March 5, 2010

TO COUNTY ASSESSORS:

PLACER COUNTY
ASSESSMENT PRACTICES SURVEY

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

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from March through August 2008. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

The retired assessor, the Honorable Bruce Dear, and the current assessor, the Honorable Kristen Spears, and their 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, the State must make up the difference from the general fund.

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

The assessor is required to file with the board of supervisors a response that states the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, the Senate and Assembly, and to the Placer County Board of Supervisors, Grand Jury, and Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Kristen Spears, Placer County Assessor, elected to file her initial response prior to the publication of our survey; it is included in this report following the Appendixes.

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

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

In addition, pursuant to Revenue and Taxation Code\(^1\) section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team—based on objective standards defined in regulation—that there are no significant assessment problems in the county. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix C.

Our survey of the Placer County Assessor's Office included reviews of the assessor's records, interviews with the assessor and her staff, and contact with officials in other public agencies in Placer County who provided information relevant to the property tax assessment program. This survey also included an assessment sample of the 2007 assessment roll to determine the average level (ratio) of assessment for all properties and the disparity among assessments within the sample. The ideal assessment ratio is 100 percent, and the minimum acceptable ratio is 95 percent. Disparity among assessments is measured by the sum of absolute differences found in the sample; the ideal sum of absolute differences is 0 percent and the maximum acceptable number is 7.5 percent. If the assessment roll meets the minimum standards for ratio and disparity, the county is eligible to continue to recover the administrative cost of processing supplemental assessments. The sampling program is described in detail in Appendix B.

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

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\(^1\) Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code.
EXECUTIVE SUMMARY

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

Since our last survey in 2004, the Placer County Assessor has made many improvements in the administration of assessment programs. For example, the assessor has expanded the website to include a full range of fillable assessment forms as well as to provide online access to assessment roll information. This expansion has also allowed for the inclusion of images of map book pages, detailed information regarding specific topics of interest to taxpayers, as well as assessment roll facts. All are helpful to a variety of public and private agencies.

The assessor has also expanded the office's use of electronic assessment information. For example, the office maintains totally paperless files documenting the assessments of vessels, aircraft, and manufactured homes. This movement towards electronic documentation has greatly enhanced the storage and retrieval of assessment data, thus, improving the accuracy and timeliness of assessments.

Current recommendations concern portions of programs that are currently effective but need additional improvement. The assessor is already aware of the need for improvement and is considering changes as time and resources permit.

The assessor is effectively managing many administrative functions: budget, workload, staffing, staff property procedures, appraiser certification, assessment appeals, disaster relief, assessment roll changes, low-value property tax exemption, the exemptions program, racehorse administrative tax, and assessment forms.

In the area of real property assessment, the assessor effectively manages the following programs: change in ownership, new construction, declines in value, California Land Conservation Act properties, taxable government-owned properties, taxable possessory interests, leasehold improvements, timeshares, and pipeline rights-of-way. We did note room for improvement in a few programs with the area of most concern dealing with the assessment of mineral properties.

The assessor has effective programs for business property statement processing, business equipment valuation, leased equipment, and the discovery and valuation of manufactured homes, aircraft, vessels, and animals. The assessor also has an effective program for handling audits.

Despite the problems noted above, we found most properties and property types are assessed correctly. Our sample of the 2007-08 assessment roll indicated an average assessment ratio of 100.01 percent, and the sum of the absolute differences from the required assessment level was 1.19 percent. Accordingly, the BOE certifies that Placer County is eligible to receive reimbursement of costs associated with administering supplemental assessments.
Following is a list of the formal recommendations contained in this report, arrayed in the order that they appear in the text.

**RECOMMENDATION 1:** Periodically send questionnaires to all owners of TPZ properties to discover compatible uses. ...........................................25

**RECOMMENDATION 2:** Identify all mutual water company properties in Placer County.28

**RECOMMENDATION 3:** Revise the mineral property assessment program by:
(1) reviewing the assessment of mineral properties for declines in value, (2) adjusting the base year value of minerals to account for depletion pursuant to Rule 469(e)(2)(A)(4), and (3) enrolling settling ponds as separate appraisal units. ............29
OVERVIEW OF PLACER COUNTY

Placer County, formed in 1851, is bounded by Nevada County to the north, the State of Nevada to the east, El Dorado and Sacramento counties to the south, and Sutter and Yuba counties to the west. The county encompasses 1,506 square miles, or 964,140 acres, and can be divided into three distinct regions: the Valley Region, which includes the cities of Roseville, Rocklin, Loomis and Lincoln; the Gold Country, which includes Auburn, Colfax, Foresthill, and Newcastle; and the High Country, which is essentially North Lake Tahoe and its immediate environs. The city of Auburn has been the county seat since the county's founding.

The U.S. Census Bureau estimated the population for Placer County for 2006 at 326,242, making it the 23rd most populous county in California. Placer County is a significant component of a four-county metropolitan area (El Dorado, Placer, Sacramento, and Yolo counties), which is one of the state's fastest growing regions in terms of population and economic activity.
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, workload, staffing, staff property procedures, appraiser certification, assessment appeals, disaster relief, assessment roll changes, exemptions, the racehorse administrative tax, and assessment forms.

**Budget**

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

As shown in the following table, the assessor's budget has grown over recent years:

<table>
<thead>
<tr>
<th>BUDGET YEAR</th>
<th>GROSS BUDGET</th>
<th>ANNUAL INCREASE</th>
<th>PERMANENT STAFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>$8,275,369</td>
<td>11.30%</td>
<td>85</td>
</tr>
<tr>
<td>2006-07</td>
<td>$7,434,935</td>
<td>5.83%</td>
<td>85</td>
</tr>
<tr>
<td>2005-06</td>
<td>$7,025,502</td>
<td>5.51%</td>
<td>85</td>
</tr>
<tr>
<td>2004-05</td>
<td>$6,658,744</td>
<td>11.26%</td>
<td>85</td>
</tr>
<tr>
<td>2003-04</td>
<td>$5,984,637</td>
<td>N/A</td>
<td>85</td>
</tr>
</tbody>
</table>

**Workload**

The assessor produced a local assessment roll for 2007-08 consisting of 172,441 assessments (157,283 on the secured roll, and 15,158 on the unsecured roll). This assessment roll had a net taxable value of $57,319,226,000, which was an increase of 63 percent over the 2003-04 roll total of $35,106,722,000.
The following table illustrates the growth in assessed values during the past several years:

<table>
<thead>
<tr>
<th>ASSESSMENT ROLL</th>
<th>TOTAL ROLL VALUE</th>
<th>INCREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>$57,319,226,000</td>
<td>8.46%</td>
</tr>
<tr>
<td>2006-07</td>
<td>$52,850,333,000</td>
<td>16.36%</td>
</tr>
<tr>
<td>2005-06</td>
<td>$45,421,229,000</td>
<td>14.86%</td>
</tr>
<tr>
<td>2004-05</td>
<td>$39,544,586,000</td>
<td>12.64%</td>
</tr>
<tr>
<td>2003-04</td>
<td>$35,106,722,000</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Staffing**

The assessor's main office is located in Auburn and the district office is located in Tahoe City. The assessor has a total staff of 85 budgeted full-time positions, including the assessor.

The following organization chart shows the office is divided into three groups: the Property Appraisal Group, the Property Assessment Group, and the Resource and Planning Group.

Staff Property Procedures

As part of our review of how the assessor maintains the integrity of the assessment roll, we examined her policy regarding the assessment of employee-owned property. There are formal written policies and procedures for the assessment of employee-owned properties, and it has long been the practice of the assessor not to allow any employee to prepare or influence assessments on his or her property.
Employees are required to file an employee property activity report upon hire and yearly thereafter. When an employee buys, sells, or has any assessable activity on a property, the activity is valued by an appraiser in the Assessment Standards Division. Upon valuation, the property file is forwarded to the supervisor of the Assessment Standards Division for review and, if approved, the file is forwarded to the assistant assessor for additional review before being enrolled.

We reviewed the appraisal and business property files for several properties owned by current staff of the assessor's office. In every instance, the most recent valuation of the property had been prepared and reviewed by a certificated employee other than the employee who owned the property.

**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 BOE. There are a total of 29 certified appraisers on staff, including the assessor. We found that the assessor and her staff possess the required certificates. Additionally, we found that the eight auditor-appraisers performing audits meet the requirements referenced in section 670(d). The assessor does not use contract appraisers.

In Placer County, the supervising appraiser in the Assessment Standards Division performs the duties of the training coordinator. Her responsibilities as training coordinator include:

- Tracking staff training hours to ensure staff have the requisite training each year to maintain their appraisal certification;
- Arranging for staff to attend a variety of training opportunities each year; and
- Tracking the progress of newly hired appraisal staff to ensure they complete the BOE's certification program within the one-year timeframe.

Our review found the assessor's appraiser training and certification program to be active and efficiently monitored.

**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 BOE has adopted Rules 301 through 326 to regulate the assessment appeal process.

Assessment appeals in Placer County are heard by one assessment appeals board (AAB) consisting of five regular members. All AAB members who are required to complete the BOE assessment appeals training class have done so.
The appeals applications are received, processed, and scheduled for hearing by the clerk of the AAB. Applications inadvertently filed with the assessor are date-stamped and then forwarded to the clerk of the AAB. The clerk sends to the assessor copies of all assessment appeals applications received. The clerk of the AAB tracks appeals on a computer system that is also accessible, on a limited basis, by staff in the assessor's office.

The appraiser, within whose area the property under appeal is located, generally prepares the assessor's case with assistance from a manager. The manager is generally the person who presents the assessor's case before the AAB. In certain instances, one of the assessor's property specialists may handle the case. In all cases, a manager reviews the presentation prior to the hearing and attends presentations made before the AAB.

The following table illustrates the assessment appeals workload for recent years:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Appeals:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applications Received</td>
<td>569</td>
<td>298</td>
<td>246</td>
<td>351</td>
<td>236</td>
</tr>
<tr>
<td>Carried Over</td>
<td>557</td>
<td>375</td>
<td>473</td>
<td>419</td>
<td>340</td>
</tr>
<tr>
<td>Total</td>
<td>1,126</td>
<td>673</td>
<td>719</td>
<td>770</td>
<td>576</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>15</td>
<td>3</td>
<td>9</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Hearing-denied</td>
<td>8</td>
<td>4</td>
<td>23</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Hearing-reduced</td>
<td>33</td>
<td>5</td>
<td>10</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Hearing-increased</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cancelled</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Stipulation Approved</td>
<td>34</td>
<td>22</td>
<td>53</td>
<td>61</td>
<td>39</td>
</tr>
<tr>
<td>Stipulation Denied</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Withdrawn</td>
<td>475</td>
<td>82</td>
<td>248</td>
<td>216</td>
<td>100</td>
</tr>
<tr>
<td>Penalty abated</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>565</td>
<td>116</td>
<td>344</td>
<td>297</td>
<td>157</td>
</tr>
<tr>
<td>Carried over to next year</td>
<td>561</td>
<td>557</td>
<td>375</td>
<td>473</td>
<td>419</td>
</tr>
</tbody>
</table>

Pursuant to section 1604(c)(1), taxpayers and the assessor have signed waivers to continue all appeals not resolved within two years of the date of timely filing of the application for changed assessment. No appeal in the last four years has gone unresolved for more than two years, unless the taxpayer has agreed to a waiver of the statutory time limit.
We attended a number of assessment appeals hearings and found the assessor's staff was well-prepared and handled their presentations professionally. We reviewed a number of appeal files and found them to be clear and well documented. Overall, the assessor's assessment appeals program is well administered.

**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 property tax relief is available to any assessee of any taxable property 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. In addition, if the assessor is aware of any property that has suffered damage by misfortune or calamity, the assessor must provide the last known assessee with an application for reassessment. Alternatively, the board of supervisors may, by ordinance, grant the assessor the authority to initiate the reassessment if the assessor is aware and determines that within the preceding 12 months taxable property located in the county was damaged or destroyed by misfortune or calamity.

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.

To update the disaster relief ordinance to conform to the current statutory provisions, the Placer County Board of Supervisors adopted Ordinance 5208-B on November 12, 2002. The current ordinance applies to any taxable property, both real and personal, damaged by misfortune or calamity, where the amount of damage equals or exceeds $10,000.
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>DISASTER RELIEF APPLICATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>2</td>
</tr>
<tr>
<td>2005-06</td>
<td>23</td>
</tr>
<tr>
<td>2004-05</td>
<td>4</td>
</tr>
<tr>
<td>2003-04</td>
<td>24</td>
</tr>
<tr>
<td>2002-03</td>
<td>20</td>
</tr>
</tbody>
</table>

The assessor discovers instances of property damaged by disaster, misfortune, or calamity by reviewing newspaper articles and building permits, field canvassing, and through taxpayer-initiated contacts. Upon the discovery of a disaster, misfortune, or calamity, the assessor mails an application for disaster relief to the property owner. Applications are also available on the assessor's website and at the public counter of the assessor's office.

To ensure that applications for disaster relief have been filed timely, they are date-stamped upon receipt by the assessor. The applications are then logged into the computer system and forwarded to the appraisers for processing. Each appraiser is responsible for processing applications for disaster relief on properties located within his or her assigned area of responsibility. All properties are field inspected to determine the extent of the damage. When the valuation of the property is completed, the worksheets and the appraisal are forwarded to a managing appraiser for review before they are submitted for entry onto the roll.

We reviewed a number of areas in the assessor's disaster relief program and found the assessor:

- Properly calculates the percentages of relief to be applied to the roll values;
- Correctly includes relief for the month in which the disaster occurred;
- Properly notifies property owners of proposed reassessments and appeal rights;
- Properly applies the inflation index factor to the damaged value when no repair work has been done as of the lien date; and
- Restores the factored base year value using the supplemental assessment process when the property is restored to its original condition.

Overall, the assessor has an effective program for identifying, processing, and granting disaster relief.
Assessment Roll Changes

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

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

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

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>ROLL CHANGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>8,441</td>
</tr>
<tr>
<td>2005-06</td>
<td>5,127</td>
</tr>
<tr>
<td>2004-05</td>
<td>10,306</td>
</tr>
<tr>
<td>2003-04</td>
<td>7,284</td>
</tr>
<tr>
<td>2002-03</td>
<td>7,357</td>
</tr>
</tbody>
</table>

These numbers represent secured and unsecured properties, and include supplemental roll changes. Placer County does not have an ordinance implementing section 531.9 to exclude low-value escape assessments. All escape assessments are enrolled regardless of amount.

Assessment technicians initiate roll corrections regarding exemptions or other corrections that do not involve valuation. The roll change is then reviewed by the supervising assessment technician and assistant assessor or designated manager. The supervising assessment technician or assistant assessor will complete a roll change worksheet citing the appropriate statutory authority, corrected values, and any applicable interest and penalties.

Real property appraisers may initiate roll changes involving value adjustments, such as those resulting from escaped new construction, base year value changes, or a missed change in ownership. A senior property appraiser or supervising appraiser reviews and approves the roll change. After the change is keyed into the computer system, a Notice of Proposed Escape Assessment is sent to the taxpayer.

Auditor-appraisers who have corrections resulting from audits of business and personal property accounts complete a roll correction form citing the appropriate statutory authority, corrected values, and applicable interest and penalties. The change is reviewed and approved by the senior auditor-appraiser or supervising auditor-appraiser. If approved, a Notice of Proposed Escape Assessment is then generated and sent to the taxpayer.
When a roll change is between $500,000 and $1,000,000, the division manager must approve the correction. When a roll change is over $1,000,000, involves a policy question, or results in more than three years of corrections, the standards supervisor and the assistant assessor must review the change and make a recommendation to the assessor. The assessor will then decide whether to approve the correction.

Once the roll change process has begun and the Notice of Proposed Escape Assessment has been sent, a copy of the roll change is forwarded to the county auditor for review. The original roll change form is placed in a holding file where it is held for ten days. After ten days, an assessment technician will send the Notice of Enrollment of Escape Assessment to the taxpayer and enter the roll change into the computer system.

The assessor observes the statutes of limitation for making escape assessments and base year value corrections. We reviewed roll changes initiated by the real and business property staff and found the assessor properly notifies the county auditor to apply penalties and interest when required.

**Low-Value Property Tax Exemption**

Section 155.20 authorizes a county board of supervisors to exempt from taxation all real property with a base year value, and personal property with a full value, so low that the total taxes, special assessments, and applicable subventions on the property would be less than the assessment and collection costs if the property were not exempt.

Section 155.20(b)(1) provides that a county board of supervisors shall not exempt from taxation property with a total base year value or full value of more than $5,000 (effective January 1, 2010, the maximum amount that can be exempted under a "low value" local ordinance was increased to $10,000), or more than $50,000 in the case of certain taxable possessory interests. A board of supervisors must adopt a low-value property tax exemption ordinance before the lien date for the fiscal year to which the exemption is to apply. At the option of the board of supervisors, the exemption may continue in effect for succeeding fiscal years.

The Placer County Board of Supervisors passed Resolution 2002-300 on December 17, 2002. Effective with the 2003-04 assessment year, the resolution authorizes the exemption of vessels, aircrafts, unsecured personal property, and business trade fixtures with a full value of $5,000 or less. The exemption, however, does not apply to an assessment with a total value from single or multiple locations within the same tax rate area for personal property or business trade fixtures which exceed $5,000, or to those properties whose unsecured assessment includes land or improvements. Overall, the resolution complies with section 155.20.

The assessor produces a report of assessments with a value of $5,000 or less, and checks each assessment to determine if it qualifies for the low-value property tax exemption. If the assessment does qualify for exemption, the assessment is entered on the roll at zero ($0) value.

The assessor's low-value property tax exemption program adequately identifies the assessments that qualify for the tax exemption.
Exemptions

Church and Religious Exemptions

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

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

For the 2006-07 assessment roll, the assessor processed 28 church and 145 religious exemption claims. The following table illustrates the number of church and religious exemptions processed and the amount exempted for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>CHURCH EXEMPTION</th>
<th>EXEMPTED VALUE</th>
<th>RELIGIOUS EXEMPTION</th>
<th>EXEMPTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>28</td>
<td>$5,906,590</td>
<td>145</td>
<td>$166,150,175</td>
</tr>
<tr>
<td>2005-06</td>
<td>28</td>
<td>$6,611,592</td>
<td>132</td>
<td>$155,589,442</td>
</tr>
<tr>
<td>2004-05</td>
<td>31</td>
<td>$8,795,548</td>
<td>126</td>
<td>$132,012,753</td>
</tr>
<tr>
<td>2003-04</td>
<td>32</td>
<td>$9,115,264</td>
<td>125</td>
<td>$98,992,127</td>
</tr>
</tbody>
</table>

Three full-time staff process all church, religious, welfare, and disabled veterans' exemption claims. A supervising appraiser coordinates workload duties and maintains formal written policies and procedures. When a claim is filed, an exemption code is assigned. The claim is reviewed for code assignment, completeness, and conformity with the appraiser's field inspection report, which details the actual organizational activities of each claimant.

Our current review indicates the assessor properly processed church and religious exemption claim filings. The assessor has written procedures for processing these exemptions. She refers to several sources for guidance in processing these exemptions, including: the Assessors' Handbook Section 267, Welfare, Church, and Religious Exemptions; the newly published handbook, Publication 149, Property Tax Welfare Exemption, dated March 2008; and other advisory
information provided at BOE exemption workshops. We found no problems with the assessor's church and religious exemption programs.

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

The assessor may not grant a welfare exemption on an organization's property unless the organization holds a valid OCC or valid SCC issued by the BOE. The assessor may, however, deny an exemption claim, based on non-qualifying use of the property, notwithstanding that the BOE has issued an OCC or SCC to the claimant.

The following table shows the number of welfare exemptions processed and their corresponding exemption value for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>WELFARE EXEMPTION</th>
<th>EXEMPTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>333</td>
<td>$800,253,097</td>
</tr>
<tr>
<td>2005-06</td>
<td>352</td>
<td>$735,408,660</td>
</tr>
<tr>
<td>2004-05</td>
<td>355</td>
<td>$694,013,673</td>
</tr>
<tr>
<td>2003-04</td>
<td>363</td>
<td>$663,070,901</td>
</tr>
</tbody>
</table>

We reviewed a variety of welfare exemption claims, including first-time filings, annual filings, and denied claims. These included claims for charitable corporations, conservancy and wildlife environmental preservation organizations, hospitals and multispecialty clinics, and low-income housing property (including properties owned by a limited partnership holding an SCC).

We determined the assessor has improved the formal written welfare exemption processing procedures to include a section allotted for issues surrounding hospitals and multispecialty healthcare clinics.
We further found that the assessor obtains an OCC from each claimant applying for the welfare exemption and reviews each claim and any supporting documents before granting an exemption. The assessor also appropriately examines the property of an organization holding a valid SCC and correctly allocates exemption values and taxable values of properties receiving partial exemptions.

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 when occupied as a principal place of residence by an owner who is a qualified disabled veteran (or a deceased disabled veteran's unmarried surviving spouse). The amount of exemption is $100,000. However, for qualifying low-income disabled veterans, the amount is $150,000. Both of these amounts are adjusted annually by a cost of living index factor.

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. The disabled veteran's exemption at the $100,000 basis requires a one-time filing, while annual filing is required for those exemptions at the $150,000 low-income basis to determine continued eligibility.

The assessor processed 75,519 homeowners' exemption claims and 351 disabled veterans' exemption claims for the 2006-07 assessment roll. The following table illustrates the number of properties and the amount of assessed value exempted under the homeowners' and disabled veterans' exemptions for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>HOMEOWNERS' EXEMPTION</th>
<th>EXEMPTED VALUE</th>
<th>DISABLED VETERANS' EXEMPTION</th>
<th>EXEMPTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>75,519</td>
<td>$528,022,153</td>
<td>351</td>
<td>$36,880,923</td>
</tr>
<tr>
<td>2005-06</td>
<td>73,529</td>
<td>$513,814,770</td>
<td>318</td>
<td>$32,021,208</td>
</tr>
<tr>
<td>2004-05</td>
<td>71,258</td>
<td>$497,749,333</td>
<td>282</td>
<td>$28,268,150</td>
</tr>
<tr>
<td>2003-04</td>
<td>67,855</td>
<td>$474,074,481</td>
<td>265</td>
<td>$26,835,236</td>
</tr>
</tbody>
</table>

Our review of the homeowners' and disabled veterans' exemption records indicated that the assessor is properly processing these exemptions. The assessor submits information regarding homeowners' exemption claims to the BOE.
**Racehorse Administrative Tax**

Racehorses domiciled in California are subject to an annual tax in-lieu of ad valorem property taxes. Sections 5701 through 5790 outline the provisions of this tax. Specific procedures and forms are prescribed by Rules 1045 through 1047. Rule 1045(c) requires the assessor to furnish BOE-prescribed forms to racehorse owners for reporting the in-lieu tax no later than December 15th every year.

The assessor discovers taxable racehorses through the use of BOE-571-J, Annual Racehorse Tax Return, by referring to the California Horse Racing Board website, telephone book listings, and information from other counties. Currently, the assessor's records list 59 individuals, partnerships, or corporations as potential racehorse owners in Placer County.

The assessor sends the annual racehorse tax form to racehorse owners where the racehorse has a tax situs in Placer County. The tax forms are sent no later than December 15th and prior to the calendar year in which the tax is due. Additionally, the assessor transmits a memorandum, along with a copy of the current mailing list, to the tax collector's office by December 25th.

We reviewed both the assessor's and the tax collector's racehorse files and found no problems with the assessor's administration of the racehorse in-lieu tax.

**Assessment Forms**

Government Code section 15606 requires the BOE to prescribe and enforce the use of all forms for the assessment of property for taxation. Generally, the assessor may not change, add to, or delete the specific wording in a prescribed form. The assessor may, however, rearrange information on a form provided that the assessor submits such form to the BOE for review and approval. Assessors may also use county-developed forms to assist them in their assessment duties. However, such forms may not be used as substitutes for BOE-prescribed forms that are required to be used, and no penalty may be imposed upon a property owner for failure to file a county-developed form or questionnaire.

To enforce the use of prescribed forms, the BOE annually requires assessors to specify, in writing, the number of BOE-prescribed forms they will use in the succeeding assessment year. Assessors are also required to submit to the BOE copies of the final prints of all prescribed forms they intend to use.

A review of the forms used by the Placer County Assessor found, of the 82 BOE-prescribed forms available, the assessor used 66 and rearranged seven. The assessor has timely provided the BOE with rearranged forms, checklists, and final prints.

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2 Also sections 480(c), 480.2(b), 480.4, and Rules 101 and 171.
ASSESSMENT OF REAL PROPERTY

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

- Revaluation of properties that have changed ownership;
- Valuation of new construction;
- Annual review of properties that have experienced declines in value;
- Annual revaluations of certain properties subject to special assessment procedures, such as property subject to California Land Conservation Act contracts and Timberland Production Zone properties.

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

Change in Ownership

Section 60 defines change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee simple interest. Sections 61 through 69.5 further clarify what is considered a change in ownership and what is excluded from the definition of change in ownership for property tax purposes. Section 50 requires the assessor to establish a base year value for real property upon a change in ownership; a property's base year value is its fair market value on the date of change in ownership.

The Placer County Recorder electronically transmits all recorded documents to the assessor. For the 2007 roll year, the Placer County Assessor received 122,748 recorded deeds, of which 39,691 were processed for changes in ownership. Each BOE-502-A, Preliminary Change of Ownership Report (PCOR), received by the recorder is transferred to the assessor. The assessor scans all PCORs and additional documents, including plans and maps, into the computer system. Both the assessor and the recorder make PCORs available upon request. PCORs and other change of ownership forms are also available online and from title companies.

Approximately 98 percent of recorded deeds are accompanied by a PCOR. In every instance, when a deed is recorded and a PCOR is not provided, or is not completed in its entirety, the recorder charges a $20 fee. If a PCOR is not filed or the information regarding the change in ownership is incomplete, the assessor sends the transferee BOE-502-AH, Change of Ownership Statement (COS).

We reviewed a number of transfers for residential and commercial/industrial properties and found the assessor is properly considering the cost, sales, and income approaches in the valuation process.
Section 63.1 Exclusions

Section 63.1 excludes from the definition of change in ownership the purchase or transfer of principal residences and the first $1 million of other real property between parents and their children. A limited number of transfers from grandparents to their grandchildren are also excluded.

Information regarding the provisions of section 63.1 is available at the assessor's public counter along with claim forms. Claim forms are also available on the assessor's website. The assessor prepares the section 63.1 quarterly reports as requested by the BOE.

We found section 63.1 applications are properly processed and the program fully complies with the provisions of section 63.1.

Section 69.5 Base Year Value Transfers

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 meets all of the statutory requirements, including, but not limited to, being at least 55 years of age or severely and permanently disabled, filing a claim timely, and the properties are located within the same county. The assessor prepares the section 69.5 quarterly reports for the BOE as required by section 69.5(b)(7).

We found section 69.5 applications are properly processed, and the program fully complies with the provisions of section 69.5.

The following table depicts the total number of section 63.1 and 69.5 transfers processed in recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>SECTION 63.1 TRANSFERS</th>
<th>SECTION 69.5 TRANSFERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>1,095</td>
<td>256</td>
</tr>
<tr>
<td>2005-06</td>
<td>341</td>
<td>294</td>
</tr>
<tr>
<td>2004-05</td>
<td>1,510</td>
<td>321</td>
</tr>
<tr>
<td>2003-04</td>
<td>1,524</td>
<td>275</td>
</tr>
<tr>
<td>2002-03</td>
<td>1,384</td>
<td>215</td>
</tr>
</tbody>
</table>

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. Subdivisions (c) and (d) of Rule 462.180 provide 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, and, therefore, no corresponding recorded notice of the real property transfer.

To help assessors, the BOE’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 involved. Because of the limited data provided by many entities, LEOP advises assessors to independently research each entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

When LEOP listings are received from the BOE, the assessor reviews the transfers and identifies the parcels involved. Each change in control is distributed to the Commercial-Industrial Division for processing based on the type of property involved. We found the assessor processes LEOP notices properly and promptly revalues parcels having undergone a change of ownership. Overall, the assessor's change in ownership program is well administered.

**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. Section 70 further establishes that any rehabilitation, renovation, or modernization that converts an improvement to the substantial equivalent of a new improvement, constitutes a major rehabilitation of the improvement. Section 71 requires the assessor to determine the full cash value of newly constructed real property on each lien date while construction is in progress and on its date of completion, and provides that the full cash value of completed new construction becomes the new base year value of the newly constructed property.


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

**Discovery**

Building permits are the main source the assessor uses to discover assessable new construction. To ensure all qualifying new construction is assessed, section 72(a) requires the assessor receive a copy of all approved building permits from permit-issuing agencies within the county. Currently, the assessor receives building permits from eight permit-issuing agencies: the County of Placer; and the cities of Auburn, Colfax, Lincoln, Loomis, Rocklin, Roseville, and Tahoe City. Other sources used to discover new construction include newspaper articles, business property statements, and field canvassing.
Permit Processing

The assessor processed 12,796 permits for 2007, resulting in 3,848 new construction assessments. The total new value for all new construction for 2007-08 was $980,338,388. The assessor receives permits either electronically or by courier, weekly or monthly, depending on the agency and the volume of permits being granted.

Upon receipt of the permits, the assessor culls those qualifying as either maintenance or repair according to office procedures. Staff inputs the data from the remaining permits and codes them according to the type of property and work being proposed. Appraisers review the permits and make final determinations both as to whether the permitted construction is reassessable and as to its value.

Once a value is determined, it is entered into the computer system. A supervisor reviews and approves the work. The system then generates supplemental assessment notices and applicable letters.

Self-Reporting Program

The assessor's self-reporting program is called the Property Owner Reported Construction (PORC) program. This program is limited to residential additions or alterations and other miscellaneous structures.

For residential building permits with a permit value of $50,000 or less, an assessment clerk mails a self-reporting questionnaire to the property owners. If the questionnaire is returned, the new construction is normally valued based on information provided in the questionnaire. For residential permits in excess of the $50,000 threshold, appraisers first determine whether a PORC questionnaire would be appropriate or useful under the specific circumstance. For those where a questionnaire is sent, upon receipt, the appraiser reviews the questionnaire to determine whether a field inspection is necessary. If not, the new construction is valued based on the information provided in the questionnaire.

The self-reporting program is a valuable and productive method for obtaining data on new construction; however, approximately 30 to 40 percent of the questionnaires are not returned to the assessor. In these cases, the appraisal staff will make a notation in the property record and schedule a field review.

Valuation

For completed new construction, the assessor values the new construction as of the date of completion. An appraiser determines the completion status of new construction from an onsite inspection, a notice of completion from the building department, or information provided by assessees.

The assessor determines the value of new construction primarily through the use of the market approach. The assessor also relies on several cost sources. These include local cost studies; the
Assessors' Handbook Section 531, *Residential Building Costs*; the owner's actual cost; and the *Marshall Valuation Service* cost guide for commercial and industrial properties.

**Summary**

Overall, the assessor has an effective assessment program for new construction.

**Declines in Value**

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

The assessor has developed a mass appraisal program for revaluing residential properties having suffered declines in value. The assessor divided the county into numerous homogenous neighborhoods or groups. Within each homogeneous neighborhood or group, the assessor compared the relationship of sales price to size with additional adjustments for views, pools, and other factors; the adjustments were derived by paired sales analysis.

The data from the studies is put into the assessor's computer system, which calculates the decline-in-value adjustments for the designated area or group within the neighborhood. To ensure the validity of this program, appraisers complete independent decline-in-value reviews and compare the results with those generated by the program. The assessor also relies on appraiser knowledge of the area and taxpayer requests for review to discover declines in value.

The following table shows the number and distribution of properties enrolled at less than FBYV over recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>TIMESHARES</th>
<th>OTHER PROPERTIES</th>
<th>TOTAL PROPERTIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>16,539</td>
<td>11,962</td>
<td>28,501</td>
</tr>
<tr>
<td>2006-07</td>
<td>15,937</td>
<td>359</td>
<td>16,296</td>
</tr>
<tr>
<td>2005-06</td>
<td>6,291</td>
<td>439</td>
<td>6,730</td>
</tr>
<tr>
<td>2004-05</td>
<td>6,723</td>
<td>6,291</td>
<td>13,014</td>
</tr>
</tbody>
</table>

The assessor tracks all property with reduced assessments resulting from declines in value to ensure an annual review is prompted and the annual inflation factor will not be applied.

When the annual review of a decline-in-value property indicates an assessment increase, the assessor sends a notice to the property owner. The notice contains all statutorily required elements.
We reviewed several residential and commercial property records with decline-in-value assessments. We found the values to be reasonable and the appraisals to be well documented and complete.

**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, namely, 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*, provides guidance for the appraisal of these properties.

For the 2007-08 tax roll, there were 492 parcels encompassing approximately 43,925 acres encumbered by CLCA contracts. This acreage included 1,323 acres restricted under Farmland Security Zone contracts, which are a more restrictive form of the CLCA contract.

Of the total CLCA acreage, 13,871 acres were in nonrenewal status, an increase of 7,539 acres since our prior survey. The total assessed value for CLCA land and living improvements for 2007-08 was approximately $78.5 million.

The assessor identifies, documents, and deducts charges for irrigation improvements and assesses all restricted living improvements that are economically productive. Most of the trees and vines in Placer County are either not under CLCA contract or are small acreage parcels. The assessor is tracking several parcels of exempt trees and vines, which will be assessed once they become taxable.

When there is a change in ownership of property under CLCA contract, the assessor appropriately issues a supplemental assessment only for the homesite portion of the restricted land value. The assessor also properly deducts charges for management, maintenance, and irrigation district water. These charges are noted in the computer system and automatically deducted by the program.

Overall, we found the assessor's program for valuing CLCA properties to be well-administered.
**Placer County Assessment Practices Survey**

**March 2010**

**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.

There are 45 taxable government-owned properties in Placer County, including parcels owned by various cities and districts. The total assessed value of taxable government-owned properties on the 2007-08 assessment roll was $2,838,482.

To verify all properties owned by public agencies are taxed if situated outside that agency's boundaries, we reviewed a sampling of government-owned properties with a zero roll value to confirm the properties were not located outside that agency's boundaries. We also reviewed selected properties assessed as taxable government-owned properties.

We found the properties reviewed from both lists were correctly assessed. We found no problems with the assessor's procedures for taxable government-owned property.

**Timberland Production Zone Properties**

Lands zoned "Timberland Production Zone" (TPZ) are valued in accordance with special TPZ site classifications; the valuation of such lands excludes the value of any standing timber. The annual value of a TPZ property is determined by its appropriate per-acre site value (section 434.5) plus the lower of the current market value or the factored base year value of any compatible, nonexclusive uses of the property (section 435). Assuming that TPZ lands are not also under CLCA contract, the annual taxable value of TPZ lands is the lowest of: (1) the TPZ value, (2) the current market value, or (3) the factored base year value.

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

Placer County has 424 TPZ parcels, comprising 102,194 acres. TPZ properties in Placer County are classified as pine-mixed conifer timber and are valued annually based on site classes and values provided by the BOE.

The assessor uses one use code and two taxability codes for TPZ parcels. Pursuant to section 433, the appropriate entry "TPZ" is placed on the electronic roll and on all paper files.

Exclusive and nonexclusive compatible uses for TPZ lands are valued in accordance with article XIII A of the California Constitution at the lower of fair market value or factored base year value. The assessor usually allocates one to two and a half acres of land from the TPZ
restricted land for homes or other structures. This land and associated structures are also valued at the lower of current market value or factored base year value.

The assessor discovers exclusive and nonexclusive compatible uses for TPZ properties through permits from the Placer County Building Department, information on land use changes from the Placer County Planning Department, and through monitoring of the board of supervisors' minutes. The appraisal staff also notes any observed changes for TPZ parcels while conducting fieldwork. However, the assessor does not utilize questionnaires to capture information on compatible uses that would be otherwise difficult to discover.

**RECOMMENDATION 1:** Periodically send questionnaires to all owners of TPZ properties to discover compatible uses.

We found the assessor's program for the discovery of existing compatible uses on TPZ lands is predominantly passive; the assessor primarily relies on the receipt of information from other governmental entities to inform her of the existence of any compatible uses. Due to the remote location of TPZ properties and the fact that access to the properties is limited due to snow and few or no roads, appraiser field inspections are very limited.

Section 435(a) requires the assessor to value timberland according to the site value schedules expressed in section 434.5 and to value any compatible, nonexclusive uses of the land. These uses may include grazing, hunting, camping, and mining. The value of these compatible nonexclusive uses must be determined annually and added to the site class values for the timberland.

The use of taxpayer questionnaires is a good practice for the discovery of compatible uses. One of the early steps in the appraisal process is to define the appraisal problem. To do this, the assessor must identify the property to be appraised; the use of questionnaires reflects a good effort to obtain as much information as possible to identify the property to be appraised. Therefore, to help discover compatible nonexclusive uses of TPZ property, the assessor should send questionnaires to TPZ property owners to request relevant data regarding compatible uses of their TPZ lands.

**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 447 taxable possessory interests with a total assessed value of $206,320,932 for the 2007-08 assessment roll. Effective January 1, 2008, the county's low-value property tax exemption ordinance exempts all taxable possessory interests with a value of $5,000 or less. Therefore, the 2008-09 and subsequent rolls will show a significant reduction in the number of taxable possessory interests.
The assessor's primary discovery source of taxable possessory interests is an annual possessory interest inquiry, or through BOE-502-P, Possessory Interests Annual Usage Report, which is sent to all known lessors requesting information on lessees. The managing commercial/industrial appraiser in the Auburn office is responsible for the valuation of taxable possessory interests located in the western portion of the county, while the managing appraiser in the Tahoe City office is responsible for the valuation of taxable possessory interests located in the eastern portion of the county. Taxable possessory interest records are kept at both locations.

The assessor has a well-administered program for the assessment of taxable possessory interests.

**Leasehold Improvements**

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

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

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

The Placer County Assessor allocates to the real property staff the responsibility for the assessment of leasehold improvements classified as structures. The business property staff assesses leasehold improvements classified as fixtures.

The most common methods of discovery of leasehold improvements are through Schedule B of the BPS and building permits. An auditor-appraiser refers to the real property staff expenditures reported on Schedule B. Auditor-appraisers and real property appraisers use a referral slip to communicate between them when either or both fixtures and structures are reported. We compared BPSs with the corresponding real property appraisal records and found coordination between the two sections was consistent and effective, and that assessments were in compliance with current statutes.

**Timeshares**

A timeshare estate is a right of occupancy in a timeshare project that is coupled with an estate in real property. A timeshare project is one in which a purchaser receives a right to the recurrent, exclusive use or occupancy of a unit of real property for a specified time interval that has been or
will be allotted from the occupancy or use periods into which the project has been divided. When purchased, a timeshare typically includes nonassessable personal property (furniture, linens, kitchenware, and household items) and nonassessable non-real-property items. Examples of non-real-property items include vacation exchange rights, club memberships, selling and promotional expenses, and prepaid expenses such as maintenance fees.

For 2007-08 there were four timeshare projects in Placer County comprising 17,160 timeshare estates with an assessed value of $53,703,154. The timeshare developments are typically marketed in weekly or bi-weekly intervals. The value of a timeshare is dependant upon the season and whether occupancy is annual or semi-annual.

Section 998 provides that the full taxable value of a timeshare interest shall be determined by finding the real property value of the interest involved, and shall not include the value of any nonreal property items, including, but not limited to, vacation exchange rights, vacation conveniences and services, and club memberships.

The assessor analyzes timeshare interests to segregate and remove personal property and nonreal property items to determine the market value of a timeshare interest at the time of transfer. Valuation of personal property is determined by comparing transfers having personal property to transfers that do not. Nonreal property items have defined costs. The assessor relies primarily on comparables derived from the resale market of individual timeshares through brokered sales and by private parties. Seasonal influence is always considered for timeshare transfers in the market area. All timeshares are systematically reviewed each year for declines in value.

We reviewed a number of these assessments and found no significant deficiencies in the assessment of timeshares.

**Water Company Properties**

Water company property assessed on local tax rolls may be either municipal or district water systems located on taxable government-owned land (article XIII, section 11 of the California Constitution), private water companies subject to regulation by the California Public Utilities Commission (CPUC), private water systems that do not sell water and are, therefore, not subject to CPUC regulation, or mutual water company associations. Each type of water company presents different assessment challenges.

**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 property owned by city water departments located within city limits and property owned by water districts located within district boundaries. When a local government entity owns property located outside of the government agency's or district's boundaries, however, it is taxable if the property was taxable at the time it was acquired by the district under article XIII, section 11 of the California Constitution.
We identified 18 municipal water systems in Placer County. Three of the municipal water systems have parcels located outside the agency's boundaries. We found these properties to be properly assessed.

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 an authorized 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. Indeed, such "rate based" valuations may result in the current market value of the real property being lower than its factored base year value. Accordingly, the assessor should determine both the current market values and the factored base year values of such property, and enroll the lower of the two as the assessed value (Assessors' Handbook Section 542, Assessment of Water Companies and Water Rights).

There are nine regulated water companies in Placer County. We found the assessor correctly uses the historical cost less depreciation approach to value these properties. We found these values are reasonable and these properties 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 names of the members. Corporations organized for mutual water company purposes are not subject to regulation by the CPUC unless they deliver water for compensation to persons other than stockholders or members. We found the assessor is not identifying all mutual water company properties.

RECOMMENDATION 2: Identify all mutual water company properties in Placer County.

The assessor has one mutual water company on the assessment roll. However, we were able to identify a number of other mutual water companies from a list of water systems identified by the State Department of Public Health, Division of Drinking Water and Environmental Management.

To properly value the property of a mutual water company, the assessor must know whether ownership shares in the company are appurtenant to the land parcels served by the mutual water system. This information is available in the water company's articles of incorporation. Without this data, it is difficult to determine the proper taxable value of mutual water company property.

In situations where shares are appurtenant to the land, the value of the mutual water company assets is usually subsumed in the value of the parcels served, with minimum values assigned to the companies' lands, improvements, and delivery systems. However, if part of the value of the
mutual water company resides in land owned by the company to which shares are attached, then part of the value may exist independently from the parcels as an independent entity. Such would be the case if a company retains some shares and the right to water instead of distributing all of the shares to the mutual service area.

Over the course of time, the company may serve customers outside of the mutual service area. These customers will not acquire shares, but will pay the company the going rate for water. The assessor should analyze the income received by a mutual water company from non-mutual operations. The net income from such operations should be capitalized into a value that is attributed to the company itself, above and beyond the value of the land which it serves.

**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.

Our review of mineral properties indicated three areas where improvement can be made.

**RECOMMENDATION 3:** Revise the mineral property assessment program by:
1. reviewing the assessment of mineral properties for declines in value,
2. adjusting the base year value of minerals to account for depletion pursuant to Rule 469(e)(2)(A)(4), and
3. enrolling settling ponds as separate appraisal units.

**Review the assessment of mineral properties for declines in value.**

We found the assessor does not review the assessment of mineral properties for declines in value.

Rule 469(e)(2) provides the procedures for assessing productive mining properties. First, the assessor must determine the current market value of the reserves and the adjustments to be made to the reserve base year value. Then, the assessor must determine the base year value adjustments to be made to the other property. Finally, the assessor must compare the current market value with the factored base year value of the appraisal unit, except for leach pads, tailing facilities, or settling ponds. Each step in this rule must be completed to determine the value to be enrolled.

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.

The assessor's practice of not reviewing mineral properties for declines in value may lead to overassessments.
Adjust the base year value of minerals to account for depletion pursuant to Rule 469(e)(2)(A)(4).

We found the assessor calculates the annual depletion allowance of reserves by using the unfactored (original) base year value of the minerals. Rule 469(e)(2)(A)(4) provides that the depletion allowance should be calculated using the factored (adjusted) base year value of the minerals. The method used by the assessor may overstate the remaining value of the mineral rights.

Enroll settling ponds as separate appraisal units.

We found the assessor includes settling ponds in her valuation of mining operations as a whole and does not value settling ponds as separate appraisal units as required by section 53.5.

Section 53.5 provides that each leach pad, tailing facility, or settling pond shall be considered a separate appraisal unit. Settling ponds can be associated with sand and gravel operations where the gravel is washed and the sand is later collected for further sorting. The existence of settling ponds can be identified by reviewing the conditional use permit from the county's planning department or visual inspection of the property.

One recommended method of determining the value of settling ponds is to determine the replacement cost new (RCN) and reduce the value based on remaining pond capacity.

**Pipeline Rights-of-Way**

Intercounty pipeline rights-of-way were assessed by the BOE from approximately 1982 until 1993, when an appellate court ruled that such assessments were outside the BOE's constitutional authority.3 The court ruled that while the pipelines themselves are properly assessed by the BOE, the rights-of-way through which the pipelines run must be locally assessed. Subsequent to this court ruling, the Legislature added sections 401.8 through 401.13, which govern the valuation of intercounty pipeline lands and rights-of-way.

When valuing the pipeline rights-of-way prior to the court decision, the BOE developed density classifications for appraisal purposes, and assessors have generally adopted this methodology. If an assessor uses the BOE-developed density classifications, there is a statutory presumption of correctness. Should an assessor use different classifications or associated values, the assessor loses the benefit of this statutory presumption. The Placer County Assessor uses only the low-density classification, which is $9,000 per mile as of 1975, factored for each subsequent year. The only existing pipeline assessee in Placer County owns one parcel with multiple pipelines in the same right-of-way. The assessor correctly combines the total value of $1,671,350 into one parcel.

Pipeline rights-of-way in Placer County are being properly valued in accordance with sections 401.8 through 401.13.

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ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

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

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

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

As of February 2008, the assessor's staff assigned to the business property program consisted of seven positions: one managing auditor-appraiser, five auditor-appraisers, and one real property appraiser. The real property appraiser works in conjunction with the auditor-appraisers to ensure the correct classification and allocation of real and personal property items assessed to businesses. This staffing mix maximizes the coordination of real property and business property assessments.

Audit Program

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

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

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

The audit staff is composed of the audit manager, who carries an audit workload, and five journeyman auditor-appraisers who directly perform property tax audits. The following table shows the total number of audits completed in Placer County over recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>MANDATORY AUDITS</th>
<th>NONMANDATORY AUDITS</th>
<th>TOTAL AUDITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>87</td>
<td>6</td>
<td>93</td>
</tr>
<tr>
<td>2006-07</td>
<td>107</td>
<td>20</td>
<td>127</td>
</tr>
<tr>
<td>2005-06</td>
<td>113</td>
<td>4</td>
<td>117</td>
</tr>
<tr>
<td>2004-05</td>
<td>96</td>
<td>7</td>
<td>103</td>
</tr>
<tr>
<td>2003-04</td>
<td>76</td>
<td>1</td>
<td>77</td>
</tr>
</tbody>
</table>

Based on recent audit history, the assessor is in compliance with the number of audits mandated pursuant to section 469.

Statute of Limitations

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

We found the assessor requests waivers of the statute of limitations from taxpayers when she anticipates an audit will not be completed in a timely manner.

Audit Quality

An audit should follow a standard format so that the auditor-appraiser may easily determine whether the property owner has correctly reported all taxable property. Audit narratives and summaries should include adequate documentation, full value calculations, reconciliation of the fixed assets totals to the general ledger and financial statements, review of asset invoices, reconciliation between reported and audit amounts, an analysis of expense accounts, and an analysis of depreciation and obsolescence factors that may affect the value of the business property.
We found audits were accurate, well documented, and supported by comprehensive audit checklists defining the areas of investigation. In addition, we found the assessor's audit procedures and controls to be well structured and maintained. We commend the assessor for her excellent audit program.

**Business Property Statement Processing**

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

The following table displays the number of property statements processed by the assessor for various property types and their corresponding assessed values for the 2007-08 roll year:

<table>
<thead>
<tr>
<th>PROPERTY TYPE</th>
<th>PROPERTY STATEMENTS</th>
<th>ASSESSED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>6,192</td>
<td>$1,269,555,643</td>
</tr>
<tr>
<td>Industrial</td>
<td>233</td>
<td>$386,643,218</td>
</tr>
<tr>
<td>Agricultural</td>
<td>219</td>
<td>$7,327,663</td>
</tr>
<tr>
<td>Construction</td>
<td>412</td>
<td>$74,148,925</td>
</tr>
<tr>
<td>Semiconductor</td>
<td>1</td>
<td>$203,838,400</td>
</tr>
<tr>
<td>Vessels</td>
<td>6,866</td>
<td>$146,369,472</td>
</tr>
<tr>
<td>General Aircraft</td>
<td>392</td>
<td>$35,706,563</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>14,315</strong></td>
<td><strong>$2,123,589,884</strong></td>
</tr>
</tbody>
</table>

The above totals do not include assessments that are part of the direct billing program or had values lower than the $5,000 low-value property tax exemption threshold.

The assessor has an efficient program to discover businesses with taxable personal property and fixtures. While taxpayer self-reporting is the principal means of detecting assessable business property, the discovery program also includes field canvassing, fictitious business name filings, newspaper articles and advertisements, city and county business licenses, referrals from other counties, and BOE notifications. We found the assessor has an effective discovery program for business personal property and fixtures.

**Business Equipment Valuation**

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

The assessor uses the valuation factor tables published by the California Assessors' Association (CAA) to assess business equipment. These factors follow the AH 581 closely except for older equipment, in which case the percent good factor is held at a certain minimum level. Since the CAA is able to support these factors, we have no recommendations concerning the use of these factors by the assessor.

The index and percent good factors are programmed into the assessor's assessment system. The factors are updated each year prior to the lien date.

We found no problems with the assessment 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 purchasing the equipment), and double or escape assessments resulting from combined lessor and lessee reporting. These issues are discussed in detail in Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*.

When property is leased, both lessors and lessees should report such property on their annual property statements. At the end of such a lease, the lessee may acquire the equipment or return it to the lessor. Procedures should be in place to identify the disposition of leased equipment upon termination of a lease.

In Placer County, taxpayers are instructed by the assessor to complete Part III of BOE-571-L, *Business Property Statement*, declaring any equipment leased from others. A processing clerk enters this information into a spreadsheet, and the spreadsheet is loaded into the leasing program. The leasing program generates a report showing all leased equipment reported by the lessors and lessees. Duplicate assessments are flagged and resolved. If it is found the lessor failed to report property in Part III of the BPS, the property is assessed to the lessee.

Often the lessor reports equipment even though the lease terminated and the lessee retained possession of the equipment. When this occurs, the assessor assesses the lessee on an unsecured account, and a property statement is sent to the lessee to discover other possible unreported property.

We found the leased equipment program is well managed, with staff doing an excellent job in the discovery, processing, tracking, and cross-checking of leased equipment information.
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.

There were 2,068 manufactured homes on the 2007-08 roll with a total assessed value of $105,183,948. The majority of manufactured homes are located in the 52 mobilehome parks throughout Placer County. The assessor assigns each manufactured home an assessment number that begins with a "910" prefix. Manufactured homes located in mobilehome parks are assigned a land use code of "9," while manufactured homes not located in a mobilehome park are assigned a land use code of "8." Manufactured homes assessed in Placer County are classified as personal property and enrolled on the secured roll.

The assessor learns of newly purchased taxable manufactured homes, new installations, and voluntary conversions of manufactured homes, through periodic reviews of State Department of Housing and Community Development listings. This discovery program is supplemented by dealer reports of sale, building permits, and deed recordings.

The following table summarizes the total number of manufactured homes enrolled and their value for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>MANUFACTURED HOMES</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>2,068</td>
<td>$105,183,948</td>
</tr>
<tr>
<td>2006-07</td>
<td>1,956</td>
<td>$121,257,136</td>
</tr>
<tr>
<td>2005-06</td>
<td>2,092</td>
<td>$121,658,247</td>
</tr>
<tr>
<td>2004-05</td>
<td>2,141</td>
<td>$134,608,459</td>
</tr>
<tr>
<td>2003-04</td>
<td>1,922</td>
<td>$121,083,673</td>
</tr>
</tbody>
</table>

For the 2007-08 roll year, one appraisal technician was responsible for the processing of assessed values for manufactured homes located on leased land. The appraisal technician is responsible for the field inspection of manufactured homes, creating and maintaining building records, and for creating value reports for all manufactured homes due to changes in ownership, new construction, and declines in value.

To create the value reports for manufactured homes, the assessor uses a costing module on the computer database that is input with the cost factors from the National Automobile Dealer's Association Manufactured Housing Appraisal Guide (NADA). Use of this value guide is consistent with the provisions of section 5803.
All of the value reports created by the appraisal technician are reviewed and initialed by a real property appraiser before the values are enrolled. Each of the real property appraisers in the office is responsible for the valuation of manufactured homes located within his or her assigned geographical area of responsibility if the land owner is also the owner of title on the manufactured home.

Overall, the assessor has an effective program for the valuation of manufactured homes.

**Aircraft**

There are three types of aircraft that are subject to personal property tax: general aircraft (including experimental aircraft and fractionally owned aircraft), certificated or commercial aircraft, and historical aircraft.

**General Aircraft**

General aircraft are privately owned aircraft used for pleasure or business but not authorized to carry passengers, mail, or freight on a commercial basis. Section 5363 requires the assessor to determine the market value of all aircraft according to standards and guidelines prescribed by the BOE. Section 5364 requires the BOE to establish such standards. On January 10, 1997, the BOE 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*.

For the 2007-08 assessment roll, the assessor valued 392 general aircraft with a total assessed value of $35,706,563. The assessor discovers aircraft through airport operator reports, referrals from other counties, Federal Aviation Administration reports, and field inspections.

An auditor-appraiser is responsible for valuing general aircraft. An aircraft property statement is mailed each year to the known owner of each aircraft in the county requesting information to be filed. The form lists the aircraft and requests the owner to report added or deleted equipment, engine hours since last major overhaul, date of last overhaul, overall condition, and transfer information if the aircraft has been sold since the last lien date.

Upon receipt of the aircraft property statement, the auditor-appraiser incorporates adjustments for the overall condition of the aircraft, additional or special equipment, airframe hours, and engine hours since last major overhaul. The values of newer aircraft are most affected by the presence or lack of optional equipment, while the values of older aircraft are influenced more by the condition of the aircraft.

With respect to general aircraft, we found the assessor's procedures to be correctly administered and the estimates of value to be properly calculated.

**Certificated Aircraft**

Certificated aircraft are aircraft operated by air carriers (including air taxis that are operated in scheduled air taxi operation). Unlike general aircraft, which are normally assessed at a rate of...
100 percent at the place where they are "habitually located" on the lien date, the assessments of certificated aircraft are allocated among taxing jurisdictions based upon ground and flight time and the number of arrivals and departures during a representative period, which is designated by the BOE. Certificated aircraft are assessed in accordance with the methods described in section 401.17.

The assessor correctly valued the one certificated aircraft serving Placer County. The aircraft is assessed using the appropriate allocation formula provided in section 1152, which requires the assessor to consider flight and ground time as well as arrivals and departures in valuing certificated aircraft. This information, critical in determining the aircraft assessments, is routinely gathered from owners of certificated aircraft in the course of the assessor's audits.

We have no recommendations in this area.

Historical Aircraft

Aircraft of historical significance can be exempted from taxation if they meet certain requirements. Section 220.5 defines "aircraft of historical significance" as: (1) an aircraft that is an original, restored, or replica of a heavier than air, powered aircraft 35 years or older or (2) any aircraft of a type or model of which there are fewer than five such aircraft known to exist worldwide.

The historical aircraft exemption is not automatic. Each year, the owner of a historical aircraft must submit an affidavit on or before 5:00 p.m., February 15, paying a filing fee of $35 upon the initial application for exemption. Along with these requirements, aircraft of historical significance are exempt only if the following conditions are met: (1) the assessee is an individual owner who does not hold the aircraft primarily for purposes of sale, (2) the assessee does not use the aircraft for commercial purposes or general transportation, and (3) the aircraft was available for display to the public at least 12 days during the 12-month period immediately preceding the lien date for the year for which the exemption is claimed.

There were 34 historical aircraft exempted on the 2007-08 roll in Placer County. The assessor has properly obtained a signed affidavit for the historical aircraft exemptions pursuant to section 220.5(c). We found the assessor to be in full compliance with the historical aircraft filing procedures.

Vessels

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

Assessors are required to annually appraise all vessels at market value except as provided in section 228, which provides that vessels with a market value of $400 or less shall be exempt from taxation as long as the vessel is not used or held for commercial purposes. This section
does not apply to more than one vessel owned, claimed, possessed, or controlled by an assessee on the lien date.

Vessels may also qualify for exemption under a county's low-value property tax exemption resolution. Placer County Resolution 2002-300, adopted on December 17, 2002, exempts vessels valued at less than $5,000.

The following table details the number of pleasure vessel assessments processed and their assessed values for recent years:

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>VESSELS</th>
<th>ASSESSED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>7,065</td>
<td>$146,312,202</td>
</tr>
<tr>
<td>2006-07</td>
<td>6,663</td>
<td>$126,394,195</td>
</tr>
<tr>
<td>2005-06</td>
<td>6,141</td>
<td>$115,474,223</td>
</tr>
<tr>
<td>2004-05</td>
<td>5,453</td>
<td>$101,058,033</td>
</tr>
</tbody>
</table>

The assessor uses the following information to value vessels entering the county: reported purchase price, DMV values, *NADA Marine Appraisal Guide*, *ABOS Marine Blue Book*, *BUC Used Boat Guide*, or other information sources. Trends in market values for all other vessels are categorized into cruisers, sailboats, runabouts, houseboats, and jet skis. Samples from the *NADA Marine Appraisal Guide* and *ABOS Marine Blue Book* are used to determine the percentage of depreciation for each category. We found the assessor's vessel assessment program well administered.

**Animals**

Section 1(a) of Article XIII of the California Constitution mandates that all property is taxable unless specifically exempt under the California Constitution, the laws of the United States, or, in the case of personal property, by an act of the Legislature. Most animals are exempt from taxation. Pets are exempt under section 224. Many animals that are considered business inventory are exempt under sections 129 and 219, and by Rule 133.

Show horses, one of the few types of animals subject to property taxation, are not a big part of the assessment roll in Placer County. Although the assessor uses the *Registered and Show Horse Statement* (form BOE-571-F2) to solicit information from taxpayers on taxable horses, discovery methods also include annual *Agricultural Property Statement* (form BOE-571-F) filings, examination of local business directories, newspaper articles, and agricultural business property audits.

We reviewed the procedures for assessing taxable show horses and found that the program is being administered correctly.
APPENDIXES

A. County-Assessed Properties Division Survey Group

Placer County

Chief
Dean Kinnee

Survey Program Director:
Benjamin Tang Principal Property Appraiser

Survey Team Supervisor:
Sally Boeck Supervising Property Appraiser

Survey Team Leader:
Glenn Danley Senior Specialist Property Appraiser

Survey Team:
Ron Louie Senior Specialist Property Appraiser
Nick Winters Senior Specialist Property Appraiser
Carlos Zaragoza Senior Specialist Auditor-Appraiser
Margie Wing Senior Specialist Property Appraiser
James McCarthy Senior Petroleum Mining and Appraisal Engineer
Andy Austin Associate Property Appraiser
Zella Cunningham Associate Property Appraiser
Bob Marr Associate Property Appraiser
Jay Price Associate Property Appraiser
David Barbeiro Associate Auditor-Appraiser
Maureen Spurlock Associate Auditor-Appraiser
Michael Saunders Junior Property Appraiser
Prubjit Singh Tax Technician
Aaron Martinez Tax Technician
B. Assessment Sampling Program

The need for compliance with the laws, rules, and regulations governing the property tax system and related assessing\(^4\) activities is very important in today's fiscally stringent times. The importance of compliance is twofold. First, the statewide maximum tax rate is set at one percent of taxable value. Therefore, a reduction of local revenues occurs in direct proportion to any undervaluation of property. (It is not legally allowable to raise the tax rate to compensate for increased revenue needs.) Secondly, with a major portion of every property tax dollar statewide going to public schools, a reduction in available local property tax revenues has a direct impact on the State's General Fund, which must backfill any property tax shortfall.

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

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

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

These assessments are stratified into 18 value strata (nine secured and nine unsecured.)\(^5\)

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

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

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

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\(^4\) The term "assessing" as used here includes the actions of local assessment appeals boards, the boards of supervisors when acting as boards of equalization, and local officials who are directed by law to provide assessment-related information.

\(^5\) The nine value strata are $1 to $99,999; $100,000 to $199,999; $200,000 to $499,999; $500,000 to $999,999; $1,000,000 to $1,999,999; $2,000,000 to $19,999,999; $20,000,000 to $99,999,999; $100,000,000 to $249,999,999; and $250,000,000 and over.
**Transferred properties.** Those properties last reappraised because of an ownership change that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

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

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

**Unsecured properties.** Those properties on the unsecured roll.

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

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

**Base year properties** -- for those properties not reappraised during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: was the value properly factored forward (for the allowed inflation adjustment) to the roll being sampled? Was there a change in ownership? Was there new construction? Or, was there a decline in value?

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

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

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

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

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

The primary use of the assessment sampling is to determine an assessor's eligibility for the cost reimbursement authorized by section 75.60. During the course of the sampling activity, the assessment practices survey team may also discover recurring causes for the differences in the opinion of taxable value that arise between the assessor and the CAPD. These discoveries may lead to recommendations in the survey report that would not have otherwise been made.
C. Relevant Statutes and Regulations

Government Code

15640. Survey by board of county assessment procedures.

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

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

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

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

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

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

15641. Audit of records; appraisal data not public.

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

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessees of the property to which the data relate.
The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

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

15642. Research by board employees.

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

15643. When surveys to be made.

(a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.

(b) The surveys of the ten largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The ten largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.

(c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.
(d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

15644. **Recommendations by board.**

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

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

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

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

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

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

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

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

75.60. Allocation for administration.

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

(b) For purposes of this section:

(1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.

(2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:

(A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.

(B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
(3) Each certification of a county or city and county shall be valid only until the next survey made by
the board. If a county or city and county has been certified following a survey that includes a
sampling of assessments, the board may continue to certify that county or city and county
following a survey that does not include sampling if the board finds in the survey conducted
without sampling that there are no significant assessment problems in the county or city and
county. The board shall, by regulation, define "significant assessment problems" for purposes of
this section, and that definition shall include objective standards to measure performance. If the
board finds in the survey conducted without sampling that significant assessment problems exist,
the board shall conduct a sampling of assessments in that county or city and county to determine
if it is an eligible county or city and county. If a county or city and county is not certified by the
board, it may request a new survey in advance of the regularly scheduled survey, provided that it
agrees to pay for the cost of the survey.

Title 18, California Code of Regulations

Rule 370. Random selection of counties for representative sampling.

(a) SURVEY CYCLE. The board shall select at random at least three counties from among all except
the ten largest counties and cities and counties for a representative sampling of assessments in accordance
with the procedures contained herein. Counties eligible for random selection will be distributed as equally
as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.

(b) RANDOM SELECTION FOR ASSESSMENT SAMPLING. The three counties selected at
random will be drawn from the group of counties scheduled in that year for surveys of assessment
practices. The scheduled counties will be ranked according to the size of their local assessment rolls for
the year prior to the sampling.

(1) If no county has been selected for an assessment sampling on the basis of significant assessment
problems as provided in subdivision (c), the counties eligible in that year for random selection
will be divided into three groups (small, medium, and large), such that each county has an equal
chance of being selected. One county will be selected at random by the board from each of these
groups. The board may randomly select an additional county or counties to be included in any
survey cycle year. The selection will be done by lot, with a representative of the California
Assessors' Association witnessing the selection process.

(2) If one or more counties are scheduled for an assessment sampling in that year because they were
found to have significant assessment problems, the counties eligible for random selection will be
divided into the same number of groups as there are counties to be randomly selected, such that
each county has an equal chance of being selected. For example, if one county is to be sampled
because it was found to have significant assessment problems, only two counties will then be
randomly selected and the pool of eligible counties will be divided into two groups. If two
counties are to be sampled because they were found to have significant assessment problems,
only one county will be randomly selected and all counties eligible in that year for random
selection will be pooled into one group.
(3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.

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

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


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

(1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or

(2) the sum of all the differences between the board's appraisals and the assessor's values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor's entire roll, exceeds 7.5 percent of the assessment level required by statute.

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

(1) Uniformity of treatment for all classes of property.

(2) Discovering and assessing newly constructed property.

(3) Discovering and assessing real property that has undergone a change in ownership.

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

(5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
(6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.

(7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.

(8) Discovering and assessing property that has suffered a decline in value.

(9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.

(c) A finding of "significant assessment problems," as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor's practices.
ASSESSOR'S RESPONSE TO BOE'S FINDINGS

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

The Placer County Assessor's response begins on the next page. The BOE has no comments on the response.
February 11, 2010

Mr. Dean Kinnee, Chief
County Property Tax Division
State Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0063

Subject: Placer County Assessment Practices Survey Response

Dear Mr. Kinnee:

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

I want to express appreciation to Ms. Sally Boeck and the survey team for the professional manner in which the survey was conducted. The periodic, independent survey of Assessors' assessment practices is a valuable tool.

As you know, Placer County over the period of 2003 through 2007, experienced dramatic growth that often led the state, later followed by significant reductions in property values as the economy declined. Given the very turbulent times, I am especially gratified to note the modest recommendations indicated in the report. This survey affirms our commitment to provide the property owners of Placer County fair and equitable assessments through quality assessment practices.

I would also like to express my sincere appreciation to the staff of the Placer County Assessor's Office for their dedication and professionalism. It is the hard work and conscientious efforts of staff members that enable this office to maintain very high standards of quality, efficiency, and responsive service in a very challenging environment.

Sincerely,

Kristen Spears
Placer County Assessor

KBS/pc

Enclosure
RECOMMENDATION 1: Periodically send questionnaires to all owners of TPZ properties to discover compatible uses.

RESPONSE: We understand this recommendation and will send questionnaires to the 87 TPZ (Timber Production Zone) property owners in the county as time and resources allow. We note that the TPZ properties in Placer County are typically at an elevation and topography that would not be appropriate for compatible uses such as hunting, camping or grazing.

RECOMMENDATION 2: Identify all mutual water company properties in Placer County.

RESPONSE: We agree with this recommendation and will continue our efforts to contact mutual water companies to obtain Articles of Incorporation from them. We will consider the assessment of these properties consistent with the AH542, Assessment of Water Companies and Water Rights;

"The assessable value of property owned by a mutual water company is typically minimal or zero because the value of the property is included in the value of the land which it serves."
"In most cases, mutual water company shares are appurtenant to the land. In such cases, the value of the water company is typically reflected in the value of the land that it serves and to which the shares attach."

With this in mind, we will attempt to comply with the BOE recommendation to identify the mutual water companies in Placer County.

RECOMMENDATION 3: Revise the mineral property assessment program by: (1) reviewing the assessment of mineral properties for declines in value, (2) adjusting the base year value of minerals to account for depletion pursuant to Rule 469(e)(2)(A)(4), and (3) enrolling settling ponds as separate appraisal units.

RESPONSE: (1) We agree and will formally document value declines on our three mineral properties in Placer County consistent with Rule 469.
RESPONSE: (continued)  (2) We agree and will formally document depletion of mineral reserves consistent with Rule 469.

(3) We acknowledge Section 53.5, but contend that creating appraisal units for the settling ponds is not feasible. These components are integral parts of the mining operation economic unit. It is noteworthy that there has been no SBE letter or update to AH560 providing a suggested means of accomplishing the separation of the designated units since Section 53.5 became effective in January 1999. Written direction is needed because the marketplace does not recognize these property distinctions. We would appreciate the SBE sponsoring legislation to reverse this provision because it creates great inefficiency and a lack of equalization among like properties.