July 29, 2011

TO COUNTY ASSESSORS:

ALPINE COUNTY ASSESSMENT PRACTICES SURVEY

No. 2011/024

A copy of the Alpine 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 Dave Peets, Alpine County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the assessor's response, constitutes the final survey report, which is distributed to the Governor, the Attorney General, and the State Legislature; and to the Alpine County Board of Supervisors and Grand Jury.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from July through August 2009. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Mr. Peets 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/ John K. Thompson for

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 Alpine County Assessor's Office.

The assessor is required to file with the board of supervisors a response that states the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, and the Senate and Assembly; and to the Alpine County Board of Supervisors and Grand Jury. 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 Dave Peets, Alpine County Assessor, 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.
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\(^1\) 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 C.

Our survey of the Alpine County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with officials in other public agencies in Alpine County that provided information relevant to the property tax assessment program. This survey also included an assessment sample of the 2008-09 assessment roll to determine the average level (ratio) of assessment for all properties and the disparity among assessments within the sample. The ideal assessment ratio is 100 percent, and the minimum acceptable ratio is 95 percent. Disparity among assessments is measured by the sum of absolute differences found in the sample; the ideal sum of absolute differences is 0 percent and the maximum acceptable number is 7.5 percent. If the assessment roll meets the minimum standards for ratio and disparity, the county is eligible to continue to recover the administrative cost of processing supplemental assessments. The sampling program is described in detail 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.

\(^1\) Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code.
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 additional improvement. In many instances, the assessor is already aware of the need for improvement, and is considering changes as time and resources permit.

The assessor is doing a satisfactory job in handling many portions of the administrative policies and procedures, such as appraiser certification, staff property procedures, assessment forms, assessment appeals, and exemptions. We noted deficiencies in the workload program and assessment roll changes.

In the area of real property assessment, the assessor effectively manages new construction assessments, and leasehold improvements. However, we noted deficiencies in the change in ownership program, as well as in the assessment of California Land Conservation Act (CLCA) properties, taxable possessory interests, and properties experiencing declines in value.

In the assessment of personal property and fixtures, the assessor has effective programs for auditing, processing business property statements and valuing business equipment. Improvement is needed in the area of assessing manufactured homes.

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

The Alpine County assessment roll meets the requirements for assessment quality established by section 75.60. Our sample of the 2008-09 assessment roll indicated an average assessment ratio of 99.37 percent, and the sum of the absolute differences from the required assessment level was 1.94 percent. Accordingly, the BOE certifies that Alpine County is eligible to receive reimbursement 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.

RECOMMENDATION 1: Improve the workload program by reporting statistics as requested by the BOE pursuant to section 407............................8

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OVERVIEW OF ALPINE COUNTY

Alpine County lies along the crest of the central Sierra, south of Lake Tahoe and north of Yosemite, bordering the state of Nevada. Alpine County is bordered by the counties of El Dorado to the north, Amador and Calaveras to the west, Tuolumne and Mono to the south, and the State of Nevada to the east. Alpine County encompasses about 727 square miles and was chartered in 1864. The highest point in the county is Sonora Peak at 11,459 feet and the lowest point is along the Nevada State border at 4,848 feet. Currently, Alpine County has a population of about 1,060 residents, a decrease of slightly more than 12 percent since 2000. Most of the population is concentrated around a few mountain communities: Markleeville, Woodfords, Bear Valley, and Kirkwood Meadows. There are no incorporated cities and only about five percent of the land in the county is privately owned. The county is governed by a five-member board of supervisors.
The following table displays information pertinent to the 2008-09 assessment roll:

<table>
<thead>
<tr>
<th>PROPERTY TYPE</th>
<th>ENROLLED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Secured Roll</strong></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$271,026,485</td>
</tr>
<tr>
<td>Improvements</td>
<td>$438,226,397</td>
</tr>
<tr>
<td>Personal Property &amp; Fixtures</td>
<td>$5,250,229</td>
</tr>
<tr>
<td><strong>Total Secured</strong></td>
<td>$714,503,111</td>
</tr>
<tr>
<td><strong>Unsecured Roll</strong></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$8,372,359</td>
</tr>
<tr>
<td>Improvements</td>
<td>$8,752,235</td>
</tr>
<tr>
<td>Personal Property &amp; Fixtures</td>
<td>$15,171,657</td>
</tr>
<tr>
<td><strong>Total Unsecured</strong></td>
<td>$32,296,251</td>
</tr>
<tr>
<td><strong>Exemptions</strong></td>
<td>($646,163)</td>
</tr>
<tr>
<td><strong>Total Assessment Roll</strong></td>
<td>$746,153,199</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>TOTAL ROLL VALUE</th>
<th>CHANGE</th>
<th>STATEWIDE CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>$746,153,000</td>
<td>7.0%</td>
<td>4.7%</td>
</tr>
<tr>
<td>2007-08</td>
<td>$697,302,000</td>
<td>12.3%</td>
<td>9.6%</td>
</tr>
<tr>
<td>2006-07</td>
<td>$620,983,000</td>
<td>9.3%</td>
<td>12.3%</td>
</tr>
<tr>
<td>2005-06</td>
<td>$567,951,000</td>
<td>12.4%</td>
<td>11.1%</td>
</tr>
<tr>
<td>2004-05</td>
<td>$505,204,000</td>
<td>11.5%</td>
<td>8.3%</td>
</tr>
</tbody>
</table>

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2 State Board of Equalization Annual Report, Table 7
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, appraiser certification, staff property procedures, assessment appeals, assessment roll changes, exemptions, and assessment forms.

Budget and Staffing

The following table shows budget levels over recent years:

<table>
<thead>
<tr>
<th>BUDGET YEAR</th>
<th>GROSS BUDGET$</th>
<th>CHANGE</th>
<th>PERMANENT STAFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>$291,879</td>
<td>0.2%</td>
<td>3.0</td>
</tr>
<tr>
<td>2007-08</td>
<td>$291,409</td>
<td>9.0%</td>
<td>3.0</td>
</tr>
<tr>
<td>2006-07</td>
<td>$267,342</td>
<td>-5.3%</td>
<td>3.5</td>
</tr>
<tr>
<td>2005-06</td>
<td>$282,143</td>
<td>10.9%</td>
<td>3.5</td>
</tr>
<tr>
<td>2004-05</td>
<td>$254,505</td>
<td>N/A</td>
<td>3.5</td>
</tr>
</tbody>
</table>

The assessor’s staff consists of three full-time employees: the assessor, one appraiser, and one assessment office specialist. The assessor recently lost one part-time appraiser position.

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. 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.

3 County of Alpine Budget Unit Financing Uses Detail.
4 The number of staff reported includes the assessor.
As shown in the prior tables, the total assessment roll value has increased each of the past five years. During the same period, the assessor's workload has shifted. There has been a decline in the number of assessable changes in ownership, while the number of permits received has increased slightly. The assessment appeals workload has fluctuated over the years.

The following table sets forth these changes over recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>ASSESSABLE CHANGES IN OWNERSHIP</th>
<th>PERMITS RECEIVED</th>
<th>ASSESSMENT APPEALS WORKLOAD</th>
<th>TOTAL ROLL VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>94</td>
<td>N/A</td>
<td>N/A</td>
<td>$746,153,000</td>
</tr>
<tr>
<td>2007-08</td>
<td>133</td>
<td>145</td>
<td>14</td>
<td>$697,302,000</td>
</tr>
<tr>
<td>2006-07</td>
<td>214</td>
<td>139</td>
<td>17</td>
<td>$620,983,000</td>
</tr>
<tr>
<td>2005-06</td>
<td>228</td>
<td>110</td>
<td>12</td>
<td>$567,951,000</td>
</tr>
<tr>
<td>2004-05</td>
<td>194</td>
<td>114</td>
<td>12</td>
<td>$505,204,000</td>
</tr>
</tbody>
</table>

In June 2004 and each subsequent year, the assessor requested an extension of time to complete the assessment roll. The assessor was granted an extension to July 31 each year by the BOE. The assessor subsequently delivered the roll to the county auditor prior to the end of the extension period each year.

During our review of the workload program, we found one area in need of improvement.

**RECOMMENDATION 1:** Improve the workload program by reporting statistics as requested by the BOE pursuant to section 407.

During the survey, we requested statistics from the assessor for various topics, since the assessor had not reported requested statistics to the BOE for the publication *A Report on Budgets, Workloads, and Assessment Appeals Activities* for the last several years.

Section 407 provides that the assessor shall transmit a statistical statement to the BOE annually, on the second Monday in July, supplying any statistical information which the BOE may require, and shall supply from time to time any other information required by the BOE.

By not reporting statistics to the BOE, the assessor is not in compliance with current statute. Also, the assessor may not be tracking statistics for in-house use, which may keep him from making accurate decisions in regards to staff, workload, and the budget needed to complete the roll in a timely and efficient manner.

**Appraiser Certification**

Section 670 provides that no person shall perform the duties of an appraiser for property tax purposes unless he or she holds a valid appraiser's certificate issued by the BOE. There are a total of two certified appraisers on staff, including the assessor; both hold advanced appraiser's certificates. We found the assessor and his staff possess the required appraiser's certificates. The
assessor does not have a certified auditor-appraiser on staff and, therefore, the assessor is responsible for the audits, since he meets the requirements referenced in section 670(d). The assessor does not use contract appraisers.

In Alpine County, the assessor oversees the training and certification program for appraisers, and tracks individual appraisal education continuously along with the BOE annual reports. Appraisers are encouraged to take the necessary courses to obtain their advanced certification as soon as possible.

According to the BOE's report on training hours for Alpine County, no appraisers were deficient in training hours as of June 30, 2009. If appraisers should become deficient, the assessor would take corrective action. Alpine County appears to be conscientious in making certain that their certified appraisers meet their continuing education requirements. We found no problems with the assessor's appraiser certification program.

**Staff Property Procedures**

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 properties 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*, which requests information regarding employee ownership in any real property, other than their primary residence, as well as ownership interest in any business entity.

The assessor also discovers employee-owned properties or businesses in Alpine County by reviewing BOE-121, *Statement of Financial Interest*, filed by his staff each year. The statement requests information from employees regarding employee ownership interests in any business entities. Such information includes the nature of the interest and the percentage amount of ownership interest in the business entity.

Alpine County has a small assessor's staff consisting of the assessor and two staff members, with only the assessor owning property in the county. At the time the assessor purchased his property he was the only employee in the assessor's office. To ensure the integrity of the assessment, the property was appraised by a certified member of an adjacent county's assessment staff.

We found no problems with the assessor's valuation of staff property.

**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 by the same taxpayer.

In Alpine County, the five elected members of the board of supervisors sit as the local board of equalization for assessment appeals. A taxpayer requesting a hearing before the board must file an appeal application with the county clerk of the board of supervisors between July 2 and November 30 for the assessment year in question. The clerk of the board reviews all applications for timeliness and completeness prior to forwarding date-stamped copies to the assessor.

While it is the county clerk's responsibility to track and timely schedule assessment appeal hearings, both the county clerk and the assessor work together to ensure all appeals are resolved within the two-year statutory time limit. No appeal in the last five years has gone past the two-year limit without the applicant signing a waiver of the statutory time limit.
The following table sets forth the assessment appeals workload over recent years:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Appeals Filed</td>
<td>5</td>
<td>6</td>
<td>4</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Appeals Carried Over From Prior Year</td>
<td>9</td>
<td>11</td>
<td>8</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total Appeals Workload</strong></td>
<td><strong>14</strong></td>
<td><strong>17</strong></td>
<td><strong>12</strong></td>
<td><strong>12</strong></td>
<td><strong>5</strong></td>
</tr>
<tr>
<td>Resolution:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Withdrawn</td>
<td>3</td>
<td>5</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Stipulation</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Appeals Reduced</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Appeals Upheld</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Appeals Increased</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Determination*</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Resolved</strong></td>
<td><strong>3</strong></td>
<td><strong>8</strong></td>
<td><strong>1</strong></td>
<td><strong>4</strong></td>
<td><strong>0</strong></td>
</tr>
<tr>
<td>To Be Carried Over**</td>
<td>11</td>
<td>9</td>
<td>11</td>
<td>8</td>
<td>5</td>
</tr>
</tbody>
</table>

* 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.

Alpine County has few assessment appeals filed. When an appeal is filed, the assessor or the appraiser attempts to make contact with the applicant prior to the hearing to explain the assessment, understand the applicant's concerns, and try to come to an agreement. If an agreement is reached, the applicant withdraws the application. If the assessor and the applicant agree to a changed value as part of the agreement, the assessor prepares any necessary roll corrections. If no agreement can be reached, the appeal is scheduled for hearing. The assessor prepares and presents all unsecured property assessment appeals, while the real property appraiser prepares and presents all secured real property assessment appeals. The assessor attends every hearing.

Section 1624.01 requires all new members of assessment appeals boards to complete a training course. The Alpine County Board of Supervisors has not completed this training, and while this is not a requirement for members of boards of equalization who are also members of the board of supervisors, we encourage those members to attend the training in order to keep current on any possible changes to property tax law.

There were no appeal hearings scheduled during our survey period; however, we reviewed several appeal applications and files and found the assessor's portion of the assessment appeal program to be properly administered.
**Assessment Roll Changes**

Each year the assessor must complete the local assessment roll and deliver it to the auditor by July 1. Once the roll is delivered to the auditor, any correction that would decrease the amount of unpaid taxes requires the consent of the board of supervisors. All changes to the roll are authorized by specific statutes and any roll change must be accompanied by the appropriate statutory reference.

Assessment roll changes fall under two general categories: escape assessments and corrections. An escape assessment is an assessment of property that was not assessed or was underassessed, for any reason, on the original roll. A correction is any type of authorized change to an existing assessment, except for an underassessment caused by an error or omission of the assessee.

The following table shows the number of roll changes processed over recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>ROLL CHANGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>68</td>
</tr>
<tr>
<td>2006-07</td>
<td>134</td>
</tr>
<tr>
<td>2005-06</td>
<td>104</td>
</tr>
<tr>
<td>2004-05</td>
<td>79</td>
</tr>
</tbody>
</table>

We reviewed all secured and unsecured roll corrections processed for the 2003-04 through the 2007-08 roll years. Most of the roll corrections are processed correctly. However we found several areas of concern.

**RECOMMENDATION 2:** Improve roll changes by: (1) making roll changes only for the roll years within the statute of limitations, and (2) following proper enrollment procedures for escape assessments.

**Make roll changes only for the roll years within the statute of limitations.**

We found the assessor has processed several escape assessments beyond the statute of limitations.

As provided by section 532, escape assessments must be made within four years after July 1 of the assessment year in which the property escaped assessment or was underassessed. For assessments where section 504 penalties apply, the time period is extended to eight years after July 1 of the assessment year in which the property escaped assessments.

Delays in processing escape assessments can adversely affect the security of taxes. Entering escape assessments on the roll outside the statute of limitations results in overassessments.
Follow proper enrollment procedures for escape assessments.

The assessor does not properly notify taxpayers of the enrollment of an escape assessment and fails to allow the statutorily required minimum of ten days to elapse between notifying the assessee of the proposed escape assessment and the enrollment of the assessment. The only notice taxpayers receive from the assessor related to escape assessments is the Notice of Proposed Escape Assessment.

Before an escape assessment can be enrolled, taxpayers must first receive a Notice of Proposed Escape Assessment. According to section 531.8, no escape assessment shall be enrolled before ten days after the assessor has mailed or otherwise delivered to the affected taxpayer a Notice of Proposed Escape Assessment. The notice must prominently display the heading "NOTICE OF PROPOSED ESCAPE ASSESSMENT," and the notice must contain the following: (1) the amount of the proposed escape assessment for each tax year involved, and (2) the telephone number of the assessor's office to allow the taxpayer to contact the office regarding the proposed escape assessment.

Once the minimum ten-day delay prior to enrollment of the escape assessment has passed, the assessor may enroll the escape assessment. However, section 534 states that no assessment shall be effective until the assessee has been notified of the escape assessment personally or by mail. The notice must include the following information: (1) the date of mailing, (2) information regarding the assessee's right to an informal review and the right to appeal the assessment, and (3) that the assessment appeal must be filed within 60 days of the date of mailing printed on the notice or the postmarked date, whichever is later. Section 534(d)(2) expressly provides that the Notice of Proposed Escape Assessment required by section 531.8 does not satisfy the notice requirements of section 534.

The assessor's practice of only sending a Notice of Proposed Escape Assessment and not following proper enrollment procedures for escape assessments eliminates the taxpayer's opportunity to contact the assessor in case of a disagreement prior to enrollment of the escape assessment and it does not adequately inform taxpayers of the right to an informal review or the right to file an appeal contesting the assessment.

Exemptions

Church and Religious Exemptions

Article XIII, section 3(f) of the California Constitution authorizes exemption of property used exclusively for religious worship. This constitutional provision, implemented by section 206, exempts buildings, the land on which they are situated, and equipment used exclusively for religious worship, when such property is owned or leased by a church. Property that is reasonably and necessarily required for church parking is also exempt under article XIII, section 4(d) of the California Constitution, provided that the property is not used for commercial purposes. The church parking exemption is available for owned or leased property meeting the requirements of section 206.1. The Legislature has also implemented the religious exemption in section 207, which exempts property owned by a church and used exclusively for religious
worship or for both religious worship and school purposes (excluding property used solely for schools of collegiate grade).

County assessors administer the church and religious exemptions. The church exemption, including the church parking exemption, requires an annual filing of the exemption claim. The religious exemption requires a one-time filing by the claimant, although the assessor annually mails a form to claimants to confirm continuing eligibility for the exemption. Once granted, the religious exemption remains in effect until terminated or until the property is no longer eligible for the exemption.

The following table sets forth church and religious exemption information for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>CHURCH</th>
<th>RELIGIOUS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Exempted Value</td>
</tr>
<tr>
<td>2008-09</td>
<td>1</td>
<td>$92,593</td>
</tr>
<tr>
<td>2007-08</td>
<td>1</td>
<td>$90,778</td>
</tr>
<tr>
<td>2006-07</td>
<td>1</td>
<td>$88,998</td>
</tr>
<tr>
<td>2005-06</td>
<td>1</td>
<td>$87,253</td>
</tr>
<tr>
<td>2004-05</td>
<td>1</td>
<td>$85,543</td>
</tr>
</tbody>
</table>

The assessor processed one church exemption claim and no religious exemption claims for the 2008-09 roll. Our current review indicates the assessor properly processed the church exemption claim filings. There were no religious exemption claims during our survey period.

**Welfare Exemption**

Article XIII, section 4(b) of the California Constitution authorizes the Legislature to exempt property owned and used exclusively for religious, hospital or charitable purposes by organizations formed and operated exclusively for those purposes. When the Legislature enacted section 214 to implement this constitutional provision, a fourth purpose (scientific) was added. Both the organizational and property use requirements must be met for the exemption to be granted.

The welfare exemption is co-administered by the BOE and county assessors. The BOE is responsible for determining whether an organization itself is eligible for the welfare exemption and for issuing either Organizational Clearance Certificates (OCCs) to qualified organizations or Supplemental Clearance Certificates (SCCs) to limited partnerships, which have a qualified organization as the managing general partner, that own and operate low-income housing. The assessor is responsible for determining whether the use of a qualifying organization's property is eligible for exemption and for approving or denying exemption claims.

The assessor may not grant a welfare exemption on an organization's property unless the organization holds a valid OCC issued by the BOE or a valid SCC issued by the BOE if the property is a low-income housing property owned and operated by a limited partnership, which has a qualified organization (OCC holder) as the managing general partner. The assessor may,
however, deny an exemption claim based on non-qualifying use of the property, notwithstanding that the BOE has issued an OCC or SCC to the claimant.

The following table shows welfare exemption information for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>WELFARE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>2008-09</td>
<td>2</td>
</tr>
<tr>
<td>2007-08</td>
<td>2</td>
</tr>
<tr>
<td>2006-07</td>
<td>2</td>
</tr>
<tr>
<td>2005-06</td>
<td>2</td>
</tr>
<tr>
<td>2004-05</td>
<td>2</td>
</tr>
</tbody>
</table>

We reviewed two welfare exemption claims, which included annual filings for summer camps located on US Forest Service land. Our review indicated the assessor is properly administering the welfare exemption. Accordingly, we have no recommendations on this topic.

**Assessment Forms**

Government Code section 15606 requires the BOE to prescribe and enforce the use of all forms for the assessment of property for taxation. Generally, the assessor may not change, add to, or delete the specific wording in a prescribed form. The assessor may, however, rearrange information on a form provided that the assessor submits such form to the BOE for review and approval. Assessors may also use locally developed forms to assist them in their assessment duties.

To enforce the use of prescribed forms, the BOE annually requires assessors to specify in writing the forms they will use in the succeeding assessment year. Assessors are also required to submit to the BOE copies of the final prints of all prescribed forms they intend to use. We have no recommendations on this topic.

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5 Also sections 480(c), 480.2(b), 480.4, and Rules 101 and 171.
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 property subject to California Land Conservation Act contracts and taxable possessory interests.

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 establish a base year value for real property upon a change in ownership; a property’s base year value is its fair market value on the date of change in ownership.

Document Processing

All documents recorded at the Alpine County Recorder's Office are entered into the county's shared computer system. The recorded documents are then transferred electronically to the assessor, along with original hard copies of BOE-502-A, Preliminary Change of Ownership Report (PCOR), and BOE-502-AH, Change in Ownership Statement (COS), on a daily basis. The recorded documents are reviewed and coded into the assessor's computer system by the assessment office specialist. The property tax system used by the assessor is updated with the latest transfer data. A hard copy of each recorded document that resulted in reappraisal is printed and attached to a copy of the PCOR, and then forwarded to the appraiser for valuation.

As required by law, PCORs are available at the assessor's office and the recorder's office upon request. The assessor will also email a PCOR or COS to a title company when requested. When a document is recorded without a completed PCOR or COS, the recorder charges a $20 fee.

Incoming deeds are first received by the assessment office specialist, who verifies legal descriptions, notes assessor's parcel numbers (APNs), and removes existing homeowners' exemptions. If it is determined the transferee might be eligible for a homeowners' exemption or
may qualify for an exclusion from reassessment, such as the parent/child exclusion (Prop 58), the file is flagged and an application for the exclusion or exemption is sent promptly to the taxpayer.

The following table shows the total number of recorded documents received by the assessor and the total number of recorded documents resulting in reappraisal for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>DOCUMENTS RECEIVED</th>
<th>REAPPRAISABLE EVENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>1,234</td>
<td>94</td>
</tr>
<tr>
<td>2007-08</td>
<td>1,201</td>
<td>133</td>
</tr>
<tr>
<td>2006-07</td>
<td>1,650</td>
<td>214</td>
</tr>
<tr>
<td>2005-06</td>
<td>1,730</td>
<td>228</td>
</tr>
<tr>
<td>2004-05</td>
<td>2,116</td>
<td>194</td>
</tr>
</tbody>
</table>

We reviewed a number of transfers and supplemental assessments. We found one area in need of improvement when processing changes in ownership.

**RECOMMENDATION 3:** Properly document all transfers.

Some of the assessor's records did not adequately detail the parties, individuals, or interests involved in assessable and non-assessable transfers. It is the assessor's procedure that once a transfer is deemed not to be reappraisable, the transfer is not documented in the system or tracked by the assessor. The assessor changes the names and percentages of the parties holding title in accordance with the recorded document, but the document number is not noted and the assessor does not keep requested documentation received to establish that the transfer was not reappraisable. The assessor must research the records at the recorder's office every time a question arises as to the validity of the current ownership, since the assessor does not document or track all transfers of ownership. Also, the assessor does not always obtain the proper documentation to show a transfer is, in fact, excluded from reassessment. We found several instances where the assessor's records did not indicate the shareholders of LLCs and the respective percentages of ownership for each shareholder to be able to determine whether the transfer was reappraisable or not. This was also the case with trusts, where several records did not indicate the beneficiaries and the percentages of ownership for each beneficiary of the trust. Additional records showed transfers involving parent/child exclusions and interspousal exclusions that were not documented with enough detail to provide the complete identification of the interested parties.

A transfer is a reappraisable event unless an exclusion from reassessment applies. The assessor must obtain the proper documentation as defined by statute in order for a transfer to qualify for the exclusion. Transfers lacking proper documentation are subject to reappraisal. The assessor's office should fully document all assessable and non-assessable transfers, so a complete chain of title is available for the proper analysis of subsequent transfers. Failure to adequately document all assessable and non-assessable events may result in incorrect records of ownership, and may cause incorrect or escaped assessments.
Penalties

When a recorded document is received without a PCOR or the PCOR is incomplete, the assessment office specialist mails BOE-502-AH, *Change in Ownership Statement* (COS), to the property owner. If the COS is not returned, the assessor may send a second COS, but the assessor does not apply penalties if the property owner does not return the COS within 45 days of the assessor's request. In addition, the county has not adopted an ordinance pursuant to section 483(b) allowing the assessor to automatically abate penalties.

**RECOMMENDATION 4:** Correctly implement the penalty process in accordance with section 482(a).

It is the assessor's current practice not to apply penalties when a property owner fails to return a COS or fails to return the COS timely.

Section 482(a) provides that if a person or legal entity required to file a statement described in section 480 fails to do so within 45 days from the date of a written request by the assessor, a penalty of either: (1) one hundred dollars ($100), or (2) 10 percent of the taxes applicable to the new base year value reflecting the change in ownership of the real property or manufactured home, whichever is greater, but not to exceed two thousand five hundred dollars ($2,500), shall be added to the assessment made on the roll. The assessor should be allowing the property owner only 45 days to return a completed COS and then promptly applying the penalties if the property owner fails to do so within the time frame permitted by section 482(a).

The information contained in a properly completed COS assists the assessor in making an accurate assessment. By not applying penalties when the property owner fails to file the COS within the permitted time, the assessor is not in compliance with the statute.

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, however, that this requirement 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 484 in Alpine County in 1970, the assessor is not required to maintain a transfer list and has elected not to maintain one.

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. Even if an assessor opts not to report quarterly to the BOE, however, the assessor must track such transfers internally to be in compliance with section 63.1.

The BOE uses the information received by assessors to generate quarterly reports notifying assessors of any transferors who have been granted the exclusion for property over 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. The assessor estimated they receive approximately ten section 63.1 applications annually.

Pursuant to section 63.1(i), the assessor keeps all processed and unprocessed claim forms filed within a secured area that is not accessible to the public.

We reviewed several section 63.1 claims and found one area in need of improvement.

**RECOMMENDATION 5:** Track transfers of property, other than the principal residence, to enforce the $1 million limit as provided by section 63.1.

The assessor elects not to report to the BOE section 63.1 transfers and he does not have a system in place to track or monitor the $1 million limit on transferred property other than the principal residence.

Section 63.1(a)(2) provides that the definition of change in ownership does not include the transfer of the first $1 million of real property other than the principle residence. In order to enforce this provision, the BOE established a database to track these types of transfers statewide. While not mandatory, the assessor is encouraged to notify the BOE, on a quarterly basis, of any section 63.1 transfer applications. The assessor may choose not to notify the BOE of these section 63.1 applications; however, in order to enforce the $1 million limit, the assessor must have some other means in place of tracking these types of transfers within his county to ensure correct treatment of the exclusion. As of the date of our survey, the assessor did not have a tracking system in place.

Failing to track the $1 million limit may result in properties escaping proper assessment.

**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.

Alpine County does not have an ordinance in place to accept base year value transfers from other counties. Applications and information regarding exclusions from reassessment are available to the public at the assessor's office upon request.

If a PCOR indicates a transfer may involve a base year exclusion, the assessment office specialist sends interested parties a claim form. There has been only one approved section 69.5 claim in recent years for the assessor to process and the assessor did not submit a quarterly report to the BOE as required by section 69.5(b)(7).

Pursuant to section 69.5(n), the assessor protects confidential information furnished on the claim form by keeping all claim forms in a secured area away from public access.

We reviewed the assessor's one section 69.5 claim filed in recent years, and found the documents were filed and processed correctly.

Valuation

Once a transfer has been determined to be an assessable event, the information is put into the computer system and a copy of the recorded deed and the PCOR are sent to the appraiser for valuation of the property. Assessable transfers are reviewed to confirm the sale price reported on the PCOR accurately reflects market value. The sale price is not automatically enrolled if the appraiser determines the reported sale price is outside of the market value range. Value conclusions are documented on the appraisal record and any supporting data is included in the property record.

The appraiser maintains residential and commercial electronic sales data files. Data is updated as the appraiser processes the sale and the information is input into the computer system. A field inspection of the property is performed only when more information is needed for the appraiser to make an accurate determination of value.

We reviewed a number of transfers, including residential and commercial sales, as well as partial interest transfers. In general, we found the assessor is following proper procedures for valuation and has an adequate valuation program in place when reappraising due to changes in ownership. However, we did find one area in need of improvement. During our review of the valuation of properties due to changes in ownership or completion of new construction, we found that base years were not being established correctly.

**RECOMMENDATION 6:** Correctly determine the base year to be used when valuing properties due to changes in ownership or completion of new construction.

We found numerous instances where the assessor incorrectly determined the base year for real property changes in ownership and completed new construction. Section 110.1, in conjunction
with article XIII A, calls for the assessor to value property subject to reappraisal at its fair market value for either of the following: (1) the 1975 lien date, or (2) for property which is purchased, newly constructed, or changes ownership after the 1975 lien date, at the date on which a purchase or change in ownership occurs or the date on which new construction is completed. The value determined shall be known as the base year value, which is compounded annually by an inflation factor. For example, a reassessable transfer or completion of new construction occurring between January 1, 2009 and June 30, 2009 would have a base year of 2009 and the annual inflation factor would be applied for lien date 2010. However, a reassessable transfer or completion of new construction occurring between July 1, 2009 and December 31, 2009 would have a base year of 2010 and the annual inflation factor would not be applied for lien date 2010.

The assessor's practice of incorrectly determining base years for properties having changed ownership or completed new construction has resulted in incorrect assessments due to inaccurately compounding inflation factors.

**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.


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

**Discovery**

In Alpine County, most new construction activity is discovered from building permits. The assessor receives building permits from two permit-issuing agencies: the Alpine County Building Department and the Alpine County Environmental Health Department. Other methods used to discover new construction include analyzing business property statements and field canvassing.

**Permit Processing**

The assessment office specialist receives building permits in hard copy form from the building department and receives a list of well permits issued from the environmental health department. The assessment office specialist enters all permits received into the computer system, so each
permit appears on the appraiser's workload. The appraiser field checks each permit to determine if value should be added or if the permit was for repair and replacement work.

The following table shows the number of permits received from the Alpine County Building Department over recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>PERMITS RECEIVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>145</td>
</tr>
<tr>
<td>2006-07</td>
<td>139</td>
</tr>
<tr>
<td>2005-06</td>
<td>110</td>
</tr>
<tr>
<td>2004-05</td>
<td>114</td>
</tr>
</tbody>
</table>

Valuation

The assessor values new construction by estimating the full cash value as of the date of completion. The appraiser determines the completion of new construction through field checks, cost questionnaires, notices of completion from the building department, or certificates of occupancy. Whenever possible, the assessor values new construction using the comparative sales approach. When this is not possible due to a lack of comparable sales or the type of new construction being added, the assessor uses the cost approach. The income approach is rarely used, since Alpine County has very little commercial or industrial property.

The assessor uses several cost sources to value new construction when using the cost approach. The appraiser attempts to get the property owner's reported costs by sending out cost questionnaires. Contact is made with local developers and contractors to gather current cost data in order to determine if costs reported by the property owner are reasonable. The assessor also uses Assessors' Handbook Section 531, *Residential Building Costs*, and Assessors' Handbook Section 534, *Rural Building Costs*, as well as *Marshall Valuation Service* for commercial and industrial properties.

We reviewed several files containing new construction activity. The assessor correctly values construction in progress as of the lien date, values completed construction as of the date of completion, and generates supplemental assessments on completed new construction as of the date of completion. We did note the assessor is incorrectly determining the base year on some new construction activity; however, this issue is addressed in the Valuation section of the Change in Ownership topic of this report. Overall, we found the assessor's new construction program to be satisfactory and in compliance with statutory requirements. We have no recommendations for the new construction program.

**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
The assessor identifies declines in value through taxpayers' requests for reviews and by tracking value trends for each geographical area. Alpine County annually identifies properties with current market values below their FBYVs. Properties currently enrolled with a decline in value or those needing review for this status are coded on the appraiser workload tracking database for review. The assessor annually compares the FBYV of properties with their current market value and enrolls the lower of the two values. Properties whose current market value is lower than their FBYV are posted on a value input sheet so the assessor can manually enter the assessed value in the computer system. Manually enrolling the assessed value prevents the system from automatically applying the inflation factor to the prior year's taxable value.

Alpine County has no subdivisions and only a handful of older homogeneous tracts in mountain resort areas. When the assessor documents a decline in value for one property in these tracts, he also reviews and adjusts similar properties using the latest market data. While reviewing the decline in value assessment program, we found one area in need of improvement.

RECOMMENDATION 7: Properly notify each assessee whose property's full cash value has increased over its full cash value from the prior year in accordance with section 619.

For properties whose current market values are less than their FBYVs, the assessor does not send value notices to the property owners when their assessed values are increased to full or partial restoration of their FBYVs. Such notification is required by section 619.

According to section 619(a), the assessor shall inform each assessee of real property on the local secured roll whose property's full value has increased over its full value from the prior year. Also, section 619(b) provides that the notice shall include a notification of hearings by the county board of equalization, including the appeals filing period and the place where the appeal may be filed, as well as an explanation of the stipulation procedure set forth in section 1607. In addition, section 619(c) provides that the notice for decline-in-value properties shall include the FBYV of the property.

By not sending the property owner written notification containing all of the information required by section 619, the assessor has failed to comply with statutory requirements, and the property owner is not provided with full and complete information regarding their assessment or their rights to appeal the increase.

California Land Conservation Act Property

Pursuant to the California Land Conservation Act (CLCA) of 1965, agricultural preserves may be established by a city or county for the purpose of identifying areas within which the city or county will enter into agricultural preserve contracts with property owners.

Property owners who place their lands under contract agree to restrict the use of such lands to agriculture and other compatible uses; in exchange, the lands are assessed at a restricted value.
Lands under contract are valued for property tax purposes by a method that is based upon agricultural income-producing ability (including income derived from compatible uses, e.g., hunting rights and communications facilities). Although such lands must be assessed at the lowest of the restricted value, current market value, or factored base year value, the restricted value typically is the lowest.

Sections 421 through 430.5 prescribe the method of assessment for land subject to agricultural preserve contracts. Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521), provides guidance for the appraisal of these properties.

Alpine County passed resolution R2002-62 authorizing the implementation of the California Land Conservation Act (CLCA), effective January 3, 2003. For the 2008-09 roll year, Alpine County had six parcels, totaling approximately 1,350 acres, encumbered by two CLCA contracts. These parcels had a total taxable land and improvement value of $932,719. Although the Alpine County resolution allows for Farmland Security Zone (FSZ) contracts, which is a more restrictive form of the CLCA contract, none currently exist. Alpine County has not adopted section 423.3, which limits the assessment of restricted land to a value no higher than a given percentage of the property's FBYV based on the agricultural quality of the land. There were no parcels in nonrenewal status and no contracts had been cancelled.

All of the rural property under contract in Alpine County consists of grazing lands. The valuation of CLCA property in Alpine County is the responsibility of the assessor. The assessor values restricted land based on the amount of cash rent paid. These rents vary based on the quality and production capability of each type or quality of grazing land. Rents are updated on analysis of rental information from comparable rents in the area. The assessor does not send agricultural questionnaires to land owners.

The assessor calculates restricted values using the correct capitalization rate. When developing the capitalization rate to be used in the valuation of CLCA properties, AH 521 recommends a basic risk component of one percent as a standard guideline. However, the size of the risk component will vary according to what risks have already been considered in the development of the income to be capitalized. The assessor uses the BOE announced yield rate, plus a basic risk rate component of one percent, and a tax rate component of one percent to develop the capitalization rate.

Our review of the assessor’s program noted an area in need of improvement.

**RECOMMENDATION 8:** Improve the CLCA program by deducting operating expenses from gross income.

The assessor fails to deduct allowable expenses from the gross income. AH 521 provides that allowed expenses should be deducted from the estimated economic rent. All properties, including grazing lands, will incur some expenses. Such expenses may include repair of fencing, property management, and insurance. Failure to deduct allowable expenses from gross income may lead to overassessments.
**Taxable Possessory Interests**

A taxable possessory interest results from the possession, a right to possession, or a claim to a right to possession of publicly-owned real property, in which the possession provides a private benefit to the possessor and is independent, durable, and exclusive of rights held by others. The assessment of a taxable possessory interest in tax-exempt publicly-owned property is based on the value of the rights held by the possessor; the value of the rights retained by the public owner is almost always tax exempt.

In Alpine County, the assessor currently has 108 taxable possessory interests on the assessment roll, with a total taxable value of $5,298,611. The majority of the taxable possessory interests are privately owned cabins on U.S. Forest Service land, along with some grazing permits, employee housing, miscellaneous rentals, and a ski resort.

The assessor's program for discovering taxable possessory interests includes periodic inquiries to some government entities within the county requesting information about agreements with private parties. The assessor contacts four public agencies by letter or by telephone, but not on an annual basis.

Valuation and monitoring of the taxable possessory interest program is the responsibility of the real property appraiser, with assistance from the assessor as needed.

Our review of the assessor's program noted a number of areas in need of improvement.

**RECOMMENDATION 9:** Improve the taxable possessory interest program by:
(1) discovering and assessing all taxable possessory interests, (2) reviewing taxable possessory interests with stated terms of possession for declines in value, (3) revaluing taxable possessory interests upon a change in ownership in accordance with section 61(b), (4) adding the present worth of unpaid future contract rents to the sale price of a taxable possessory interest, and (5) properly calculating supplemental assessments on newly created taxable possessory interests.

**Discover and assess all taxable possessory interests.**

We found the assessor is not discovering and assessing all taxable possessory interests. The assessor's current practice is to send out letters or make phone calls to tax exempt agencies periodically. He does not make contact with the agencies annually, nor does he contact all agencies owning property within the county. The assessor also indicated he has had a difficult time getting some of the agencies to respond to his requests for information. In other instances, known taxable possessory interests are not being assessed.

By failing to request information from tax exempt agencies or requesting information only on an infrequent and irregular basis, the assessor is missing potential assessments, which results in lost revenue to the county.
Review taxable possessory interests with stated terms of possession for declines in value.

We found the assessor does not review taxable possessory interests with stated terms of possession for declines in value. Instead, the assessor enrolls the factored base year value (FBYV) until the contract term expires or there is a change in ownership.

Rule 21(d)(1) provides that the stated term of possession shall be deemed to be the reasonably anticipated term of possession unless there is clear and convincing evidence the lessor and lessee anticipate a different term is appropriate through a mutual agreement or understanding. Rule 21(a)(6) defines the stated term of possession for a taxable possessory interest as the remaining period of possession as of the date specified in the lease, agreement, or permit, including any options to renew or extend the specified period of possession. Therefore, the stated term of possession declines each year, which may or may not have a material effect on the market value of the possessory interest. Thus, absent clear and convincing evidence of a mutual agreement or understanding as to a longer term of possession the assessor must estimate the market value of the taxable possessory interest on lien date based on the remaining term of the contract, compare this value with the FBYV, and enroll the lower of the two.

Although the assessor is not required to reappraise all properties each year, the assessor should develop a program to periodically review assessments of taxable possessory interests with stated terms of possession to ensure declines in value are consistently recognized.

Revalue taxable possessory interests upon a change in ownership in accordance with section 61(b).

We found the assessor is not revaluing taxable possessory interests for a change in ownership upon a change in tenancy. We also found instances where the assessor failed to revalue taxable possessory interests for a change in ownership at the end of the reasonably anticipated term of possession used to establish the base year value.

In accordance with section 61(b), the creation, renewal, extension, or assignment of a taxable possessory interest in tax exempt real property is considered to be a change in ownership. Thus, when a new tenant takes occupancy, the taxable possessory interest is subject to reassessment for a change in ownership. In addition, section 61(b)(2) provides that any renewal or extension of a taxable possessory interest during the reasonably anticipated term of possession used by the assessor to value that interest does not cause a change in ownership until the end of the reasonably anticipated term of possession. At the end of such term, the assessor shall establish a new base year value based on a new reasonably anticipated term of possession.

The assessor’s current practice of not tracking and reappraising taxable possessory interests at the end of the anticipated term or upon transfer to a new tenant is contrary to statute, and results in missed supplemental assessments and incorrect assessments on the roll.
Add the present worth of unpaid future contract rents to the sale price of a taxable possessory interest.

Upon the sale of a taxable possessory interest of a privately owned cabin on U.S. Forest Service land, it is the assessor's current practice to enroll the sale price of the cabin as market value, allocating the total sale price between land and improvements. The assessor does not add the present value of unpaid future contract rent for the term of possession to the reported sale price.

The direct method of the comparative sales approach is one of the accepted methods for valuing a taxable possessory interest and is described in Rule 21(e)(1)(A). In this method, an important adjustment to the reported sale price is the addition of the present value of the unpaid future contract rent over the remaining term of possession. It is also important to consider the cost of site restoration, if any, at the end of the term of possession. When determining the value of a taxable possessory interest, the assessor must include the total consideration paid for the interest.

Failure to make this adjustment does not reflect the full value of the taxable possessory interest and results in incorrect assessments.

Properly calculate supplemental assessments on newly created taxable possessory interests.

We discovered several taxable possessory interests where the assessor improperly calculated the supplemental assessment by offsetting the fair market value against the prior value on the regular roll.

According to Assessors' Handbook Section 510, Assessment of Taxable Possessory Interests, at pages 59-60, when a supplemental assessment is issued due to a change in ownership, the supplemental assessment amount for the newly created taxable possessory interest should be based on its fair market value without offset for a prior value on the regular assessment roll when one taxable possessory interest is terminated during an assessment year and a second (but distinct) taxable possessory interest is created involving the same land and improvements during the same assessment year.

The assessor's failure to properly calculate supplemental assessments results in a loss of revenue and is contrary to statute.

Leasehold Improvements

Leasehold improvements are all improvements or additions to leased property that have been made by the tenant or lessee. Such improvements can be secured to the real property or assessed to the lessee on the unsecured assessment roll.

Commercial, industrial, and other types of income-producing properties require regular monitoring by the assessor because, as tenants change over time, they may add and/or remove improvements that may result in a changed use of the property. These changes must, by law, be reflected in the property's assessment if they qualify as new construction.

When real property is reported on form BOE-571-L, Business Property Statement (BPS), coordination between the real property and business property divisions of the assessor's office is
important. The reported cost should be examined by both an appraiser in the real property division and an auditor-appraiser in the business property division. The divisions should determine the proper classification of the property to ensure appropriate assessment by each division and to avoid escape and double assessments. The assessor must determine whether costs are for repair and maintenance and are, therefore, not assessable, whether additions are properly classified as structural improvements or fixtures, and/or if additions are properly enrolled.

The assessor does not have any written procedures, policies, or forms in place for the assessment of leasehold improvements. Alpine County has few commercial or industrial properties, and the majority of those are owner-occupied. The assessor is responsible for the valuation of all unsecured business property and relies on his two staff members to aid in the discovery of any potential leasehold improvements.

The primary method of discovery for leasehold improvements is building permits and reviewing business property statements (BPS). The assessment office specialist receives the BPS from the taxpayer and enters the reported data into the system for personal property. If there are any new accounts or structural improvements reported, the assessment office specialist forwards those statements to the assessor for further review and valuation.

We have no recommendation for this program.

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.

Alpine County has no assessable petroleum or high temperature geothermal properties. There are no recommendations regarding the assessment of mineral properties.
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 programs for conducting audits, processing business property statements, valuing business property equipment, and assessing manufactured homes.

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 has 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 businesses 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 from the 2002-03 fiscal year to the 2005-06 fiscal year, with at least 50 percent 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.
There were no auditor-appraisers in the Alpine County Assessor's Office as of the date of our survey. Both before and after the new audit requirements, the assessor is required to perform one mandatory audit per year. The assessor employed an independent contractor to perform audit work. We have no recommendations for this topic.

**Business Property Statement Program**

Section 441 requires that each person owning taxable personal property (other than a manufactured home) having an aggregate cost of $100,000 or more to annually file a business property statement (BPS) with the assessor; other persons must file a BPS if requested by the assessor. Property statements form the backbone of the business property assessment program. Several variants of the BPS address a variety of property types, including commercial, industrial, agricultural, vessels, and certificated aircraft.

We reviewed the assessor’s BPS processing procedures and files to ensure compliance with statutory and regulatory guidelines. A sampling of BPSs were reviewed to verify the use of Board-prescribed forms, processing by certified staff, completeness of the property statements, application of penalties, and record storage and retention.

We found the assessor checks each property statement for completeness and a valid signature. All property statements are date-stamped when received. If a statement is unsigned, a copy is made and the original is returned to the taxpayer. If a statement is received late, the date-stamped envelope is retained and a penalty is added as prescribed in section 463. The assessor processed 185 property statements for the 2008-09 roll year.

**Discovery**

The discovery of taxable property is an essential function of the county assessor. It is a difficult, but necessary task to maintain accurate and current listings of assessable business properties. The assessor discovers assessable business properties through the review of building permits, business licenses, business directories, telephone directories, filings of BOE-600-B, *Schedule of Leased Equipment which is to be Reported by Lessor to Local Assessor for Assessment*, tenant information from landlords, and field canvassing.

We found the assessor uses adequate methods of discovering assessable properties.

**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 primarily uses AH 581 and California Assessors' Association (CAA) *Business Assessment Factors* to value assessable equipment. We found the assessor uses acceptable methods in the classification and valuation of business equipment. We have no recommendations for this topic.

**Manufactured Homes**

A "manufactured home" is defined in Health and Safety Code sections 18007 and 18008, and statutes prescribing the method of assessing manufactured homes are contained in sections 5800 through 5842. A manufactured home is subject to local property taxation if sold new on or after July 1, 1980, or if its owner requests conversion from the vehicle license fee to local property taxation. Manufactured homes should be classified as personal property and enrolled on the secured roll.

In Alpine County, the assessor is responsible for the valuation of manufactured homes. The assessor assigns each manufactured home a fictitious assessor's parcel number beginning with the prefix "105" to identify the property as a manufactured home. The BOE cost factors found in Assessors' Handbook Section 531, *Residential Building Costs*, are used to value manufactured homes. The manufactured home value is enrolled as an improvement on the unsecured roll. Currently, there is one mobilehome park with a total of seven manufactured homes subject to local property tax. The total assessed value of these manufactured homes for the 2008-09 roll year was $37,058.

Alpine County has a zoning ordinance in place that does not allow for manufactured homes to be installed outside of a mobilehome park unless the home meets certain criteria and is installed on a permanent foundation system pursuant to Health and Safety Code section 18551. For property tax purposes, manufactured homes installed on a permanent foundation system pursuant to section 18551 are considered real property.

We found one area in need of improvement for the assessment of manufactured homes.

**RECOMMENDATION 10:** Enroll manufactured homes as personal property on the secured roll.

It is the assessor's current practice to enroll manufactured homes as improvements on the unsecured roll. This practice is not consistent with statutory provisions.

Section 5830 provides that the assessment of any manufactured home shall be entered on the secured roll and shall be subject to all provisions of law applicable to taxes on the secured roll. Section 5801 provides that a manufactured home shall not be classified as real property for property tax purposes unless it is affixed to the land on a permanent foundation system pursuant to Health and Safety Code section 18551.

According to Assessors' Handbook Section 511, *Assessment of Manufactured Homes and Parks*, even though manufactured homes may be classified as personal property, many of the statutes relating to the taxation of personal property are not applicable to the taxation of manufactured homes. Some of the primary differences are: (1) assessments of manufactured homes are entered
on the secured roll, (2) taxes on manufactured homes may be paid in two installments, (3) base year values are determined for manufactured homes on the dates they change ownership or upon completion of new construction, (4) base year values for manufactured homes are compounded annually by an inflation factor based on the California Consumer Price Index, not to exceed 2 percent of the prior year's value, (5) the taxable value of a manufactured home is the lesser of its factored base year value (FBYV) or its full cash value on the lien date, taking into account reductions in value due to any factor causing a decline in value, and (6) a manufactured home which undergoes a change in ownership or new construction is subject to supplemental assessment.

The assessor's practice of enrolling manufactured home values as improvements on the unsecured roll is not in compliance with statutory requirements. Also, tax bills for properties on the unsecured roll are issued in one installment, while tax bills for properties on the secured roll are issued in two installments. Since the assessor is enrolling manufactured homes on the unsecured roll, the assessor is not allowing the owners of manufactured homes to pay their tax bill in two installments.
APPENDIXES

A. County-Assessed Properties Division Survey Group

Alpine County

Chief
Dean Kinnee

Survey Program Director:
Benjamin Tang Principal Property Appraiser

Survey Team Supervisor:
David Dodson Supervising Property Appraiser

Survey Team Leader:
Glenn Danley Senior Specialist Property Appraiser

Survey Team:
Patricia Lumsden Senior Specialist Property Appraiser
Alan Dannen Associate Property Auditor-Appraiser
Robert Marr Associate Property Appraiser
Paul Stueber Tax Technician
B. Assessment Sampling Program

The need for compliance with the laws, rules, and regulations governing the property tax system and related assessing  activities is very important in today's fiscally stringent times. The importance of compliance is twofold. First, the statewide maximum tax rate is set at one percent of taxable value. Therefore, a reduction of local revenues occurs in direct proportion to any undervaluation of property. (It is not legally allowable to raise the tax rate to compensate for increased revenue needs.) Secondly, with a major portion of every property tax dollar statewide going to public schools, a reduction in available local property tax revenues has a direct impact on the State's General Fund, which must backfill any property tax shortfall.

The Board, in order to meet its constitutional and statutory obligations, focuses the assessment sampling program on a determination of the full value of locally taxable property and eventually its assessment level. The purpose of the Board's assessment sampling program is to review a representative sampling of the assessments making up the local assessment rolls, both secured and unsecured, to determine how effectively the assessor is identifying those properties subject to revaluation and how well he/she is performing the valuation function.

The Board's County-Assessed Properties Division (CAPD) conducts the assessment sampling program on a five-year cycle for the 11 largest counties and cities and counties and on either a random or as needed basis for the other 47 counties. This sampling program is described as follows:

A representative random sampling is drawn from both the secured and unsecured local assessment rolls for the counties to be surveyed.

These assessments are stratified into 18 value strata (nine secured and nine unsecured.)

From each stratum a random sampling is drawn for field investigation, sufficient in size to reflect the assessment level within the county.

For purposes of analysis, after the sample is drawn, the items are identified and placed into one of the five categories listed below:

**Base year properties.** Those properties the county assessor has not reappraised for either an ownership change or new construction during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

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6 The term "assessing" as used here includes the actions of local assessment appeals boards, the boards of supervisors when acting as boards of equalization, and local officials who are directed by law to provide assessment-related information.

7 The nine value strata are $1 to $99,999; $100,000 to $199,999; $200,000 to $499,999; $500,000 to $999,999; $1,000,000 to $1,999,999; $2,000,000 to $19,999,999; $20,000,000 to $99,999,999; $100,000,000 to $249,999,999; and $250,000,000 and over.
Transferred properties. Those properties last reappraised because of an ownership change that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

New construction. Those properties last reappraised to reflect new construction that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

Non-Proposition 13 properties. Those properties not subject to the value restrictions of article XIII A, or those properties that have a unique treatment. Such properties include mineral-producing property, open-space property, Timberland Production Zone property, and taxable government-owned property.

Unsecured properties. Those properties on the unsecured roll.

From the assessment universe in each of these 18 value strata (nine strata on both secured and unsecured local rolls), a simple random sampling is drawn for field investigation that is sufficient in size to reflect the assessment practices within the county. A simple nonstratified random sampling would cause the sample items to be concentrated in those areas with the largest number of properties and might not adequately represent all assessments of various types and values. Because a separate sample is drawn from each stratum, the number of sample items from each category is not in the same proportion to the number of assessments in each category. This method of sample selection causes the raw sample, that is, the "unexpanded" sample, to overrepresent some assessment types and underrepresent others. "Expanding" the sample data eliminates this apparent distortion in the raw sampling; that is, the sample data in each stratum are multiplied by the ratio of the number of assessments in the particular stratum to the number of sample items selected from the stratum. Once the raw sampling data are expanded, the findings are proportional to the actual assessments on the assessment roll. Without this adjustment, the raw sampling would represent a distorted picture of the assessment practices. This expansion further converts the sampling results into a magnitude representative of the total assessed value in the county.

The field investigation objectives are somewhat different in each category, for example:

Base year properties -- for those properties not reappraised during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: was the value properly factored forward (for the allowed inflation adjustment) to the roll being sampled? Was there a change in ownership? Was there new construction? Or, was there a decline in value?
Transferred properties -- for those properties where a change in ownership was the most recent assessment activity during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that a reappraisal was needed? Do we concur with the county assessor's new value? Was the base year value trended forward (for the allowed inflation adjustment)? Was there a subsequent ownership change? Was there subsequent new construction? Was there a decline in value?

New construction -- for those properties where the most recent assessment activity was new construction added during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that the construction caused a reappraisal? Do we concur with the value enrolled? Was the base year amount trended forward properly (for the allowed inflation adjustment)? Was there subsequent new construction? Or, was there a decline in value?

Non-Prop 13 properties -- for properties not covered by the value restrictions of article XIII A, or those properties that have a unique treatment, do we concur with the amount enrolled?

Unsecured properties -- for assessments enrolled on the unsecured roll, do we concur with the amount enrolled?

The results of the field investigations are reported to the county assessor, and conferences are held to review individual sample items whenever the county assessor disagrees with the conclusions.

The results of the sample are then expanded as described above. The expanded results are summarized according to the five assessment categories and by property type and are incorporated into the published assessment practices survey report.

The primary use of the assessment sampling is to determine an assessor's eligibility for the cost reimbursement authorized by section 75.60. During the course of the sampling activity, the assessment practices survey team may also discover recurring causes for the differences in the opinion of taxable value that arise between the assessor and the CAPD. These discoveries may lead to recommendations in the survey report that would not have otherwise been made.
C. 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 no 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.


(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 mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.

(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 BOE a response to the findings and recommendation 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 Alpine County Assessor's response begins on the next page. The BOE has no comments on the response.
July 20, 2011

Mr. Dean Kinnee, Chief
County-Assessed Properties Division
State Board of Equalization
P. O. Box 942879
Sacramento, CA  94279-0062

Dear Mr. Kinnee:

Pursuant to Section 15645 of the California Government Code, the following constitutes the Assessor’s Response to the recommendations presented in this Assessment Practices Survey and Sampling for Alpine County.

I would like to express my appreciation to the Board’s Survey and Sampling Team for the professional and courteous manner in which they conducted their work here. Their positive acknowledgments and constructive comments are greatly appreciated.

Your constructive recommendations provide us the opportunity to focus on current policies and procedures which allow us to complete our mission of providing accurate, timely and fair assessments, while providing the highest level of benefit to the populace we serve.

I would like to thank my staff, Donald O’Connor and Ed Daley, for their cooperation in helping the Assessor’s Office maintain our assessment program during these difficult times.

Sincerely,

[Signature]

Dave Peets
Alpine County Assessor
Responses To Recommendations:

Recommendation #1: Improve the workload program by reporting statistics as requested by the BOE pursuant to section 407.

Will comply as time and manpower allow. After a discussion with the BOE, the Assessor was not convinced that complying with this section will have any effect on our ability to complete a roll timely, rather I feel it will take away valuable time needed to complete our duties.

Recommendation #2: Improve roll changes by: (1) making roll changes only for the roll years within the statute of limitations, and (2) follow proper enrollment procedures for escaped assessments.

We agree with this recommendation. This office was entering data that was timely, yet one month later would not be. To monitor this problem, we work with the tax collector to make sure no assessments are billed that are not legal!

Recommendation #3: Properly document all transfers.

We agree with this recommendation. We have minor areas to clean up, but we feel the BOE’s work on this recommendation was not accurate or thorough.

Recommendation #4: Correctly implement the penalty process in accordance with section 482(a).

We agree.

Recommendation #5: Track transfers of property, other than the principal residence, to enforce the $1 million limit as provided by section 63.1.

Alpine county will try to comply as time and manpower allow. We have all the paperwork here in the office. I believe that this is a state mandated program that the state does not fund.

Recommendation #6: Correctly determine the base year to be used when valuing properties due to changes in ownership or completion of new construction.

We agree. We had a temporary employee that had trouble with this concept, and that person is no longer here. Some of the findings were from appraisals done over 25 years ago and were not reflective of current practices.
Recommendation # 7: Properly notify each assessee whose property’s full cash value has increased over its full cash value from the prior year in accordance with section 619.

In cases where no supplemental notices were required, Alpine County uses the tax bill as a notice. The tax collector mails the bills prior to October 1st, which leaves over 60 days to file an appeal and still meet the November 30th deadline for filing assessment appeals.

 Recommendation # 8: Deduct operating expenses from gross income.

We disagree with this recommendation. We are using rents that include all expenses to the lessee. The owner’s only expense is tax! I feel the BOE did not take this fact into consideration.

Recommendation #9: Improve the taxable possessory interest program by: (1) discovering and assessing all taxable possessory interests, (2) reviewing taxable possessory interests with stated terms of possession for declines in value, (3) revaluing taxable possessory interests upon a change in ownership in accordance with section 61(b), (4) adding the present worth of unpaid future contract rents to the sale price of a taxable possessory interest, and (5) properly calculating supplemental assessments on newly created taxable possessory interests.

We agree with most of the recommendation. This office does not use the remaining term on our mountain cabins as years of information shows that the public does not consider the remaining term when purchasing these cabins. We are complying with all other portions of this recommendation.

Recommendation # 10: Enroll manufactured homes as personal property on the secured roll.

Alpine County values 7 manufactured homes with the highest assessment at approximately $8,000. This would generate a tax bill of $80. My constituents would prefer to receive 1 tax bill in the amount of $80 rather than 2 payments of $40.