June 13, 2008

TO COUNTY ASSESSORS:

MARIN COUNTY
ASSESSMENT PRACTICES SURVEY

A copy of the Marin County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (Board) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the Board 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 Joan C. Thayer, Marin County Assessor-Recorder, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the assessor's response, constitutes the final survey report which is distributed to the Governor, the Attorney General, and the State Legislature; and to the Marin County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey was performed by the Board's County-Assessed Properties Division from February through April 2007. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

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

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

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:ps
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 level, 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 (Board) periodically reviews the practices and procedures (surveys) of every county assessor's office. This report reflects the Board's findings in its current survey of the Marin County Assessor-Recorder's Office.¹

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 Board, and the Senate and Assembly; and to the Marin County Board of Supervisors, Grand Jury, and Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Joan C. Thayer, Marin County Assessor-Recorder, elected to file her 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) 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.

¹ This review covers only the assessment functions of the office.
**SCOPE OF ASSESSMENT PRACTICES SURVEYS**

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

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

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

Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.\(^3\)

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.

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\(^2\) Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code.

\(^3\) All rule references are to sections of California Code of Regulations, Title 18, Public Revenues.
EXECUTIVE SUMMARY

As stated in the Introduction, this report emphasizes problem areas we found in the operations of the assessor's office. However, it also identifies program elements that we found particularly effective and describes areas of improvement since our last assessment practices survey.

In the 2002 Marin County Assessment Practices Survey, we made 12 recommendations to address problems in the assessor's policies and procedures. The assessor fully implemented ten of the recommended changes. The recommendations that were not implemented are repeated in this report.

Many of our current recommendations concern portions of programs that are 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 an effective job in managing many portions of the administration program: budget and staffing, appraiser training and certification, assessment appeals, and disaster relief. It should be noted that the Marin County assessment roll value increased 35 percent between fiscal years 2002-03 and 2006-07, while staffing levels remained relatively stable over the same period.

However, there are procedures we believe should be revised, and we make recommendations to help improve these portions of the assessment program. Our primary area of concern with the administration program is that, in many cases, the assessor is not notifying the auditor-controller when penalties should be added to an escape assessment.

Overall, the majority of the assessor's programs for the assessment of real property are efficient and productive. However, procedures for assessing special-use properties need revision, and we make recommendations for improvement.

Specifically, in assessing California Land Conservation Act (CLCA) properties, the assessor is not deducting from the gross income an expense for management and is not correctly calculating the value of CLCA land in nonrenewal. Also, in the taxable possessory interests program, the assessor is not reviewing all private uses of the county fairgrounds for possible assessment.

Although the assessor has effective programs for processing business property statements, valuing business equipment, discovering leased equipment, and discovering and valuing aircraft and vessels, we note some areas in need of improvement. The majority of the issues are minor; the area of greatest concern is with the assessor's program for the audit of business property accounts. Specifically, she is not timely auditing the books and records of professions, trades, and businesses pursuant to section 469.

Despite the problems noted above, we found that most properties and property types are being assessed correctly.
Marin County was not selected for assessment sampling pursuant to Government Code section 15643(b). Thus, this report does not include the assessment ratios that are generated for surveys that include assessment sampling.

We found no significant assessment problems as defined in Rule 371. Accordingly, pursuant to section 75.60, Marin County continues to be eligible for recovery of costs associated with administering supplemental assessments.

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

RECOMMENDATION 1: Request that the board of supervisors revise the disaster relief ordinance to conform to section 170. ...............................................13

RECOMMENDATION 2: Notify the auditor-controller when penalties or interest should be added to an escape assessment...............................................14

RECOMMENDATION 3: Issue low-value supplemental assessments for taxable possessory interests.................................................................25

RECOMMENDATION 4: Revise the CLCA assessment program by: (1) deducting appropriate expenses from the gross income when valuing grazing lands, and (2) correctly calculating the value of CLCA land in nonrenewal according to section 426. .........................27

RECOMMENDATION 5: Review all private uses of the county fairgrounds for possible assessment as taxable possessory interests. .......................29

RECOMMENDATION 6: Properly apply the component for amortization of the improvements for valuing restricted historical properties. .......31

RECOMMENDATION 7: Assess mining property according to the provisions of Rule 469.................................................................34

RECOMMENDATION 8: Timely audit the books and records of professions, trades, and businesses pursuant to section 469. .........................36

RECOMMENDATION 9: Ensure that leased equipment continues to be assessed if retained by the lessee at the expiration of the lease....................39
RESULTS OF 2002 SURVEY

Exemptions
We recommended the assessor review the use of church property for non-qualifying uses and disallow the exemption to that extent. The assessor has implemented this recommendation.

Taxable Possessory Interests
We recommended the assessor review all private uses of the county fairgrounds for possible assessment as taxable possessory interests. The assessor has not implemented this recommendation; it is repeated in this report.

Audits
We recommended the assessor bring the mandatory audit program into compliance with section 469. The assessor still is not completing her mandatory audits timely; therefore, we repeat the recommendation.

Business Equipment Valuation
We recommended the assessor: (1) discontinue the use of minimum valuation factors, and (2) require all apartment owners to file an apartment house property statement. The assessor has implemented the first recommendation by using the factors provided by the California Assessors' Association. Since we did not find any problems resulting from the assessor not implementing our second recommendation, we will not repeat it.

Leased Equipment
We recommended the assessor review lessors' current business property statements more carefully to ensure compliance with reporting requirements and to discover whether valuation issues may exist. The assessor has implemented this recommendation.

Manufactured Homes
We recommended the assessor document manufactured home appraisals, including adjustments for in-park location. The assessor has implemented this recommendation.

Aircraft
We recommended the assessor document condition adjustments for aircraft valuations. The assessor has implemented this recommendation.
We recommended the assessor: (1) annually appraise all vessels at market value, (2) require vessel owners to file annual vessel property statements for vessels costing $100,000 or more, (3) apply the 10 percent penalty for late filing or failing to file a vessel property statement as required by section 463, and (4) implement the reduced section 275.5 documented vessel exemption for late-filed exemption affidavits. The assessor has implemented all four recommendations.
OVERVIEW OF MARIN COUNTY

Marin County is one of California's original 27 counties, created February 18, 1850. The county seat, and also the largest city in the county, is the city of San Rafael. The Marin County Civic Center was designed by the renowned architect, Frank Lloyd Wright. In addition to the city of San Rafael, Marin County has ten other incorporated cities; they are the cities of Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Novato, Ross, San Anselmo, Sausalito, and Tiburon.

The county encompasses a total area of 828 square miles. As of 2007, Marin County had an estimated population of about 248,000. Geographically, Marin County forms a large, southward-facing peninsula, with the Pacific Ocean to the west, San Pablo and San Francisco Bays to the east, Sonoma County to the north, and, south across the Golden Gate Bridge, the City and County of San Francisco.

The largest private employer in Marin County is Fireman's Fund Insurance Company, headquartered in Novato. There are also numerous high-tech companies located in the county.

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4 U.S. Census Bureau's Population Finders located at http://www.census.gov/
The following table displays information pertinent to the 2006-07 assessment roll as provided by the assessor:

<table>
<thead>
<tr>
<th>PROPERTY TYPE</th>
<th>ASSESSMENTS</th>
<th>ENROLLED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured Roll</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>86,688</td>
<td>$41,893,812,000</td>
</tr>
<tr>
<td>Commercial/Industrial</td>
<td>4,014</td>
<td>$5,712,553,000</td>
</tr>
<tr>
<td>Agricultural</td>
<td>729</td>
<td>$243,755,000</td>
</tr>
<tr>
<td>Other Secured</td>
<td>1,182</td>
<td>$152,394,000</td>
</tr>
<tr>
<td>Total Secured</td>
<td>92,613</td>
<td>$48,002,514,000</td>
</tr>
<tr>
<td>Unsecured Roll</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Property &amp; Fixtures</td>
<td>16,611</td>
<td>$1,275,972,000</td>
</tr>
<tr>
<td>Total Assessment Roll</td>
<td>109,224</td>
<td>$49,278,486,000</td>
</tr>
</tbody>
</table>

The next table illustrates the growth in assessed values for recent years as reported in the Board's annual reports:\(^5\)

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>TOTAL ROLL VALUE</th>
<th>INCREASE</th>
<th>STATEWIDE INCREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>$49,278,486,000</td>
<td>8.4%</td>
<td>12.3%</td>
</tr>
<tr>
<td>2005-06</td>
<td>$45,452,322,000</td>
<td>8.8%</td>
<td>11.1%</td>
</tr>
<tr>
<td>2004-05</td>
<td>$41,770,392,000</td>
<td>7.0%</td>
<td>8.3%</td>
</tr>
<tr>
<td>2003-04</td>
<td>$39,052,530,000</td>
<td>7.0%</td>
<td>7.3%</td>
</tr>
<tr>
<td>2002-03</td>
<td>$36,510,054,000</td>
<td>7.2%</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

\(^5\) Board's Annual Reports, 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, appraiser certification, assessment appeals, disaster relief, assessment roll changes, and exemptions.

Budget and Staffing

The assessor in Marin County also holds the position of county recorder. Total budgeted staff assigned to the assessor-recorder's office is 82 positions. There are 64 full-time employees performing the duties of the assessor's office.

The assessor's office is divided into five divisions, consisting of administrative services with 10 positions, assessment standards with 9 positions, assessment systems with 6 positions, real property with 24 positions, and business personal property with 11 positions. Staffing has remained relatively constant over the past five years.

The following table shows the budget levels over recent years. The gross budget figures do not include funds budgeted for the recorder:

<table>
<thead>
<tr>
<th>BUDGET YEAR</th>
<th>GROSS BUDGET</th>
<th>PERCENT CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>$5,991,495</td>
<td>2.7%</td>
</tr>
<tr>
<td>2005-06</td>
<td>$5,831,416</td>
<td>1.2%</td>
</tr>
<tr>
<td>2004-05</td>
<td>$5,759,589</td>
<td>6.7%</td>
</tr>
<tr>
<td>2003-04</td>
<td>$5,398,283</td>
<td>5.2%</td>
</tr>
<tr>
<td>2002-03</td>
<td>$5,130,526</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The above gross budget figures do not reflect any Property Tax Administration Grant Program funds received by the assessor. Since the inception of that program in 1995, the Marin County Assessor-Recorder has qualified to apply for funds only once, in fiscal year 2005-06.
Following is an organizational chart of the assessor's office:

![Organizational Chart]

**Staff Property Procedures**

We reviewed the assessor's procedures for assessing property owned by staff. We found that each year, the chief of the Assessment Standards Division collects from all employees, including the assessor, information regarding their ownership of taxable property located in Marin County. The chief requests the following information: the assessor's parcel number, situs address, the city in which the property is located, and whether there have been any changes in ownership or completion of new construction on these properties. This information allows the assessor to identify employee-owned property located within Marin County.

We also found that employees of the assessor's office are not allowed to value property that they own in Marin County. Assessments of properties owned by staff, including property owned by the assessor and the assistant assessor, are assigned to an appraiser other than the owner. All appraisals involving employee-owned property are reviewed by the chief of the Assessment Standards Division before any values are input into the computer system. We reviewed a number of employee-owned property appraisal files and found no problems with their valuation.

**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 certificate issued by the Board. There are a total of 36 certified appraisers on staff, including the assessor; 18 hold advanced certificates. We found the assessor and staff possess the required certificates. Additionally, we found the auditor-appraisers performing mandatory audits meet the requirements referenced in section 670(d). The assessor does not use contract appraisers.
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 appeal process.

The Marin County Assessment Appeals Board consists of two panels of three members each. Marin County does not use hearing officers. All of the assessment appeals board members have completed the mandatory training as required by section 1624.01. The assessment appeals board hears cases for changes in value affecting properties on both the secured and unsecured rolls. The regular filing period for assessment appeal applications is between July 2 and November 30.

Appeals applications are received by the clerk of the assessment appeals board, who reviews them for completeness, verifies that they are timely filed, enters the appeals' data into a database to track their progress, and forwards copies to the assessor. The clerk of the assessment appeals board checks with the assessor weekly to ensure that all appeals are resolved within the statutory two-year time frame. No appeal in the last five years has gone unresolved for more than two years, unless the taxpayer has agreed to a waiver of the statute of limitations as provided in Rule 309(b).

The assistant assessor of valuation and the principal appraiser in charge of appeals review each application and confer with the appraiser responsible for the geographic area in which the subject property is located. The appraiser then contacts the taxpayer to discuss the appeal.

If an applicant decides to withdraw an appeal, or agrees to a stipulated value, the assessor sends a letter with a withdrawal or stipulation form for the applicant's approval. Withdrawal and stipulation forms are returned to the clerk of the assessment appeals board for disposition. If no agreement can be reached, the appeal process continues and a hearing is scheduled. The assistant assessor of valuation and the appraiser responsible for the appeal represent the assessor at assessment appeals hearings.
The following table illustrates the number of appeals filed and their dispositions over recent years:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>APPEALS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Appeals:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applications Received</td>
<td>194</td>
<td>222</td>
<td>252</td>
<td>602</td>
<td>498</td>
</tr>
<tr>
<td>Carried Over</td>
<td>139</td>
<td>281</td>
<td>983</td>
<td>725</td>
<td>409</td>
</tr>
<tr>
<td>Total</td>
<td>333</td>
<td>503</td>
<td>1,235</td>
<td>1,327</td>
<td>907</td>
</tr>
<tr>
<td>Resolution:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denied-lack of appearance</td>
<td>6</td>
<td>1</td>
<td>7</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Hearing-denied</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Hearing-reduced</td>
<td>6</td>
<td>8</td>
<td>9</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Hearing-increased</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hearing-upheld</td>
<td>12</td>
<td>20</td>
<td>4</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Invalid</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Stipulation</td>
<td>6</td>
<td>14</td>
<td>13</td>
<td>31</td>
<td>18</td>
</tr>
<tr>
<td>Withdrawn</td>
<td>92</td>
<td>316</td>
<td>927</td>
<td>292</td>
<td>156</td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
<td>364</td>
<td>954</td>
<td>344</td>
<td>182</td>
</tr>
<tr>
<td>Carried over to next year</td>
<td>N/A</td>
<td>139</td>
<td>281</td>
<td>983</td>
<td>725</td>
</tr>
</tbody>
</table>

* 2006-07 figures represent appeals filed and resolved as of 3-12-2007.

Overall, the assessor's assessment appeal program is well administered. The staff handling appeals is experienced, well prepared, and works well with the assessment appeals board.

**Disaster Relief**

Section 170 permits a county board of supervisors to adopt an ordinance that allows immediate property tax relief on qualifying property damaged or destroyed by misfortune or calamity. The relief is available to any assesse whose property suffers damage exceeding $10,000 (without his or her fault) in a misfortune or calamity. In addition, section 170 provides procedures for calculating value reductions and restorations of value for the affected property.

To obtain relief under section 170, assessees must make a written application to the assessor requesting reassessment. Alternatively, if the assessor is aware of any property that has suffered damage by misfortune or calamity, then the assessor must either provide the last known assesse with an application for reassessment or revalue the property on the lien date.

Upon receipt of a properly completed application, the assessor shall reassess the property for tax relief purposes. If the sum of the full cash values of the land, improvements, and personal
property before the damage or destruction exceeds the sum of the values after the damage by $10,000 or more, the assessor shall then determine the percentage reductions in current market value and reduce the assessed values by those percentages.

The Marin County Board of Supervisors first adopted a disaster relief ordinance in 1977. The ordinance was last updated on April 6, 1982.

The following table shows the number of applications for disaster relief processed by the assessor for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>APPLICATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>174</td>
</tr>
<tr>
<td>2005-06</td>
<td>59</td>
</tr>
<tr>
<td>2004-05</td>
<td>70</td>
</tr>
<tr>
<td>2003-04</td>
<td>15</td>
</tr>
<tr>
<td>2002-03</td>
<td>103</td>
</tr>
</tbody>
</table>

The assessor discovers instances of disaster or calamity through newspaper articles, building permits, field canvassing, and taxpayer-initiated contacts.

In our review, we found the assessor has not missed any reassessable calamities. We found the assessor reassessed property for disaster relief only upon receipt of a properly completed, timely-filed application in full compliance with section 170. The assessor's program for disaster relief conforms to the current provisions of section 170. However, the county ordinance in effect does not reflect these provisions.

**RECOMMENDATION 1:** Request that the board of supervisors revise the disaster relief ordinance to conform to section 170.

The board of supervisors has not amended the current disaster relief ordinance to conform to changes in section 170.

Chapter 407, Statutes of 2001 (SB 1181), which became effective January 1, 2002, amended section 170 to extend the assessment appeal filing period from 14 days to six months and to extend from 30 to 60 days the time a property owner has to file a completed application when notified by the assessor.

In addition, the existing ordinance still reflects the old March 1 lien date, instead of the January 1 current lien date. Without changes to the ordinance, the assessor's current disaster relief program will continue to be in conflict with the provisions authorized by the board of supervisors.
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 the 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 under assessed, 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 by the assessor for recent years:

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>ROLL CHANGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>4,711</td>
</tr>
<tr>
<td>2004-05</td>
<td>3,095</td>
</tr>
<tr>
<td>2003-04</td>
<td>5,395</td>
</tr>
<tr>
<td>2002-03</td>
<td>7,187</td>
</tr>
</tbody>
</table>

For the Real Property Division, roll changes are initiated by the real property appraisers. All roll changes are keyed directly into the assessor's computer system. After completing the appraisal, the appraiser forwards the file to the appropriate principal appraiser for review and approval.

The system generates a Notice of Proposed Escape Assessment and mails it to the taxpayer at least ten days before changes are entered on the roll, in accordance with section 531.8. After the ten day period has passed, the system transmits the values to the auditor-controller.

In our review, we found one area in need of improvement in the assessor's assessment roll change program.

**RECOMMENDATION 2:** Notify the auditor-controller when penalties or interest should be added to an escape assessment.

We found the assessor fails to consistently notify the auditor-controller to add the section 506 interest when processing certain escape assessments. Some of the statutes requiring the addition of interest for escape assessments are found in:

- Section 531, failure to file a required property statement.
- Section 531.3, failure to report the cost of personal property where required by the assessor.
- Section 531.4, inaccurate reporting of taxable tangible property on the property statement by a profession, trade or business.

- Section 531.5, incorrectly allowed business inventory exemption due to misclassification of property in the business inventory category.

- Section 531.6, incorrectly allowed homeowners' exemption not due to assessor's fault.

Sections 531, 531.3, 531.5 and 531.6 further provides that if the failure to accurately report or if an exemption was incorrectly allowed because the claimant failed to notify the assessor of the appropriate information required by law, the penalty provided in section 504 shall be added to these additional assessments.

The assessor's failure to notify the auditor-controller to add mandatory penalties and interest pursuant to these statutory requirements results in incomplete assessments and lost tax revenue for the county.

**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), 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 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 may be claimed on property that is owned, leased or rented by a religious organization and used exclusively for religious worship services and other activities necessary for the accomplishment of the church's religious purpose. The church exemption requires an annual filing of the exemption claim. The religious exemption may be claimed on property owned by a religious organization and used exclusively for religious purposes. 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 assessor processed 54 church exemption claims and 88 religious exemption claims for the 2006-07 assessment roll. The following table illustrates church and religious exemption data for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>CHURCH</th>
<th>EXEMPTED VALUE</th>
<th>RELIGIOUS</th>
<th>EXEMPTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>54</td>
<td>$40,627,632</td>
<td>88</td>
<td>$56,962,632</td>
</tr>
<tr>
<td>2005-06</td>
<td>58</td>
<td>$38,600,127</td>
<td>87</td>
<td>$55,427,320</td>
</tr>
<tr>
<td>2004-05</td>
<td>51</td>
<td>$32,406,348</td>
<td>96</td>
<td>$56,131,371</td>
</tr>
<tr>
<td>2003-04</td>
<td>44</td>
<td>$27,272,365</td>
<td>101</td>
<td>$55,273,999</td>
</tr>
<tr>
<td>2002-03</td>
<td>43</td>
<td>$24,786,804</td>
<td>103</td>
<td>$55,734,295</td>
</tr>
</tbody>
</table>

Our review indicates that the assessor properly processed claims for church and religious exemptions.

Welfare Exemption

Article XIII, section 4(b) of the California Constitution authorizes the Legislature to exempt property used exclusively for religious, hospital or charitable purposes and owned or held in trust by a corporation or other entity. When the Legislature enacted section 214 to implement this constitutional provision, a fourth purpose (scientific) was added. The welfare exemption from local property taxation is available for property owned and used exclusively for qualifying religious, hospital, scientific, or charitable purposes by organizations formed and operated exclusively for those purposes. Both the organizational and property use requirements must be met for the exemption to be granted.

The welfare exemption is co-administered by the Board and county assessors. The Board is responsible for determining whether an organization itself is eligible for the welfare exemption and for issuing Organizational Clearance Certificates (OCCs) to qualified organizations. 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 Board; and, 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, then it must also hold a valid Supplemental Clearance Certificate (SCC) issued by the Board. The assessor may, however, deny an exemption claim based on non-qualifying use of the property, notwithstanding that the Board has issued an OCC or SCC to the claimant.
The following table shows welfare exemption data for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>CLAIMS</th>
<th>EXEMPTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>806</td>
<td>$994,054,504</td>
</tr>
<tr>
<td>2005-06</td>
<td>812</td>
<td>$886,113,932</td>
</tr>
<tr>
<td>2004-05</td>
<td>801</td>
<td>$815,353,052</td>
</tr>
<tr>
<td>2003-04</td>
<td>741</td>
<td>$732,596,107</td>
</tr>
<tr>
<td>2002-03</td>
<td>748</td>
<td>$708,751,868</td>
</tr>
</tbody>
</table>

We reviewed a variety of welfare exemption claims, including first-time filings and annual filings. We also reviewed the exemption claims for low-income housing property, including properties owned by a limited partnership holding an SCC.

Overall, we found that the assessor is properly administering the welfare exemption.

**Homeowners' and Disabled Veterans' Exemptions**

The homeowners' exemption is authorized by article XIII, section 3(k) of the California Constitution. This constitutional provision, implemented by section 218, exempts $7,000 of the full value of a dwelling when occupied by an owner as a principal place of residence.

The disabled veterans' exemption is authorized by article XIII, section 4(a) of the California Constitution. This constitutional provision, implemented by section 205.5, exempts a specified amount of the full value of a dwelling occupied by an owner who is a qualified disabled veteran (or unmarried surviving spouse) as a principal place of residence. The amount of exemption granted depends upon the amount of the veteran's income; specifically, the exemption amount is either $100,000 or, for low income claimants, $150,000. Both amounts are adjusted annually for inflation.

The homeowners' exemption requires a one-time filing. Once granted, the exemption remains in effect until such time as title to the property changes, the owner does not occupy the dwelling as his or her principal place of residence as of the lien date, or the property is otherwise ineligible. While the $100,000 disabled veterans' exemption requires a one-time filing, annual filing is required for those who qualify for the $150,000 low-income disabled veterans' exemption.
The assessor processed 55,537 homeowners' exemption claims and 205 disabled veterans' exemption claims for the 2006-07 assessment roll. The following table illustrates homeowners' and disabled veterans' exemption data for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>HOMEOWNERS' EXEMPTED VALUE</th>
<th>DISABLED VETERANS' EXEMPTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>$388,686,139</td>
<td>205</td>
</tr>
<tr>
<td>2005-06</td>
<td>$389,768,900</td>
<td>197</td>
</tr>
<tr>
<td>2004-05</td>
<td>$388,483,826</td>
<td>189</td>
</tr>
<tr>
<td>2003-04</td>
<td>$388,806,374</td>
<td>179</td>
</tr>
<tr>
<td>2002-03</td>
<td>$390,556,628</td>
<td>174</td>
</tr>
</tbody>
</table>

Our review indicates that the assessor properly processed claims for homeowners' and disabled veterans' exemptions.
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 government-owned property.

Article XIII A of the California Constitution provides that, absent post-1975 new construction or changes in ownership, the taxable value of real property shall not exceed its 1975 full cash value, 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 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

The recorder's office electronically transmits all recorded documents daily to the assessor's office. The assessor's mapping section screens all recorded documents and pulls those deeds that create lot line adjustments, lot splits or other newly created parcels, and verifies legal descriptions. All other recorded documents are forwarded to the Assessment Standards Division. Each document is assigned a specific code identifying the transaction type.

All recorded documents that evidence a change in ownership requiring reappraisal are assigned to appraisers by geographic area and by property type. If a document indicates that a sale involved unusual financing, a trade, or included personal property, the appraiser is responsible for making a cash equivalency analysis.
The following table shows recording activity for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>DOCUMENTS RECEIVED</th>
<th>REAPPRAISABLE EVENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>17,367</td>
<td>4,357</td>
</tr>
<tr>
<td>2005-06</td>
<td>20,910</td>
<td>5,788</td>
</tr>
<tr>
<td>2004-05</td>
<td>23,085</td>
<td>6,190</td>
</tr>
<tr>
<td>2003-04</td>
<td>27,098</td>
<td>5,693</td>
</tr>
</tbody>
</table>

Over the past five years, approximately 75 percent of the deeds received from the recorder's office have Form BOE-502-A, Preliminary Change of Ownership Report (PCOR) attached. The recorder's office charges a $20 fee when a deed is recorded without a PCOR. Both the assessor's office and the recorder's office make the PCOR form available at the public counters. Also available at the public counters are forms to claim a change in ownership exclusion. These forms are also available online.

Legal Entity Ownership Program (LEOP)

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

To help assessors, the Board's LEOP unit investigates and verifies changes in entity control and legal ownership reported by legal entities, transmitting to each county a listing, with corresponding property schedules, of legal entities that have reported a change in control under section 64(c) or change in ownership under section 64(d). However, many of the acquiring entities do not provide information sufficient to identify the real property. Because of the limited data provided by many entities, assessors should independently research each entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

We reviewed the assessments of properties owned by 14 legal entities that were reported by the Board to have experienced a change in control within the past four years. When the LEOP listing is received from the Board, the assessor reviews the list, identifies the parcels, and updates the computer system to reflect the change in control. We found that the assessor processes LEOP notices properly and promptly and revalues parcels that have undergone a change in ownership.

Section 69.5 Base Year Value Transfer

Section 69.5 generally allows for the transfer of the base year value of a principal residence to a replacement residence of equal or lesser value, provided the property owner is at least 55 years of age or older or the property owner is severely and permanently disabled and files a claim.
timely, and the property is within the same county or within another county that has adopted an ordinance allowing intra-county transfers.

We reviewed a number of base year value transfers and found all documents to be in compliance. In addition, each quarter, the assessor prepares and submits to the Board the section 69.5 reports as required by section 69.5(b)(7).

The following table shows the number of section 69.5 filings for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>FILINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>87</td>
</tr>
<tr>
<td>2005-06</td>
<td>138</td>
</tr>
<tr>
<td>2004-05</td>
<td>138</td>
</tr>
<tr>
<td>2003-04</td>
<td>125</td>
</tr>
<tr>
<td>2002-03</td>
<td>102</td>
</tr>
</tbody>
</table>

Section 63.1 Exclusions

Section 63.1 excludes from reappraisal certain purchases or transfers between parents and children. Section 63.1 also excludes certain transfers from grandparents to grandchildren. We reviewed several of these types of transfers and found all documents to be in compliance.

The following table shows the number of section 63.1 filings for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>FILINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>619</td>
</tr>
<tr>
<td>2005-06</td>
<td>817</td>
</tr>
<tr>
<td>2004-05</td>
<td>962</td>
</tr>
<tr>
<td>2003-04</td>
<td>756</td>
</tr>
</tbody>
</table>

Section 408.1 Transfer Lists

Pursuant to section 408.1, the assessor has a two-year transfer list that is available to the public for review at a charge of $10.00. Information on the transfer list is updated quarterly as required by statute. In addition, the list includes the names of transferors and transferees, the assessor's parcel numbers, addresses of the sold properties, dates of transfer, dates of recording and recording reference numbers, and the indicated consideration paid as required in section 408.1. We found the assessor is in compliance with the statutory provisions.
New Construction

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

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

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

Discovery

Building permits are the assessor's primary means of discovering assessable new construction. Currently, the assessor receives permits from 12 permit-issuing agencies. In addition, the assessor uses newspaper articles, business property statements, and field inspections to discover non-permitted new construction.

Permit Processing

The assessor receives copies of all permits issued by the agencies on a monthly basis. Permits from the Marin County Building Department are transmitted to the assessor electronically, while the other issuing agencies provide hard copies of the permits.

The permits are first received by the "tech team" in the Administrative Services Division. The tech team is comprised of one administrative services associate, one senior assessment recording technician, and two assessment recording technicians.

The technicians verify that the assessor's parcel numbers (APNs) on the permits are correct and enter the permit data for all permits into the computer system. The system culls those permits that would not cause a reassessment. Examples of permits that are culled are gas line repairs, replacement of fences, re-roofing, re-stuccoing, and repair or replacement of heating and cooling systems.

The computer system assigns the remaining permits to the appropriate appraiser based on APN and property type. The appraisers review the permits and cull those for remodel or repair that will result in no value added.
To gather cost information for new construction, the computer system generates letters to property owners to request this information. Returned letters are scanned into the computer system where they can be accessed and reviewed by the appraiser.

The following table shows the number of permits received and the number of permits that generated a change in value for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>PERMITS RECEIVED</th>
<th>PERMITS GENERATING VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>13,664</td>
<td>5,017</td>
</tr>
<tr>
<td>2005-06</td>
<td>13,498</td>
<td>5,147</td>
</tr>
<tr>
<td>2004-05</td>
<td>13,317</td>
<td>4,917</td>
</tr>
<tr>
<td>2003-04</td>
<td>11,642</td>
<td>4,414</td>
</tr>
<tr>
<td>2002-03</td>
<td>11,140</td>
<td>4,957</td>
</tr>
</tbody>
</table>

Valuation

The assessor values new construction at its full cash value as of the date of completion. In valuing new construction, the assessor uses all three valuation approaches if there is adequate data to do so. When developing a cost indicator of value, the assessor uses the Assessors' Handbook Section 531, *Residential Building Costs*, the *Marshall Valuation Service*, or the owner's actual cost, if available.

We reviewed the records of a number of properties that had completed new construction and found the assessor appraised construction in progress as of the lien date, appraised completed new construction as of the date of completion, and applied the appropriate supplemental assessments based on the completion date. The assessor's program for assessing new construction complies with all statutory requirements.

**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 or its current full cash value, as defined in section 110. Thus, if a property's full cash value falls below its factored base year value on any given lien date, the assessor must enroll that lower value. If, on a subsequent lien date, a property's full cash value rises above its factored base year value, then the assessor must enroll the factored base year value.
The following table shows the number of decline-in-value properties for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>ASSESSMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>453</td>
</tr>
<tr>
<td>2005-06</td>
<td>482</td>
</tr>
<tr>
<td>2004-05</td>
<td>572</td>
</tr>
<tr>
<td>2003-04</td>
<td>506</td>
</tr>
<tr>
<td>2002-03</td>
<td>325</td>
</tr>
</tbody>
</table>

The assessor's primary methods of discovering declines in value are from taxpayer requests for value reviews, assessment appeals, and appraiser familiarity with his or her assigned geographic areas. Marin County has few homogeneous neighborhoods of homes of similar size and quality of construction. This makes it difficult for the assessor to determine if all homes in a specific neighborhood are affected by a decline in value. Therefore, the assessor must review each decline-in-value request on an individual, case-by-case basis.

Once a decline-in-value assessment is enrolled for a property, it is coded in the computer system to prevent application of the annual inflation factor and to indicate that an annual value review is necessary.

We reviewed a number of decline-in-value properties and found the assessor annually reviewed the value for each property in compliance with section 51(e). The assessor has an effective program for declines in value.

**Supplemental Assessments**

Sections 75 through 75.80 mandate that the assessor issue supplemental assessments for changes in ownership and the completion of new construction that occur after the lien date. A supplemental assessment is an assessment that reflects the increase or decrease in assessed value resulting from a change in ownership or completion of new construction for the fiscal year. If a change in ownership or completed new construction occurs between January 1 and May 31, two supplemental assessments result from the same event: one for the remainder of the current fiscal year, another for the entire next fiscal year. Clarification regarding supplemental assessments resulting from the completion of new construction is contained in Rule 463.500.

The assessor issues supplemental assessments whenever there is a change in ownership or upon the completion of new construction. Appraisers initiate the process by entering the new values into the computer system. The system calculates the supplemental assessment amount and generates the notice to the taxpayer. Supplemental assessment information is forwarded electronically to the auditor-controller for billing.

The supplemental assessment process from event date to the production and mailing of the supplemental notice averages approximately 54 days. The supplemental notice contains all of the information required by section 75.31.
The assessor's policy is to enroll all supplemental assessments regardless of the dollar amount. Supplemental assessments may be either positive, which will generate a bill, or negative, which will generate a refund. The following table shows the number of supplemental assessment notices issued for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>NOTICES MAILED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>13,837</td>
</tr>
<tr>
<td>2005-06</td>
<td>13,981</td>
</tr>
<tr>
<td>2004-05</td>
<td>12,303</td>
</tr>
<tr>
<td>2003-04</td>
<td>11,381</td>
</tr>
<tr>
<td>2002-03</td>
<td>10,749</td>
</tr>
</tbody>
</table>

We found that the assessor appropriately processes small value and negative supplemental assessments. The assessor correctly issues two supplemental assessments for events occurring on or after January 1, but on or before May 31, and one supplemental assessment for events occurring on or after June 1, but before the succeeding January 1. Additionally, when a change in ownership or completion of new construction occurs on or after January 1, but on or before June 30, the assessor properly applies the inflation factor to the new base year value on the following lien date.

However, we found one area of the assessor's supplemental assessment program that does not comply with property tax laws.

RECOMMENDATION 3: Issue low-value supplemental assessments for taxable possessory interests.

The assessor does not issue low-value supplemental assessments upon the change in ownership of a taxable possessory interest because she believes that it is not cost efficient to process the supplemental assessment.

Section 61(b) provides that the creation, renewal, extension, or assignment of a taxable possessory interest is a change in ownership. In addition, section 75.11 provides that there shall be a supplemental assessment following a change in ownership or completion of new construction. Finally, section 75.5 provides that newly created taxable possessory interests established by month-to-month agreements in publicly owned real property and having a full cash value of $50,000 or less are not subject to supplemental assessments. However, all other taxable possessory interests are subject to supplemental assessments.

Although section 75.55(b) permits a county board of supervisors to adopt an ordinance authorizing the cancellation of any supplemental assessment where the resulting taxes would be less than the cost of assessing and collecting those taxes, the Marin County Board of Supervisors has not adopted such an ordinance. Therefore, the assessor has no authority to cancel low-value supplemental assessments.
If it is not cost-effective to process low-value supplemental assessments, the assessor should ask the board of supervisors to adopt an ordinance authorizing cancellation of any low-value supplemental assessments. Until such time, however, the assessor is required by law to deliver all supplemental assessments for enrollment to the county auditor, regardless of value.

**California Land Conservation Act Properties**

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.

A principal appraiser is responsible for the assessment of all CLCA and other open-space property in Marin County. Properties that fall under CLCA and Farmland Security Zone (FSZ), which is a more restrictive form of CLCA, constitute most of the open-space property in Marin County; additional acreage is restricted under open-space easements. Most of this acreage is used as grazing land, with a relatively small amount of acreage in permanent plantings in orchards or vineyards.

The following table provides summary data for the 2006-07 roll year:

<table>
<thead>
<tr>
<th>TYPE</th>
<th>PARCELS</th>
<th>ACREAGE</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLCA</td>
<td>425</td>
<td>82,552</td>
<td>$105,114,148</td>
</tr>
<tr>
<td>FSZ</td>
<td>59</td>
<td>7,440</td>
<td>$12,673,141</td>
</tr>
<tr>
<td>Open Space Easement</td>
<td>24</td>
<td>4,740</td>
<td>$5,465,445</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>508</td>
<td>94,732</td>
<td>$123,252,734</td>
</tr>
</tbody>
</table>

**Homesites**

Section 428 provides that the restricted valuation standard for CLCA land does not apply to residences or to the site for a residence. At page II-51, AH 521 provides that even though it might be highly unlikely or impossible for the homesite to actually be bought and sold in the marketplace, the homesite must be valued as though it were a separate appraisal unit and traded...
in that manner. In other words, the homesite must be valued at the lesser of the factored base year value or the current market value of a comparable homesite. We found that this is the assessor's policy and practice.

Income and Expenses

In Marin County, the assessor mails a rent questionnaire every other year to collect income and expense data. In estimating economic rent, the assessor uses a cash rent analysis for grazing lands and owner-operator analysis for permanent plantings. In addition, the assessor uses published studies by the University of California Agricultural Extension to estimate income and expenses.

Capitalization Rates

Section 423(b) prescribes the composition of the capitalization rate to be used in determining CLCA-restricted land values. It requires that the capitalization shall be the sum of the following components:

- An interest component annually determined and announced by the Board;
- A risk component based on the location and characteristics of the land, the crops to be grown thereon, and the provisions of any lease or rental agreement to which the land is subject;
- A component for property taxes; and
- A component for amortization of any investment in perennials over their estimated economic life when the total income from land and perennials other than timber exceeds the yield from other typical crops grown in the area.

The assessor develops capitalization rates in accordance with section 423(b), with a higher risk rate being used for permanent plantings than for grazing lands.

In our review of the assessor's CLCA assessment program, we found a couple of areas that need improvement.

RECOMMENDATION 4: Revise the CLCA assessment program by: (1) deducting appropriate expenses from the gross income when valuing grazing lands, and (2) correctly calculating the value of CLCA land in nonrenewal according to section 426.

Deduct appropriate expenses from the gross income when valuing grazing lands.

In Marin County, livestock grazing is the highest and best agricultural use of most of the land subject to CLCA contract. The assessor properly estimates the gross income attributable to this use based on cash rent data. However, we found the assessor does not make any deductions for expenses paid by the owner from the cash rent to arrive at the net income to be capitalized.
In accordance with section 423(a)(1)(3) and Rule 8(c), allowable expenses include expenditures that are ordinary and necessary for the production and maintenance of the revenue for that period, such as an owner's operating and management expenses. Even though these may be relatively minor when property income is based on cash rent, some expenses are typically incurred. The failure to deduct for expenses results in an overassessment of CLCA grazing lands.

Correctly calculate the value of CLCA land in nonrenewal according to section 426.

Marin County has a few CLCA properties in nonrenewal status; these properties typically include a restricted portion used for grazing lands and an unrestricted portion used for a homesite and related residential improvements. Section 426 describes how the value of the restricted portion of property subject to CLCA contract should be valued after notice of nonrenewal has been given.

In determining the nonrenewal value, we found that the assessor incorrectly starts with the factored base year value of the entire CLCA property (both restricted and unrestricted portions); at the end of the calculation, the assessor attempts to compensate for including the unrestricted portion by subtracting the factored base year value of the unrestricted portion.

The calculation for determining the nonrenewal value prescribed in section 426 applies only to the restricted portion of the CLCA property (the taxable value of the unrestricted portion must be added to the nonrenewal value to arrive at the taxable value of the entire property). The proper procedure is to begin the calculations with the factored base year value of the restricted portion only, not the factored base year value of the entire property. By including the factored base year value of the unrestricted portion in the calculation, the assessor has determined a slightly lower nonrenewal value for the restricted portion then would otherwise be the case.

Taxable Government-Owned Properties

Article XIII, section 3 of the California Constitution exempts from property taxation any property owned by local governments, except as provided in article XIII, section 11. Section 11 provides that land, and improvements thereon, located outside a local government's or local government agency's boundaries are taxable at a restricted value if the property was taxable at the time of acquisition. Improvements that were constructed to replace improvements that were taxable when acquired are also taxable. These lands and taxable improvements are commonly referred to as taxable government-owned properties.

For the 2006-07 roll, the assessor enrolled 15 taxable government-owned properties with a total assessed value of $1,860,676 and encompassing an area of 1,745 acres. All of the parcels are owned by a municipal water district outside its district boundaries.

We reviewed government-owned properties with a zero value to confirm that the properties were, in fact, situated within the agency's boundaries. We reviewed a number of taxable government-owned properties and found the assessor correctly established the base year value at the lower of the restricted value or current market value at the time of acquisition. Additionally, each lien date, the assessor calculates and compares the current market value, restricted value, and factored base year value for each taxable government-owned property, and enrolls the lowest
of the three values. We found no problems with the assessor's procedures for taxable government-owned property.

**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.

The assessor enrolled approximately 1,200 taxable possessory interests on the 2006-07 assessment roll totaling approximately $166.5 million. These taxable possessory interests are located on property owned by 55 public agencies. One staff appraiser is responsible for the entire taxable possessory interest workload.

The assessor discovers taxable possessory interests from the review of newspapers and other media, reports from appraisers in the field, and a questionnaire mailed annually to the 55 public agencies that the assessor has on file.

In our 2002 survey report, we recommended the assessor review all private uses of the county fairgrounds for possible assessment as taxable possessory interests. The assessor has not implemented this recommendation; therefore, we repeat it here.

**RECOMMENDATION 5:** Review all private uses of the county fairgrounds for possible assessment as taxable possessory interests.

Each year the assessor requests information on private uses on publicly-owned real property. However, the assessor is not requesting information on private uses of the county fairground, which is part of the Marin Civic Center complex.

Recurring uses of the county's fairground facilities by the same private persons or entities could constitute taxable possessory interests. By not reviewing private uses at the county fairground for possible assessment as taxable possessory interests, the assessor may be allowing property to escape assessment.

**Restricted Historical Properties**

Government Code section 50280 provides that an owner or agent of an owner of a qualified historical property may enter into a contract with the legislative body of a city, county, or city and county restricting the use of that property in exchange for valuation according to a statutorily-prescribed capitalization of income method. For assessment purposes, qualified historical property under such a contract is referred to as "restricted historical property."
Section 50280.1 of the Government Code provides that in order for a property to qualify as a restricted historical property, it must be listed on the National Register of Historic Places or be listed on a state, county, or city register as historically or architecturally significant.

Restricted historical properties are assessed annually at the lowest of the factored base year value, the current market value, or the restricted value. The restricted value must be determined by the income capitalization method, as provided in section 439.2. In this method, a fair or market rent less "ordinary and necessary" expenses is capitalized by a rate that is not derived from the market but is a summation of:

- An interest component that is determined annually by the Board;
- A risk component of 2 percent (4 percent if the property is owner-occupied);
- A component for property taxes; and,
- A component for amortization of the improvements.

For the 2006-07 roll, the assessor enrolled five restricted historical properties with a total assessed value of $10,550,000. The properties are both residential and commercial, and are located in the cities of Belvedere and Larkspur. Homeowners' exemptions have been granted on three of the properties. One property is in the first year of non-renewal.

The following table summarizes the assessed values for restricted historical properties over recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>ASSESSMENTS</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>5</td>
<td>$10,550,000</td>
</tr>
<tr>
<td>2005-06</td>
<td>2</td>
<td>$ 3,070,000</td>
</tr>
<tr>
<td>2004-05</td>
<td>2</td>
<td>$ 2,977,000</td>
</tr>
<tr>
<td>2003-04</td>
<td>2</td>
<td>$ 2,742,500</td>
</tr>
<tr>
<td>2002-03</td>
<td>2</td>
<td>$ 2,581,500</td>
</tr>
</tbody>
</table>

We reviewed the records for all five properties and found a copy of the historic property preservation agreement and a worksheet showing the value calculations for each property. The assessor uses economic rent in the income approach. Annually, the assessor reviews the assessed values for these five properties and enrolls the lowest of the factored base year value, the current market value, or the restricted value.

The capitalization rate used includes all four required components, including the interest rate as provided by the Board and the appropriate risk rate for owner or non-owner occupied property. However, we found one area that needs improvement in the assessor's treatment of restricted historical properties.
RECOMMENDATION 6: Properly apply the component for amortization of the improvements for valuing restricted historical properties.

We found the assessor correctly includes an amortization component in the capitalization rate when valuing restricted historical property as provided in sections 439.2(b)(4) and (c)(4). However, the unadjusted amortization component is included in the overall capitalization rate.

Since the amortization component provides only for return of the value of the improvement, which is a wasting asset, it should not be included unadjusted in an overall capitalization rate that converts income generated by both land and improvements into value. Since land is a non-wasting asset, it is necessary to adjust the amortization component to account for that portion of the income being generated by the improvements. LTA 2005/035 provides an example of how to adjust the amortization component to reflect recapture of the improvement value only.

By failing to adjust the amortization component, the assessor is under-assessing restricted historical properties.

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 a period of 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 avoid escapes 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.

In Marin County, the Real Property and Business Personal Property Divisions exchange information through a shared computer database. This allows the assessor to track referrals between the two divisions and minimizes the likelihood of leasehold improvements escaping assessment or being doubly assessed.

Discovery

The primary discovery tools for leasehold improvements are reviews of business property statements, building permits, and commercial and industrial leases, and field checks. Improvements identified as structure leasehold improvements by the business property staff are
referred to the real property staff to determine whether they are: (a) assessable as new
construction, or (b) nonassessable because they represent replacement or repair of existing
improvements.

Valuation

The assessor classifies improvement items as either structural or business fixtures. Once a base
year value is established for an improvement, for subsequent roll years, the assessor assesses it at
the lower of its factored base year value or current market value.

Leasehold improvements are assessed to the lessee except when there exists a documented
agreement between lessor and lessee to do otherwise. When leasehold improvements are
abandoned, the Business Personal Property Division de-activates the account and notifies the
Real Property Division to determine if any additional value should be added to the lessor's
secured account.

Supplemental assessments are applied to structural leasehold improvements on both the secured
and unsecured roll. Fixtures that are a separate appraisal unit are not supplementally assessed.

We found no problems with the assessor's valuation of leasehold improvements.

Water Company Properties

Taxable water company property may include the property of private water companies, mutual
water companies, and some property of government-owned water systems. Each type of water
company property presents different assessment issues.

Municipal Water Systems

Article XIII, section 3(b) of the California Constitution exempts from taxation property owned
by a local government and located within its boundaries. Such property includes both: (1)
property owned by city water departments and located within city limits, and (2) property owned
by water districts and located within district boundaries. When a local government entity owns
property located outside of the government agency's or district's boundaries, this exemption does
not apply.

There are six municipal water systems in Marin County that are located within district
boundaries. The assessor is correctly exempting property owned by these districts. There is one
municipal water system in Marin County with parcels located outside the agency's boundaries; it
is properly assessed.

Mutual Water Companies

A mutual water company is a private association created for the purpose of providing water at
cost primarily for its stockholders or members. When incorporated, the association can enter into
contracts, incur obligations, own property, and issue stock. However, if unincorporated, it can do
these things only in the name of its members. Corporations organized for mutual water company
purposes are not subject to regulation by the California Public Utilities Commission (CPUC) unless they deliver water for compensation to persons other than stockholders and members.

We identified two mutual water companies in Marin County and found that the value of the mutual water companies' properties were correctly reflected in the assessments of the parcels served by the water systems.

Private Water Companies Regulated by the CPUC

Private water companies are privately-owned utilities in business to earn a profit from the sale of water. This type of water company is subject to regulation by the CPUC and must submit annual reports to the CPUC.

The CPUC regulates the rates charged by private water companies, limiting profits to a return on the company's unamortized investment in plant and equipment. Because the earning ability of a regulated private water company is tied to this "rate base," as it is known, the current market value of water company properties may be adversely affected by this restriction on earning capacity. The assessor should determine both the current market value and the factored base year value of such property, and enroll the lower of the two as the taxable value (Assessors' Handbook Section 542, Assessment of Water Companies and Water Rights, Part I, p.14).

We found one private water company regulated by the CPUC in Marin County. For property owned by this company, the assessor annually enrolls the lower of the factored base year value or current market value derived from the Historical Cost Approach. We reviewed assessments for properties owned by this company and found no problems.

Private Water Systems Not Regulated by the CPUC

Unregulated private water systems are similar to regulated water companies in that they are usually owned by individuals or corporations and are operated on a for-profit basis to supply water to commercial developments, such as manufactured home parks, resorts, and campgrounds. However, they do not sell water for profit to customers in the same manner as a regulated water company. We reviewed the assessments of property owned by several private water systems and found no problems.

Mineral Properties

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.

Marin County has no petroleum or geothermal properties, and only one mining property. In our review of this property, we found one area of concern with respect to its valuation.
RECOMMENDATION 7: Assess mining property according to the provisions of Rule 469.

We found that the assessor does not adjust the base year value of the mineral rights to account for depletion or addition of the mineral reserves. Instead, the prior taxable value is simply adjusted by the annual inflation factor. In addition, the assessor does not determine the current market value of mineral properties each year.

Since productive mineral resources are a depleting asset, there must be an annual estimate of the current market value of a mineral property and a comparison of this value to the property's factored base year value, with the lesser of these two values enrolled as the taxable value. In determining the factored base year value of the mineral-right portion of a mineral property, Rule 469(e)(1)(B) requires that the assessor reduce the prior factored base year value of the mineral appraisal unit by the value of the minerals extracted in the past assessment year and add the current market value of any new reserves.

Once this factored base year value has been determined for the mineral property, it should be compared with the current market value of the appraisal unit. The lower of the two values should be enrolled.

Not assessing mineral properties according to the requirements of Rule 469 may result in the over-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.

The assessor's staff assigned to the Business Personal Property Division consists of 11 positions: 1 principal auditor-appraiser, 1 senior auditor-appraiser, 4 auditor-appraisers, 1 assessment recording supervisor, and 4 assessment record technicians.

In this section of the report, we review the assessor's programs for conducting audits, processing business property statements, valuing business property, discovering and assessing leased equipment, and assessing manufactured homes, aircraft, and vessels.

Audits

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.
The following table shows the total number of audits completed for recent years:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Workload:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandatory</td>
<td>82</td>
<td>67</td>
<td>50</td>
<td>51</td>
<td>44</td>
</tr>
<tr>
<td>Nonmandatory</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>Audits Carried Over from Prior Year</td>
<td>21*</td>
<td>57</td>
<td>46</td>
<td>37</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total Audit Workload</strong></td>
<td>106</td>
<td>127</td>
<td>97</td>
<td>89</td>
<td>72</td>
</tr>
<tr>
<td>Audits Completed:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandatory</td>
<td>66</td>
<td>43</td>
<td>39</td>
<td>42</td>
<td>19</td>
</tr>
<tr>
<td>Nonmandatory</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total Audits Completed</strong></td>
<td>69</td>
<td>47</td>
<td>40</td>
<td>43</td>
<td>35</td>
</tr>
<tr>
<td>Audits Carried Forward</td>
<td>37</td>
<td>80</td>
<td>57</td>
<td>46</td>
<td>37</td>
</tr>
</tbody>
</table>

* Audit carried over differences are due to the assessor's changes in mandatory audit identification and tracking.

Pursuant to section 469, audits are mandatory for taxpayers reporting business tangible personal property and trade fixtures valued at $400,000 or more for four consecutive years.

The Marin County Assessor-Recorder has approximately 280 accounts in Marin County that are subject to the provisions of section 469. Each year, the assessor generates a computer listing of accounts having a value of $400,000 or more for four consecutive years, forming the basis of the mandatory audit list. To remain current, the assessor must audit approximately 70 accounts each year.

We found that the assessor performs change in control (legal entity ownership) reviews, verifies leased equipment, enrolls construction work in progress, accounts for supplies, and properly classifies equipment, among other things. In all cases, mandatory audits were accurate, well documented, and supported by a comprehensive audit checklist defining the areas of investigation.

In our 2002 survey report, we recommended the assessor bring the mandatory audit program to current status. Although the mandatory audit program has improved substantially, the assessor is still behind in completing the mandatory audits.

**RECOMMENDATION 8:** Timely audit the books and records of professions, trades, and businesses pursuant to section 469.

We found that the assessor is not completing her mandatory audits in a timely manner. Pursuant to section 469, the assessor must audit the books and records of professions, trades, or businesses...
with trade fixtures and business tangible personal property that has a full value of $400,000 or more at least once every four years.

The mandatory audit program verifies the reporting of the largest business property accounts and forestalls any potential large assessment errors. The further removed the audit is from the year under review, the more difficult it is to obtain the necessary records to accurately audit the account.

**Business Property Statement Processing**

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

**Workload**

The following table displays the assessor's business property statement workload for the 2006-07 roll year:

<table>
<thead>
<tr>
<th>TYPE</th>
<th>STATEMENTS</th>
<th>SECURED VALUE</th>
<th>UNSECURED VALUE</th>
<th>ASSESSED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>91</td>
<td>$2,543,332</td>
<td>$5,018,690</td>
<td>$7,562,022</td>
</tr>
<tr>
<td>General Business</td>
<td>12,033</td>
<td>$165,748,366</td>
<td>$975,804,632</td>
<td>$1,141,552,998</td>
</tr>
<tr>
<td>Possessory Interest</td>
<td>1,186</td>
<td>$0</td>
<td>$80,997,676</td>
<td>$80,997,676</td>
</tr>
<tr>
<td>Pleasure Vessels</td>
<td>4,382</td>
<td>$0</td>
<td>$197,392,200</td>
<td>$197,392,200</td>
</tr>
<tr>
<td>General Aircraft</td>
<td>256</td>
<td>$0</td>
<td>$63,694,535</td>
<td>$63,694,535</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>17,948</strong></td>
<td><strong>$168,291,698</strong></td>
<td><strong>$1,322,907,733</strong></td>
<td><strong>$1,491,199,431</strong></td>
</tr>
</tbody>
</table>

We reviewed the assessor's business property statement processing program, including written processing procedures, use of Board-prescribed forms, processing by certified staff, taxpayer interactions, completeness of the property statements, application of penalties, coordination with the real property staff, and record storage and retention.

**Discovery**

The assessor has an efficient discovery program. Taxpayer self-reporting is the principal means of discovering assessable property. Other means of discovering assessable business property include reviewing business permits, fictitious business name filings, newspaper articles, advertisements, telephone directories, referrals from other counties, and Board notifications. We found that the assessor employs effective methods for discovering business personal property.
Direct Billing

Many assessors utilize an assessment procedure called "direct billing" or "direct assessment." This is a method of assessing certain smaller business accounts without requiring the annual filing of business property statements. Initial values are established and continued for several years, with only periodic requests for property statements or field reviews.

The direct billing program is beneficial to both taxpayers and the assessor. Direct billing streamlines filing requirements, reduces the amount of paperwork for small businesses, and reduces the number of property statements that must be processed by the assessor. Examples of businesses suitable for direct billing are small apartments, barber shops, beauty parlors, coin-operated launderettes, small cafes, small restaurants, and professional firms with small equipment holdings.

The Marin County Assessor-Recorder has over 3,000 direct billing accounts assessed on the 2006-07 roll. The assessor's guidelines for the direct billing program are that: (1) the total cost of reported assets must be under $100,000; (2) the property must have a history of asset stability; and (3) the taxpayer is sent and must submit a property statement every four years. Taxpayers are removed from this program if: (1) they fail to file a property statement in the fourth year, (2) if the total cost of reported assets exceeds $100,000, or (3) if, in the opinion of the auditor-appraiser, it is otherwise warranted.

We reviewed a sample of direct billing accounts and found the program is properly administered.

Electronic Filing (E-Filing) of Business Property Statements

Section 441 was amended effective January 1, 2004, to allow business property statements to be filed in electronic media specified by the assessor. Such "e-filed" property statements must have authentication methods specified by the assessor and approved by the Board. The acceptance of e-filing is at the discretion of the assessor.

Beginning with the 2006-07 roll year, the Marin County Assessor-Recorder began accepting e-filed property statements. E-filings are authenticated through the assignment of a unique public key code, known as the Business Identification Number. This code is a random number known only to the taxpayer and the assessor. For the 2006-07 roll year, the assessor received approximately 15 e-filings.

Business Equipment Valuation

Commercial, Industrial, and Agricultural Equipment

Assessors value most machinery and equipment using business property value factors. Value factors are derived by combining price index factors with percent good factors. A value indicator is obtained by multiplying a property's historical cost by an appropriate value factor.
Section 401.5 provides that the Board shall issue information that promotes uniformity in appraisal practices and assessed values. Pursuant to that mandate, the Board annually publishes Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581).

Price index factors measure the trended value of goods over their service lives. The percent good factors are intended to reflect the average loss in value that commercial and industrial equipment will suffer over its service life. The factors are based on averages and represent a reasonable estimate of the annual changes for the majority of business machinery and equipment.

We found the assessor is using the factors provided by the California Assessors' Association (CAA). The CAA factors parallel those published in AH 581. We found no problems with the assessor’s valuation of business equipment.

**Leased Equipment**

The business property division is responsible for the discovery, valuation, and assessment of leased equipment. This type of property is one of the more difficult to assess correctly. Common problems include difficulty in establishing taxability and taxable situs, reporting errors by lessees and lessors, valuation (whether the value of the equipment should be the lessor's cost or the cost for the consumer to purchase), and double or escape assessments resulting from lessor and lessee reporting. These issues are discussed in detail in Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*.

Assessees are required to report all leased property (taxable property in their possession but belonging to others) on their annual property statement. They also are required to provide information on the type of property, year of acquisition and manufacture, cost to purchase new, description or lease number, and the owner's name and address. This information is compared with the lease data reported by the lessor in the lessors' property statements.

We reviewed the annual property statements of several accounts and found that they contained the required information. We also reviewed the files of a number of qualified exempt organizations and found that the assessor has adequate procedures for tracking equipment leased to them. However, we did find one area in the assessor's leased equipment program needing attention.

**RECOMMENDATION 9:** Ensure that leased equipment continues to be assessed if retained by the lessee at the expiration of the lease.

When an equipment lease expires and the lessor is no longer reporting the equipment to the assessor, many times the lessee has acquired the property by exercising a lease option. From that point on, the lessee should report the equipment as owned property. We found that the assessor has no policy to track such acquisitions of leased equipment by lessees at the end of their lease terms. As a result, that property seldom continues to be assessed once a lease is terminated.

However, we did find that the assessor has the tools and data to track this type of equipment. One method to ensure that a former lessee reports equipment that it acquires at the end of the lease term is to compare the lessor's current year filing with the lessor's prior year's filing. Any
leases that have been terminated would not appear in the lessor's current year filing. The prior year lease information could then be compared with the lessee's current filing. If the lessee failed to report this formerly leased equipment, it would trigger the need to conduct further investigation.

The equipment may have either been returned to the lessor or kept by the lessee, depending on the lease agreements and/or the needs of the lessee. If kept by the lessee, the lessee, as the new owner, would be required to report the equipment's cost and the acquisition year on the lessee's property statement.

Since the assessor is not reviewing changes in ownership of equipment acquired by lessees at the end of their leases, this type of equipment may be escaping assessment in Marin County.

**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 Marin County, there were 218 manufactured homes with a total assessed value of $8,823,942 enrolled on the 2006-07 roll. There are ten mobilehome parks in Marin County; the majority of manufactured homes can be found within these parks. The assessor identifies manufactured homes on the assessment roll with an account number that starts with "900."

The following table shows the number of manufactured homes assessed in Marin County for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>MANUFACTURED HOMES</th>
<th>VALUES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>218</td>
<td>$8,823,942</td>
</tr>
<tr>
<td>2005-06</td>
<td>210</td>
<td>$8,001,841</td>
</tr>
<tr>
<td>2004-05</td>
<td>208</td>
<td>$9,771,111</td>
</tr>
<tr>
<td>2003-04</td>
<td>200</td>
<td>$12,233,049</td>
</tr>
<tr>
<td>2002-03</td>
<td>180</td>
<td>$10,643,213</td>
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</tbody>
</table>

One appraiser is responsible for the valuation of all manufactured homes in Marin County. The assessor learns of sales, new installations, and voluntary conversions of manufactured homes through periodic State Department of Housing and Community Development reports, building permits, field discovery, referrals from other counties, dealers’ reports of sales, and multiple listing services.
For sales and transfers, the assessor determines the market value in accordance with section 5803, by using a recognized value guide for manufactured homes. In subsequent years, the assessor enrolls the lower of the factored base year value or the current market value as determined from the value guide.

We have no recommendations for this program.

**Aircraft**

General aircraft are privately owned aircraft that are used for pleasure or business but that are not authorized to carry passengers, mail, or freight on a commercial basis (general aircraft contrast with certificated aircraft, discussed below). Section 5363 requires the assessor to determine the market value of all aircraft according to standards and guidelines prescribed by the Board. Section 5364 requires the Board to establish such standards. On January 10, 1997, the Board approved the *Aircraft Bluebook-Price Digest* (*Bluebook*) as the primary guide for valuing aircraft, with the *Vref Aircraft Value Reference* (*Vref*) as an alternative guide for aircraft not listed in the *Bluebook*.

The following table details aircraft assessment in Marin County for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>AIRCRAFT</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>256</td>
<td>$63,694,535</td>
</tr>
<tr>
<td>2005-06</td>
<td>279</td>
<td>$70,038,043</td>
</tr>
<tr>
<td>2004-05</td>
<td>267</td>
<td>$60,837,438</td>
</tr>
<tr>
<td>2003-04</td>
<td>265</td>
<td>$55,302,773</td>
</tr>
<tr>
<td>2002-03</td>
<td>255</td>
<td>$54,414,412</td>
</tr>
</tbody>
</table>

The assessor discovers aircraft through a review of airport managers' hangar reports, airport operators' tenant lists, and Federal Aviation Administration reports, referrals from other counties, and field inspections.

Each year, known owners of aircraft in the county are requested to report certain information on their aircraft, including added or removed equipment, engine air hours since last major overhaul, date of last overhaul, overall condition of the aircraft, and transfer information if the aircraft has been sold since the last lien date.

Upon receipt of the requested information, the auditor-appraiser incorporates adjustments for overall condition of the aircraft, additional or removal of special equipment, airframe hours, and engine hours since last major overhaul to determine a market value estimate.

We found procedures for the assessment of aircraft to be correctly administered and the estimates of value to be properly calculated.
Vessels

Assessors must annually appraise all vessels at market value. The primary sources used for the discovery of assessable vessels include State Department of Motor Vehicles (DMV) reports, referrals from other counties, information provided by the vessel owners themselves, certificates of documentation issued by the United States Coast Guard, Department of Homeland Security, harbormasters' reports, and field canvassing.

For the 2006-07 roll year, the assessor enrolled 4,400 vessels with a total assessed value of $197,438,488.

The following table shows the vessels assessed in Marin County for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>PLEASURE VESSELS</th>
<th>VALUE</th>
<th>DOCUMENTED VESSELS</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>4,382</td>
<td>$197,392,200</td>
<td>18</td>
<td>$ 46,288</td>
</tr>
<tr>
<td>2005-06</td>
<td>4,433</td>
<td>$103,612,588</td>
<td>21</td>
<td>$ 65,244</td>
</tr>
<tr>
<td>2004-05</td>
<td>4,666</td>
<td>$185,143,609</td>
<td>19</td>
<td>$ 90,945</td>
</tr>
<tr>
<td>2003-04</td>
<td>4,291</td>
<td>$157,850,616</td>
<td>25</td>
<td>$127,821</td>
</tr>
<tr>
<td>2002-03</td>
<td>4,271</td>
<td>$134,930,429</td>
<td>26</td>
<td>$ 41,988</td>
</tr>
</tbody>
</table>

When a vessel first establishes a tax situs in Marin County or when there is a change in ownership of a vessel, the assessor sends the owner Form BOE-576-D, Vessel Property Statement. Vessels are assessed based on a correlation of the following value indicators: reported purchase price, DMV values, BUC Used Boat Price Guide, and the National Automobile Dealers Association Small and Large Boat Appraisal Guide. The assessor adjusts the value for vessel condition, motor and motor condition, and accessories, with deductions for trailers, when appropriate.

We found no problems with the assessor's assessment program of vessels.
APPENDIXES

A. County-Assessed Properties Division Survey Group

Marin County

Chief
Dean Kinnee

Survey Program Director:
Arnold Fong Principal Property Appraiser

Survey Team Supervisor:
Sally Boeck Supervising Property Appraiser

Survey Team Leader:
Ronald Louie Senior Specialist Property Appraiser

Survey Team:
Lisa Thompson Principal Property Appraiser
Dale Peterson Senior Specialist Auditor-Appraiser
Paul Lane Senior Specialist Property Appraiser
Bob Marr Associate Property Appraiser
Lloyd Allred Associate Property Auditor-Appraiser
Maureen Spurlock Associate Property Auditor-Appraiser
Chandra Williams Tax Auditor
Andrew Austin Assistant Property Appraiser
Prubjit Singh Tax Technician I
B. Relevant Statutes and Regulations

Government Code

15640. Survey by Board of county assessment procedures.

(a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.

(b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.

(c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.

(d) In addition, the Board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.

(e) The Board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.

(f) The Board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The Board shall also provide a right to each county assessor to appeal to the Board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

15641. Audit of records; appraisal data not public.

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

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and 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 10 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 10 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 10 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 BOARD'S FINDINGS

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

The Marin County Assessor-Recorder's response begins on the next page. The Board has no comments on the response.
April 18, 2008

Mr. Dean R. Kinnee, Chief  
County-Assessed Properties Division  
State Board of Equalization  
PO Box 942879  
Sacramento, California 94279-0062

Re: Assessor’s Response – Marin County Assessment Practices Survey Report

Dear Mr. Kinnee:

Enclosed are the Marin County Assessor-Recorder’s responses to the State Board of Equalization’s Assessment Practices Survey of the 2006-2007 assessment roll. These are submitted pursuant to Section 15645 of the California Government Code.

My staff and I are most appreciative of the State Board of Equalization’s efforts to help achieve correct appraisals and uniform assessment practices in the State through the survey process. Over the years, the surveys from the various counties, as well as my own, have provided my office with an invaluable source of information and ideas about how to effect positive change. We are also impressed by the professionalism and courtesy exhibited by your fine staff while in the field.

We concur with your recommendations and are in the process of implementing as many as possible given our resources and capabilities after taking into consideration impending budget cuts.

On behalf of my staff, I thank you for acknowledging their hard work in implementing your recommendations in the 2002 Assessment Practices Survey.

Sincerely yours,

Joan C. Thayer
RECOMMENDATION 1: Request that the board of supervisors revise the disaster relief ordinance to conform to section 170.
RESPONSE: We concur and will pursue implementation of the recommendation.

RECOMMENDATION 2: Notify the auditor-controller when penalties or interest should be added to an escape assessment.
RESPONSE: We concur and will pursue implementation of the recommendation.

RECOMMENDATION 3: Issue low-value supplemental assessments for taxable possessory interests.
RESPONSE: We concur and will pursue implementation of the recommendation or implementation of an applicable low-value ordinance. Frequent turnover of certain lower valued possessory interest properties can be burdensome and confusing to taxpayers and administratively cost ineffective.

RECOMMENDATION 4: Revise the CLCA assessment program by: (1) deducting appropriate expenses from the gross income when valuing grazing lands and (2) correctly calculating the value of CLCA land in nonrenewal according to section 426.
RESPONSE: We concur and are revising procedures to implement both parts of this recommendation.

RECOMMENDATION 5: Review all private uses of the county fairgrounds for possible assessment as taxable possessory interests.
RESPONSE: We concur and will pursue implementation with available staff and resources.

April 18, 2008
RECOMMENDATION 6: Properly apply the component for amortization of the improvements for valuing restricted historical properties.

RESPONSE: We concur and are revising procedures to implement the recommendation.

RECOMMENDATION 7: Assess mining property according to the provisions of Rule 469.

RESPONSE: We concur and will pursue implementation with available staff and resources.

RECOMMENDATION 8: Timely audit the books and records of professions, trades, and businesses pursuant to section 469.

RESPONSE: We concur and will pursue implementation with available staff and resources.

RECOMMENDATION 9: Ensure that leased equipment continues to be assessed if retained by the lessee at the expiration of the lease.

RESPONSE: We concur and will pursue implementation with available staff and resources.