

<b>TYPE OF PROPERTY STATEMENTS</b>	<b>TOTAL</b>	<b>SECURED VALUE</b>	<b>UNSECURED VALUE</b>	<b>TOTAL ASSESSED VALUE</b>
General Business	1,348	\$133,627,648	\$76,466,784	\$210,094,432
Agricultural	469	\$40,566,771	\$26,817,405	\$67,384,176
Apartments	20	\$276,907	\$40,990	\$317,897
Service Station	25	\$3,166,700	\$1,139,820	\$4,306,520
Leased Equipment	113	\$0	\$3,761,088	\$3,761,088
Direct Billing	265	\$2,304,880	\$1,287,505	\$3,592,385
<b>Totals</b>	<b>2,240</b>	<b>\$179,942,906</b>	<b>\$109,513,592</b>	<b>\$289,456,498</b>

All six of the appraisers in the office, as well as the assistant assessor, are directly involved in BPS processing. Appraisal staff members in Siskiyou County are not strictly designated as real property or personal property appraisers, but share responsibilities in both functions.

## General Statement Processing

Newly submitted BPSs are first reviewed by an assessment technician for completeness and the inclusion of an authorized signature. Incomplete BPSs and statements submitted without an authorized signature are returned to the property owner, along with a letter indicating the reason for the rejection. Completed BPSs are date stamped and submission dates are entered into the computer system to reflect the timely submission. Once screened and sorted, BPSs are batched and assigned to certified appraisers, who key cost data into the computer system and calculate a value conclusion. The computer system automatically applies a section 463 penalty to all accounts where BPSs were either not submitted or submitted subsequent to the statutory deadline of May 7.

## Discovery

The assessor utilizes a wide range of tools in discovering taxable business property. In addition to taxpayer self-reporting and periodic field canvassing, the assessor reviews city and county business licenses, fictitious business name filings, business directory services, real property appraiser referrals, landlord reports of tenants, and BOE notifications. We found that the assessor employs a sufficiently diversified program for discovering business personal property.

## Direct Billing

Many assessors utilize an assessment procedure known as "direct billing" or "direct assessment." It is a method of assessing qualified lower-value business accounts without the annual filing of a BPS. The assessor establishes an initial value and continues the value for several years. Property statement filing is required periodically. Examples of businesses suitable for direct billing include apartments, barbershops, beauty parlors, coin-operated laundrettes, small cafes, restaurants, and professional firms with small equipment holdings.

The direct billing program is beneficial to the taxpayer and the assessor. It results in a reduction of paperwork for taxpayers and fewer BPSs that must be processed annually by the assessor's staff. This program increases the time available for the appraisers to perform other required duties.

In Siskiyou County, 265 business accounts participated in the direct billing program during the 2011-12 roll year. The assessor's program is well regulated and appropriate controls are in place to reduce the chance of escape assessments by ensuring only well suited business accounts are included in the program and requiring participating businesses to file a BPS every four years in order to update taxable equipment information.

## Findings

We reviewed all major aspects of the assessor's BPS program, including processing procedures, use of Board-prescribed forms, application of penalties, real property division coordination, and record storage and retention. In addition, we reviewed several recently processed BPSs. We found that in all observed cases, BPSs accepted by the assessor evidenced the proper usage of

Board-prescribed forms, were completed in sufficient detail, and were properly signed. However, we did find an area in need of improvement.

**RECOMMENDATION 5:** Value taxable business property in accordance with section 501 when a taxpayer fails to file a business property statement (BPS).

When a completed BPS is submitted late, the assessor correctly calculates the current market value of known taxable business property owned and controlled by the taxpayer and applies the statutorily-defined 10 percent penalty. However, in cases where the BPS is not returned, the assessor does not calculate the current market value of the known taxable business property; he simply carries forward the previous year's enrolled value and applies the penalty. In addition, we found that the assessor sets no formal limits on the number of consecutive years a business property owner may fail to file a BPS before the assessor either visits the location of the taxable property or conducts an audit.

Section 441(b) provides that a BPS is considered late if it is not filed by May 7. If an assessee does not file a BPS by May 7, section 501 provides that the assessor shall estimate a value based on available information and add a 10 percent penalty to that estimated value. If a BPS was received during the previous year, it is usually reasonable to use the reported cost data as a basis for estimating the current year's value. However, when allowing estimated assessments to continue for several years without any new information, the values become increasingly susceptible to error.

The assessor's current enrollment methodology as applied to non-filing accounts may lead to erroneous value conclusions and may lead to improper application of the late or non-filing penalty provided for in section 463.

### ***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. A value indicator is obtained by multiplying a property's historical cost by an appropriate value factor.

Section 401.5 provides that the BOE shall issue information that promotes uniformity in appraisal practices and assessed values. Pursuant to that mandate, the BOE annually publishes Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581).

The assessor classifies business property accounts by industry type. Standard equipment lives are assigned to each industry type. Appraisal personnel are given latitude to adjust default valuation tables to accommodate the individual business environments and characteristics of the property being appraised. We reviewed the written procedures and standardized valuation policies related to business property valuation and found them to be adequately compiled and sufficiently detailed.

## Classification

Machinery and equipment must be classified as either personal property or fixtures (improvements), depending on whether the item is physically or constructively annexed to real property with the intent, as evidenced by outward appearance, that the item will remain annexed indefinitely. Ordinarily, the assessor must allocate machinery and equipment reported in bulk between fixtures and personal property. However, in Siskiyou County the assessor enrolls most taxable machinery and equipment separately thereby allowing for classification determinations to be made on an individual basis. Overall, we observed enrollments in the industries sampled were accurately classified and supported.

## Application of Board-Recommended Index Factors

The assessor has adopted the price indices and percent good factors recommended by the California Assessors' Association (CAA). The price indices parallel the indices published in AH 581. We reviewed the assessor's valuation tables and a number of processed BPSs. We found the assessor's application of Board-recommended valuation tables to be consistently and accurately applied.

## Mobile Construction and Agricultural Equipment Valuation Factors

Instructions pertaining to Table 5 and Table 6 in AH 581 designate the use of mobile equipment percent good factors for the valuation of new and used mobile construction and agricultural equipment.

**RECOMMENDATION 6:** Use the Board-prescribed factor tables as intended when valuing mobile agricultural equipment.

We reviewed the assessor's valuation tables and several processed agricultural oriented BPSs and found that the assessor maintains only one valuation table for mobile agricultural equipment. The construction of this table utilizes percent good factors designated for use only when the condition of the equipment when purchased is unknown. We found numerous cases where this valuation table was used to value mobile agricultural equipment reported as being purchased either new or used.

Section 401.16(a)(2) allows the assessor to average the new or used percent good factors for both mobile agricultural and construction equipment when the property owner does not indicate on the BPS whether the equipment is first acquired new or used. Where the condition is known, the assessor should use the "new" or "used" table. Mobile equipment depreciates at different rates depending on its condition when purchased. In order to ensure the most accurate value indicator possible, appropriate valuation tables should be utilized when sufficient information is available.

## APPENDIXES

### A. County-Assessed Properties Division Survey Group

#### Siskiyou County

*Chief*

Dean Kinnee

*Survey Program Director:*

Mike Harris

Principal Property Appraiser

*Survey Team Supervisor:*

Ronald Louie

Supervising Property Appraiser

*Survey Team Leader:*

Glenn Danley

Senior Specialist Property Appraiser

*Survey Team:*

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Tammy Aguiar

Senior Specialist Property Appraiser

Angie Berry

Senior Specialist Property Appraiser

Beth Ybarra

Assistant Property Appraiser

Jeff Arthur

Associate Property Auditor-Appraiser

Paul Stueber

Tax Technician II

## **B. Relevant Statutes and Regulations**

### **Government Code**

#### **15640. Survey by board of county assessment procedures.**

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

#### **15641. Audit of records; appraisal data not public.**

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located, of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and any state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

**15642. Research by board employees.**

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

**15643. When surveys to be made.**

- (a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the ten largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The ten largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.



(d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

**15644. Recommendations by board.**

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

**15645. Survey report; final survey report; assessor's report.**

(a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.

(b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report.

The board may, for good cause, extend the period for filing the response.

(c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement or the reasons for not implementing, the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

**15646. Copies of final survey reports to be filed with local officials.**

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

**Revenue and Taxation Code**

**75.60. Allocation for administration.**

(a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6 (commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.

(b) For purposes of this section:

- (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
- (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
  - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
  - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).

- (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.

### ***Title 18, California Code of Regulations***

#### **Rule 370. Random selection of counties for representative sampling.**

- (a) SURVEY CYCLE. The board shall select at random at least three counties from among all except the ten largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) RANDOM SELECTION FOR ASSESSMENT SAMPLING. The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
  - (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
  - (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.

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

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

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

**Rule 371. Significant assessment problems.**

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

- (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
- (2) the sum of all the differences between the Board's appraisals and the assessor's values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor's entire roll, exceeds 7.5 percent of the assessment level required by statute.

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

- (1) Uniformity of treatment for all classes of property.
- (2) Discovering and assessing newly constructed property.
- (3) Discovering and assessing real property that has undergone a change in ownership.
- (4) Conducting audits in accordance with Revenue and Taxation Code section 469.
- (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code sections 421 et. seq.
- (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code sections 107 et. seq.

- (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
  - (8) Discovering and assessing property that has suffered a decline in value.
  - (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.
- (c) A finding of "significant assessment problems," as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code section 75.60 and Government Code section 15643, and shall not be construed as a generalized conclusion about an assessor's practices.

## **ASSESSOR'S RESPONSE TO BOE'S FINDINGS**

Section 15645 of the Government Code provides that the assessor may file with the Board a response to the findings and recommendations in the survey report. The survey report, the assessor's response, and the BOE's comments on the assessor's response, if any, constitute the final survey report.

The Siskiyou County Assessor's response begins on the next page. The BOE has no comments on the response.



**MIKE MALLORY, ASSESSOR-RECORDER**  
**County of Siskiyou**

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Courthouse • 311 Fourth Street • Room 108 • Yreka, CA 96097-2984  
Assessor (530) 842-8036 • Recorder (530) 842-8065 • FAX (530) 842-8059

**RECEIVED**

**JUN 10 2013**

County-Assessed Properties Division  
State Board of Equalization

June 5, 2013

Mr. Dean Kinnee, Chief  
County-Assessed Properties Division  
State Board of Equalization  
P.O. Box 942879  
Sacramento, CA 94279-0064

Re: Assessor's Response – *Siskiyou County Assessment Practices Survey*

Dear Mr. Kinnee:

Enclosed please find the Siskiyou County Assessor's response to the State Board of Equalization's Assessment Practices Survey of the 2011-12 Assessment Roll. Please include this response as part of your published report as provided for in Section 15645 of the California Government Code.

I wish to thank Mike Harris, Glenn Danley, Pam Bowens, and the entire Survey Team for their professionalism and courtesy as shown during the course of the review, which was conducted as a supplement to our last full sample/survey of 2007. I appreciate that this condensed survey required less staff time and resulted in less impact to our daily operations. As always, my staff and I benefited greatly from the open dialogue afforded by your team during field work and subsequent conversations. I welcome the sample/survey process as an independent review of our operations, which helps to ensure fair and accurate assessments to the taxpayers of Siskiyou County.

And last but not least, I wish to commend my staff for their hard work, dedication, and professionalism, which has enabled this office to consistently produce high-quality assessment rolls while at the same time providing the excellent service that the public has come to expect from this office. It is a pleasure to work with such a dedicated group of public servants.

Please feel free to contact me if you should require any additional information or clarification.

Sincerely,

Mike Mallory  
Siskiyou County Assessor-Recorder

MM:jw

Enclosure

**SISKIYOU COUNTY RESPONSE TO  
SURVEY RECOMMENDATIONS – JUNE 2013**

**Recommendation 1:**     *Develop written procedures that address economic interests and the assessment of staff-owned property.*

*We concur and will be implementing such procedure for all Assessor's Office employees. This will be coordinated with the existing annual disclosure of financial interests as required by R&T 672, and annual FPPC Form 700 filings.*

**Recommendation 2:**     **Classify all wells as land pursuant to Rule 124.**

*We concur in concept. This office has had a long-standing policy of classifying wells as improvements, pre-dating the imposition of Proposition 13, but we will endeavor to resolve this classification issue as time and resources allow.*

**Recommendation 3:**     **Track and use the adjusted base year value of mining fixtures and equipment when measuring declines in value for the entire mining appraisal unit.**

*We concur, and have revised our procedures to coordinate valuation between the real and business property departments.*

**Recommendation 4:**     **Require a situs inspection as a standard component of the audit process.**

*Our inability to conduct situs inspections on many audits is a direct reflection of our reduced staffing levels. With that being said, we will address as time and resources allow.*

**Recommendation 5:**     **Value taxable business property in accordance with Section 501 when a taxpayer fails to file a business property statement (BPS).**

*We concur in part. This year we changed our procedures to consider reported cost no more than one year out as a basis for estimating the current year's value for FTF accounts. Past experience has shown that the pursuit of habitual non-filers is extremely time consuming and unproductive and, as a result, we will prioritize accordingly.*

**Recommendation 6:**     **Use the Board-prescribed factor tables as intended for valuing mobile agricultural equipment.**

*We concur. In fact, we revised our factor schedules for agricultural equipment within three months of our exit interview, for use in valuing the 2012-13 Roll.*