PLACER COUNTY
ASSESSMENT PRACTICES SURVEY

DECEMBER 2004

CALIFORNIA STATE BOARD OF EQUALIZATION

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RAMON J. HIRSIG, EXECUTIVE DIRECTOR
December 31, 2004

TO COUNTY ASSESSORS:

PLACER COUNTY
ASSESSMENT PRACTICES SURVEY

No. 2004/084

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

Fieldwork for this survey was performed by the BOE's County Property Tax Division from July through August 2003. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

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

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

Sincerely,

/s/ Mickie Stuckey for

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:jm
Enclosure
# TABLE OF CONTENTS

**INTRODUCTION** ......................................................................................................................... 1  
**SCOPE OF ASSESSMENT PRACTICES SURVEYS** ................................................................. 2  
**EXECUTIVE SUMMARY** ......................................................................................................... 3  
**RESULTS OF 1999 SURVEY** ..................................................................................................... 6  
**OVERVIEW OF PLACER COUNTY** ........................................................................................ 8  
**ADMINISTRATION** .................................................................................................................... 9  
  - **BUDGET** .................................................................................................................................. 9  
  - **WORKLOAD** .......................................................................................................................... 9  
  - **STATE-COUNTY PROPERTY TAX ADMINISTRATION PROGRAM** .............................................. 11  
  - **APPRAISER CERTIFICATION** .................................................................................................. 12  
  - **STANDARDS AND QUALITY CONTROL** ................................................................................. 12  
  - **EXEMPTIONS** ....................................................................................................................... 13  
  - **DISASTER RELIEF** ................................................................................................................. 16  
  - **LOW-VALUE PROPERTY EXEMPTION** .................................................................................... 17  
  - **ASSESSMENT FORMS** ........................................................................................................... 18  
  - **ASSESSMENT ROLL CHANGES** ............................................................................................. 19  
  - **ASSESSMENT APPEALS** ....................................................................................................... 20  
**ASSESSMENT OF REAL PROPERTY** ................................................................................... 21  
  - **CHANGE IN OWNERSHIP** ..................................................................................................... 21  
  - **NEW CONSTRUCTION** .......................................................................................................... 23  
  - **SUPPLEMENTAL ASSESSMENTS** ......................................................................................... 25  
  - **DECLINES IN VALUE** ............................................................................................................ 26  
  - **CALIFORNIA LAND CONSERVATION ACT PROPERTY** ......................................................... 27  
  - **TAXABLE GOVERNMENT-OWNED PROPERTY** ................................................................. 29  
  - **TIMBERLAND PRODUCTION ZONE PROPERTY** ..................................................................... 30  
  - **POSSESSORY INTERESTS** ..................................................................................................... 31  
  - **LEASEHOLD IMPROVEMENTS** ............................................................................................. 33  
  - **TIMESHARES** ....................................................................................................................... 34  
  - **WATER COMPANY PROPERTY** ........................................................................................... 35  
  - **PIPELINE RIGHTS-OF-WAY** ............................................................................................... 36  
  - **MINERAL PROPERTY** ............................................................................................................ 36  
**ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES** ......................................... 39  
  - **AUDIT PROGRAM** ................................................................................................................ 39  
  - **BUSINESS PROPERTY STATEMENT PROGRAM** ............................................................... 41  
  - **BUSINESS EQUIPMENT VALUATION** ................................................................................. 42  
  - **LEASED EQUIPMENT** ......................................................................................................... 44  
  - **MANUFACTURED HOMES** .................................................................................................. 44  
  - **AIRCRAFT** ............................................................................................................................ 45  
  - **VESSELS** ............................................................................................................................. 46  
  - **ANIMALS** .............................................................................................................................. 47  
  - **RACEHORSES** ..................................................................................................................... 48
APPENDICES ........................................................................................................................................ 49
A. COUNTY PROPERTY TAX DIVISION SURVEY GROUP ............................................................. 49
B. RELEVANT STATUTES AND REGULATIONS ................................................................. 50
ASSESSOR'S RESPONSE TO BOE'S FINDINGS ........................................................................ 56
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 comes from the fact that more than one-half of all property tax revenue is used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

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 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 the Placer County 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 County Assessor, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendices.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas, but they also contain information required by law (see Scope of Assessment Practices Surveys) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.
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 the county assessment roll meets a minimum assessment level for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. This certification may be accomplished either by conducting an assessment sample or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.

Our survey of the Placer County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with other public agencies in Placer County that provided information relevant to the property tax assessment program. Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by rule 371.\(^2\)

This survey report offers recommendations to help the assessor resolve the problems we have identified. The recommendations contained in this report are based on the results of our research into statutory violations, under- or overassessments, or unacceptable appraisal practices that may occur in specific areas.

An assessment practices survey is not an audit of the assessor's entire operation. We do not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment.

\(^1\) Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code.
\(^2\) All rule references are to sections of Title 18, Public Revenues, California Code of Regulations.
EXECUTIVE SUMMARY

As stated in the Introduction, this report emphasizes problem areas we found in the operations of the assessor's office. However, it also identifies program elements that we found particularly effective and describes areas of improvement since our last assessment practices survey. In our 1999 Placer County Assessment Practices Survey, we made nine recommendations to address problems we found in the assessor's assessment policies and procedures. The assessor fully implemented three of the recommended changes, has partially implemented one recommendation, has not implemented three of the recommendations, and two no longer apply.

We found significant improvements in the assessor's office since our last assessment practices survey. The assessor has converted his property information system from a mainframe to a PC/server, Microsoft Windows-based system. This conversion has allowed the assessor greater flexibility in performing his duties.

We noted several strengths in the assessor's programs:

- The assessor is careful and current in his use of BOE-prescribed assessment forms.
- The assessor and his appraisal staff possess the appraisers' certificates required by section 670.
- The assessor works closely with the assessment appeals board to ensure all appeals are tracked and heard within the two-year time frame.
- The assessor has participated in the State-County Property Tax Administration Program every year since 1995, and the County Auditor-Controller has certified to the Department of Finance that the county has met the contractual requirements for the loan payments.
- Since the last survey, the assessor has stayed current with the reassessment of properties that have transferred or undergone new construction despite large increases in workload; assisted in the implementation of a countywide Geographic Information System; developed a comprehensive Web site; and implemented a document imaging system.

However, several administrative components of the assessor's programs have room for improvement:

- The assessor denied the welfare exemption claims of multispecialty health care clinics.
- The assessor's disaster relief reassessment notification form contains incorrect information about the appeals period for a reassessment due to damage caused by disaster or calamity. And, the assessor's method for determining the taxable value of the damaged property does not conform to the method prescribed in section 170. The assessor incorrectly calculates the taxable value of partially restored property.
- The assessor cites the incorrect sections of the Revenue and Taxation Code when notifying the auditor of a disallowed homeowners' exemption.

The assessor has an effective overall program for the assessment of real property. However, we identified the following deficiencies in this area:
• The assessor does not consistently allocate a value to the land upon the installation of new domestic water wells.

• We found several problems relating to the valuation of property subject to the California Land Conservation Act (CLCA). The assessor: (1) does not include a charge for irrigation improvements, (2) does not assess tree and vines, (3) does not document expense estimates that are used in the CLCA calculation program, (4) does not issue supplemental assessments for CLCA homesites when there is a change in ownership, and (5) has not corrected the factored base year values of CLCA homesites.

• The assessor does not properly establish the base year values of taxable government-owned properties.

• The assessor erroneously established a new base year value on some of the TPZ homesites that did not change ownership.

• The assessor does not enroll all taxable possessory interests.

• The assessor incorrectly assesses unpatented mining claims, fails to review mineral properties for declines in value, incorrectly calculates the annual depletion allowance for mineral reserves, and does not assess settling ponds as a separate appraisal unit.

In regard to the assessment of business and other taxable personal property, we identified the following deficiencies:

• The assessor does not use the percent-good factors in Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors*, as intended.

• The assessor does not annually review manufactured homes assessments for declines in value.

Despite the problems noted above, we found that most properties and property types are assessed correctly.

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

Based on the above findings, the following is a list of the formal recommendations contained in this report, listed in the order that they appear in the report.

**RECOMMENDATION 1:** Review the eligibility of multispecialty health care clinics for the welfare exemption taking into consideration all of the claimant's clinic sites for purposes of section 214.9 requirements. ..........................................................15

**RECOMMENDATION 2:** Revise the disaster relief assessment program by: (1) conforming the disaster relief notification form to the requirements of section 170, (2) calculating the disaster relief assessment according to section 170(b), and (3) calculating the lien date value of damaged property that has been partially restored or reconstructed according to section 170(g). .................16
RECOMMENDATION 3: Cite section 531.6 when notifying the county auditor of an incorrectly allowed homeowners' exemption. ........................................19

RECOMMENDATION 4: Consistently add the value of water wells to the land. .................25

RECOMMENDATION 5: Revise the CLCA assessment program by: (1) deducting a charge for the investment in irrigation improvements and wells when valuing CLCA properties, (2) assessing trees and vines, (3) enrolling supplemental assessments for improved residential homesites on CLCA land when there is a change in ownership, (4) documenting the expenses used in the valuation of CLCA properties, and (5) correcting the factored base year values of improved CLCA homesites. .......................................................28

RECOMMENDATION 6: Assess taxable government-owned properties at the lowest of current market value, restricted value, or factored base year value..............................................................30

RECOMMENDATION 7: Establish a new base year value for TPZ homesites only when there is a change in ownership..........................................................31

RECOMMENDATION 8: Assess all taxable possessory interests. ........................................32

RECOMMENDATION 9: Revise the mineral properties assessment program by: (1) assessing unpatented mining claims by capitalizing the annual rental payments on a per claim basis, (2) reviewing mineral properties for declines in value, (3) calculating the annual depletion allowance of mineral reserves according to rule 469, and (4) enrolling settling ponds according to section 53.5. ................................................................................36

RECOMMENDATION 10: Use the percent good factors in Assessors' Handbook Section 581, Equipment Index and Percent Good Factors, as intended.................................................................43

RECOMMENDATION 11: Annually review manufactured home assessments for declines in value.................................................................45
RESULTS OF 1999 SURVEY

Staff Training
We recommended that the assessor develop and adhere to a training plan for certified appraisal staff. Since the training unit of the BOE's Assessment Policy and Standards Division monitors the annual training required by section 670, we no longer address the issue of annual training completed in our assessment practices surveys.

Low-Value Property Exemption
We recommended that the board of supervisors conform the county's low-value property exemption resolution to the requirements of section 155.20. Subsequently, BOE's Legal Department concluded that the law does not require a low-value exemption to be uniform for all property. Accordingly, we do not repeat the recommendation.

Assessment Roll Change
We recommended that the assessor enter a date in the appropriate field on the roll correction form to assist the auditor-controller in applying section 506 interest charges. The assessor has implemented this recommendation.

Change in Ownership
We recommended that the assessor apply the section 482 penalty upon expiration of the statutory 45-day period to return a change in ownership statement. The assessor has implemented this recommendation.

California Land Conservation Act
We recommended that the assessor: (1) assess trees and vines, (2) include a charge for irrigation improvements when calculating income to land, and (3) use AUM's as the unit of comparison in assessing grazing land. The assessor has not implemented any part of this recommendation. However, as AUM's are not typically used in the market in this county, we are not repeating part three of the recommendation. Parts one and two are repeated in this report.

Taxable Possessory Interests
We recommended that the assessor revise the possessory interest assessment program by assessing all taxable possessory interests. The assessor has not implemented this recommendation. Therefore, we repeat the recommendation in this report.

Mineral Properties
We recommended that the assessor recognize the proper appraisal unit and review reserve estimates when assessing mineral properties. Also, we recommended that the assessor assess unpatented mining claims by capitalizing annual (market) rental payments and/or the annual value of assessment work. The assessor has implemented the first recommendation with respect
to the recognition of the proper appraisal unit. He has not implemented the second recommendation, which is repeated in this report.

**Equipment Valuation**

We recommended the assessor use the BOE's valuation factors as intended. Since the last survey, the BOE has revised AH 581 to recommend average factors for each category of business property. We believe that the assessor's factors conform to this revised method and do not repeat this recommendation.
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 3 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 2002 at 278,509, making it the 22nd most populous county in California. Placer County is a significant component of a four-county metropolitan area—El Dorado, Placer, Sacramento, and Yolo counties—that is one of the state’s fastest growing regions in terms of population and economic activity. Based on census data, in percentage terms, Placer County was the fastest growing county in California in 2002, growing in population at a rate of 5.3 percent from the previous year. Although a significant portion of Placer County residents commute to Sacramento or other parts of the metro area, the Placer County workforce itself grew by 36 percent from 1990 to 2000.

Accompanying this population and job growth has been a rapid increase in the rate of commercial and residential construction; and, over the past several years, real estate values in Placer County have increased significantly.

______________________________

3 Information taken from Placer County Economic and Demographic Profile 2001 by Sacramento Regional Research Institute.
ADMINISTRATION

This portion 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. We examined the assessor's budget, workload, staffing, State-County Property Tax Administration Program (PTAP), appraiser certification, standards and quality control, exemptions, disaster relief, low-value property exemption, and assessment forms. We also reviewed how the assessor handles corrections and changes to the completed assessment roll, and how the assessor prepares for and presents assessment appeals.

Budget

To enable the assessor to perform his duties, the county board of supervisors annually funds the assessor's office through the county's general fund. The allotted funds are provided so that 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 displayed below, the assessor's budget has increased over the last five years:

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>GROSS BUDGET⁴</th>
<th>PERCENT CHANGE</th>
<th>PERMANENT STAFF</th>
<th>PTAP FUNDS RECEIVED*</th>
<th>PTAP STAFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>$6,063,587</td>
<td>19.40%</td>
<td>85</td>
<td>$628,047</td>
<td>0</td>
</tr>
<tr>
<td>2002-03</td>
<td>$5,078,540</td>
<td>9.71%</td>
<td>85</td>
<td>$628,047</td>
<td>0</td>
</tr>
<tr>
<td>2001-02</td>
<td>$4,628,928</td>
<td>0.72%</td>
<td>84</td>
<td>$628,047</td>
<td>0</td>
</tr>
<tr>
<td>2000-01</td>
<td>$4,595,843</td>
<td>10.60%</td>
<td>80</td>
<td>$628,047</td>
<td>0</td>
</tr>
<tr>
<td>1999-00</td>
<td>$4,155,323</td>
<td>73</td>
<td>$628,047</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

*State-County Property Tax Administration Program

Workload

The assessor produced a local assessment roll for 2003-04 consisting of 148,750 assessment parcels (136,309 on the secured roll and 12,441 on the unsecured roll). This assessment roll had a gross taxable value of $35,921,441,678, which was an increase of 13.5 percent over the 2002-03 roll total of $31,649,977,096. The following table displays property type, number of assessments, and enrolled value information pertinent to the 2003-04 assessment roll:

---

⁴ PTAP funds are included in the gross budget amount.
The following table shows the distribution of property types assessed on the secured roll in the current and prior years:

<table>
<thead>
<tr>
<th>ASSESSMENT ROLL</th>
<th>RESIDENTIAL</th>
<th>COMMERCIAL/INDUSTRIAL</th>
<th>TIMEShaRES/OTHER</th>
<th>MANUFACTURED HOMES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>119,688</td>
<td>6,131</td>
<td>8,568</td>
<td>1,922</td>
</tr>
<tr>
<td>2002-03</td>
<td>115,350</td>
<td>5,869</td>
<td>8,581</td>
<td>1,938</td>
</tr>
<tr>
<td>2001-02</td>
<td>110,065</td>
<td>5,767</td>
<td>8,581</td>
<td>1,896</td>
</tr>
<tr>
<td>2000-01</td>
<td>105,357</td>
<td>5,711</td>
<td>8,503</td>
<td>1,849</td>
</tr>
<tr>
<td>1999-00</td>
<td>100,971</td>
<td>5,619</td>
<td>8,362</td>
<td>1,786</td>
</tr>
</tbody>
</table>

The next table illustrates the growth in assessed values during the past several years:

<table>
<thead>
<tr>
<th>ASSESSMENT</th>
<th>TOTAL ROLL VALUE</th>
<th>INCREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>$35,921,441,678</td>
<td>13.5%</td>
</tr>
<tr>
<td>2002-03</td>
<td>$31,649,977,096</td>
<td>13.1%</td>
</tr>
<tr>
<td>2001-02</td>
<td>$27,984,712,356</td>
<td>14.3%</td>
</tr>
<tr>
<td>2000-01</td>
<td>$24,478,259,858</td>
<td>14.2%</td>
</tr>
<tr>
<td>1999-00</td>
<td>$21,426,181,856</td>
<td>---</td>
</tr>
</tbody>
</table>

The 2003-04 assessment roll workload generated 148,750 assessments, and 33,302 supplemental assessments. The office also processed 68,685 exemptions (mostly homeowners' exemptions) and made 7,552 roll corrections.

For the 2003-04 assessment roll, the real property workload consisted of 20,916 appraisable transfers and 8,705 new construction assessments. The 2003-04 assessment roll included over 1,900 manufactured homes, over 700 taxable possessory interests, and 9,520 decline-in-value assessments. The assessor also completed a business property workload that included
approximately 12,778 business property statement reviews, 4,838 vessels, 390 aircraft, and 343 assessments of improvements on land owned by others.

**Staffing**

The assessor's office has 85 budgeted full-time positions, including the assessor. The assessor does not use contract employees. The assessor's main office is located in Auburn, with a field office located in Tahoe City. The assessor also has an off-site work facility in Roseville, which allows for a more efficient office facility for staff with work assignments in the south county. The office is divided into four divisions: (1) assessment standards, (2) resources and planning, (3) property appraisal, and (4) property assessment.

The following table shows the staff positions and the number of employees in each classification (some positions, although budgeted, were not filled at the time of our fieldwork):

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>NO.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessor</td>
<td>1</td>
</tr>
<tr>
<td>Assistant Assessor</td>
<td>1</td>
</tr>
<tr>
<td>Chief Appraiser</td>
<td>2</td>
</tr>
<tr>
<td>Assessment Manager</td>
<td>1</td>
</tr>
<tr>
<td>Managing Appraiser</td>
<td>3</td>
</tr>
<tr>
<td>Managing Auditor-Appraiser</td>
<td>1</td>
</tr>
<tr>
<td>Principal Appraiser</td>
<td>1</td>
</tr>
<tr>
<td>Supervising Appraiser</td>
<td>1</td>
</tr>
<tr>
<td>Senior Appraiser</td>
<td>8</td>
</tr>
<tr>
<td>Senior Auditor-Appraiser</td>
<td>2</td>
</tr>
<tr>
<td>Associate Appraiser</td>
<td>8</td>
</tr>
<tr>
<td>Associate Auditor-Appraiser</td>
<td>1</td>
</tr>
<tr>
<td>Assistant Appraiser</td>
<td>3</td>
</tr>
<tr>
<td>Assistant Auditor-Appraiser</td>
<td>3</td>
</tr>
<tr>
<td>Cost Estimator</td>
<td>5</td>
</tr>
<tr>
<td>Sr Administrative Services Officer</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>NO.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Supervisor</td>
<td>3</td>
</tr>
<tr>
<td>Senior Administrative Clerk</td>
<td>9</td>
</tr>
<tr>
<td>Administrative Clerk – Journey</td>
<td>12</td>
</tr>
<tr>
<td>Account Clerk – Journey</td>
<td>1</td>
</tr>
<tr>
<td>Cadastral/Prop Transfer Supervisor</td>
<td>2</td>
</tr>
<tr>
<td>Senior Cadastral Technician</td>
<td>1</td>
</tr>
<tr>
<td>Cadastral Technician II</td>
<td>3</td>
</tr>
<tr>
<td>Cadastral Technician I</td>
<td>1</td>
</tr>
<tr>
<td>Senior Transfer Analyst</td>
<td>1</td>
</tr>
<tr>
<td>Transfer Analyst II</td>
<td>1</td>
</tr>
<tr>
<td>Transfer Analyst I</td>
<td>3</td>
</tr>
<tr>
<td>Information Technology Supervisor</td>
<td>1</td>
</tr>
<tr>
<td>Sr. Technology Solutions Analyst</td>
<td>2</td>
</tr>
<tr>
<td>Information Technology Technician I</td>
<td>1</td>
</tr>
<tr>
<td>Executive Secretary</td>
<td>1</td>
</tr>
<tr>
<td>Administrative Technician</td>
<td>1</td>
</tr>
</tbody>
</table>

**State-County Property Tax Administration Program**

In 1995, the Legislature established the State-County Property Tax Administration Loan Program (PTAP). This program provided state-funded loans to eligible counties for the improvement of property tax administration. This program expired June 30, 2001, and was replaced with the Property Tax Administration Grant Program (PTAGP), which is available to counties for fiscal years 2002-03 through 2006-07. The Grant program operates in essentially the same manner as the loan program except that if a county fails to meet its contractual
performance criteria, the county will not be obligated to repay the grant but will be ineligible to continue to receive a grant.

If an eligible county elected to participate, the county and the State Department of Finance entered into a written contract, as described in section 95.35. The contract provides that the county must agree to maintain a base funding and staffing level in the assessor's office equal to the funding and staffing levels for the 1993-94 fiscal year. This requirement prevents a county from using PTAGP funds to supplant the assessor's existing funding. The contract provides that verification of performance is provided to the State Department of Finance.

Placer County first participated in the PTAP in fiscal 1995-96 and is currently contracted to continue participation in the PTAGP through June 30, 2004. The county's required base funding and staffing levels for the assessor's office is set at the 1993-94 fiscal year with a gross appropriation of $3,391,588. The base year staffing level is set at 65. For the 2002-03 fiscal year, Placer County received a grant in the amount of $628,047 from the State Department of Finance.

In order to maintain eligibility to receive the grant, a county must show that the increase in tax revenue exceeds the grant amount. In a report submitted to the Department of Finance, the total change in value from all qualifying activities for the 2002-03 fiscal year was $5,226,966,164. This figure exceeded the $4,797,000,000 increase projected by the assessor in his grant application.

**Appraiser Certification**

Section 670 provides that no person may perform the duties of an appraiser for property tax purposes unless he or she holds a valid appraiser's certificate issued by the BOE. The assessor and his appraisal staff all possess the required appraiser's certificate.

In Placer County, the appraisal staff consists of 32 certified appraisers - 27 real property appraisers (including managers and the assessor) and 5 auditor-appraisers. Seventeen of the real property appraisers have obtained advanced certification. All five auditor-appraisers possess the qualifications required by section 670(d) for performing mandatory audits; none of the auditor-appraisers, however, have their advanced certification.

**Standards and Quality Control**

Standards and quality control functions ensure the consistency and quality of the appraisal product or taxpayer services through the development and maintenance of appraisal and operating standards. Other duties of a standards and quality control unit may include training, legal interpretations, or data processing coordination.

**Procedures Manuals**

The assessor's office procedures manuals are maintained in electronic format and are available to all staff. In addition, a desktop manual is available in each work unit of the office. Each work unit of the office is responsible for maintaining and updating those procedures specific to their work responsibilities. The purpose of the manual is to provide an overview of the duties, functions, and operations of each unit in the office. The manual not only guides the employees on how to complete a task, but also delineates task responsibility. Direction is also provided to staff through meetings and individual supervision.
Communications
The assessor is proactive about taxpayer education and customer service. Three assessment clerks are assigned to the public counter to answer public inquiries and two appraisers are assigned as full time duty appraisers. The following assessment information is available at the front counter:

- Change of ownership statements,
- Request for review form for properties in decline-in-value status,
- Reassessment exclusion claim forms for parent-child and grandparent-grandchild ownership transfers,
- Builder's exclusion form,
- Claim forms for transfer of property tax base for senior citizens, and
- Property Tax Postponement forms.

Web Site
The assessor's Web site provides general office and assessment information to the public. The site includes a mission statement, office address, and fax and telephone numbers. It also provides general assessment information, assessment roll data, and assessment forms the public can download. The on-line forms conform to BOE specifications.

Exemptions

Church and Religious Exemptions
The church exemption is authorized by article XIII, section 3(f) of the California Constitution. This provision, implemented by section 206, exempts from property taxation buildings, land on which they are situated, and equipment used exclusively for religious worship, whether such property is owned by the church or leased to it. Property that is reasonably and necessarily required for church parking is exempt under article XIII, section 4(d), provided that the property is not used for commercial purposes. The church parking exemption is available for church-owned property as well as leased property meeting the requirements in section 206.1.

Article XIII, section 4(b) authorizes the Legislature to exempt property used exclusively for religious, hospital or charitable purposes and owned or held in trust by corporations or other entities that meet the following requirements: (1) are organized and operated for those purposes, (2) are non-profit, and (3) no part of whose net earnings inures to the benefit of any private shareholder or individual. The Legislature has acted upon such authorization by enacting the religious exemption in section 207, which exempts property owned by a church and used exclusively for religious worship and school purposes.

The assessor administers the church and religious exemptions. The church exemption and the church parking exemption require an annual filing of the exemption claim. However, the religious exemption requires a one-time filing by the claimant. Once granted, the exemption remains in effect until terminated or until the property is no longer eligible for the exemption.
The Placer County Assessor's Office has two administrative clerks who process claims for the church and religious exemptions; these clerks also process claims for the welfare exemption. When needed, appraisers conduct field inspections of properties for which the exemptions are claimed.

The following table represents the number of religious exemptions and assessed values for the last five years:

<table>
<thead>
<tr>
<th>ASSESSMENT ROLL</th>
<th>NUMBER OF CLAIMS</th>
<th>EXEMPTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>125</td>
<td>$98,992,127</td>
</tr>
<tr>
<td>2002-03</td>
<td>211</td>
<td>$123,478,222</td>
</tr>
<tr>
<td>2001-02</td>
<td>209</td>
<td>$111,741,894</td>
</tr>
<tr>
<td>2000-01</td>
<td>162</td>
<td>$97,962,129</td>
</tr>
<tr>
<td>1999-00</td>
<td>193</td>
<td>$75,773,061</td>
</tr>
</tbody>
</table>

We reviewed a sampling of claims to evaluate the assessor's religious exemption program and found no problems in the program.

The following table represents the number of church exemptions and assessed values for the past five years:

<table>
<thead>
<tr>
<th>ASSESSMENT ROLL</th>
<th>NUMBER OF CLAIMS</th>
<th>EXEMPTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>32</td>
<td>$9,115,264</td>
</tr>
<tr>
<td>2002-03</td>
<td>34</td>
<td>$8,775,993</td>
</tr>
<tr>
<td>2001-02</td>
<td>33</td>
<td>$7,256,705</td>
</tr>
<tr>
<td>2000-01</td>
<td>21</td>
<td>$6,903,923</td>
</tr>
<tr>
<td>1999-00</td>
<td>32</td>
<td>$6,596,349</td>
</tr>
</tbody>
</table>

We found no problems with the assessor's church exemption program.

**Welfare Exemption**

The welfare exemption from local property taxes is available for property of organizations formed and operated exclusively for qualifying purposes (religious, hospital, scientific, or charitable), which use its property exclusively for those purposes. Both the organizational and property use requirements must be met for exemption to be granted.

The welfare exemption is co-administered by the BOE and county assessors. Effective January 1, 2004, the BOE became responsible for determining whether an organization itself is eligible for the welfare exemption and for issuing *Organizational Clearance Certificates* to qualified nonprofit organizations. The assessor is responsible for determining whether the use of a qualifying organization's property is eligible for exemption and for approving or denying exemption claims.
The assessor may not grant a welfare exemption on an organization's property unless the organization holds a valid Organizational Clearance Certificate issued by the BOE. The assessor may, however, deny an exemption claim, based on non-qualifying use of the property, notwithstanding the claimant's Organizational Clearance Certificate issued by the BOE.

We reviewed a sample of welfare claims filed with the Placer County Assessor. The focus of our review was on first-time filings, denied claims, late filings, midyear acquisitions, and claims involving specific property types. The specific property types reviewed included low-income housing, hospitals, reasonably necessary housing, religious schools, multispecialty health clinics, and exempt organizations subject to mandatory audit pursuant to section 469.

The following table summarizes welfare exemptions granted on the local roll for the last five years:

<table>
<thead>
<tr>
<th>ASSESSMENT ROLL</th>
<th>NUMBER OF CLAIMS</th>
<th>EXEMPTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>363</td>
<td>$663,070,901</td>
</tr>
<tr>
<td>2002-03</td>
<td>266</td>
<td>$553,003,993</td>
</tr>
<tr>
<td>2001-02</td>
<td>237</td>
<td>$467,074,173</td>
</tr>
<tr>
<td>2000-01</td>
<td>225</td>
<td>$477,057,524</td>
</tr>
<tr>
<td>1999-00</td>
<td>201</td>
<td>$171,300,810</td>
</tr>
</tbody>
</table>

We found there is a need for improvement in one area of the assessor's welfare exemption program.

**RECOMMENDATION 1:** Review the eligibility of multispecialty health care clinics for the welfare exemption taking into consideration all of the claimant's clinic sites for purposes of section 214.9 requirements.

The assessor denied the welfare exemption claims of an organization operating multispecialty medical clinics in Placer County. The owning organization claimed exemption as a clinic of the type described in section 214.9, i.e., an outpatient clinic offering medical services on a charitable basis. The assessor denied that claim on the grounds that the clinic did not meet the specific criteria of section 214.9, in that it did not have 40 physicians practicing at least 10 specialties, two-thirds of whom practiced medicine full time at each location.

The BOE considered the matter of multispecialty medical clinics in its decision Matter of St. Jude Hospital Yorba Linda, dba St. Jude Heritage Health Foundation (1997) and concluded that for purposes of the welfare exemption, the requirements for purposes of section 214.9 applied to all of the claimant's clinic sites which are operated as a unified single integrated clinic in the aggregate. Although the claimant's clinics in Placer County did not individually meet the

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standard for exemption, when viewed as a whole, the clinic met the criteria specified in section 214.9.

**Disaster Relief**

Section 170 authorizes a county board of supervisors to adopt an ordinance that provides property tax relief to assesses whose properties have been damaged or destroyed by a misfortune or calamity. The ordinance may apply to any (1) qualifying misfortune or calamity, (2) to a major misfortune or calamity within a region that has been declared to be in a state of disaster by the Governor, (3) or to a misfortune or calamity that was caused by the suspension or restriction of the right to enter upon a possessory interest in state or federal government-owned land.

The Placer County Board of Supervisors adopted such an ordinance in 1986 and amended the ordinance on November 12, 2002. The county's amended ordinance allows the assessor to initiate disaster relief reassessment when he becomes aware of property in Placer County that may have been damaged or destroyed during the preceding 12 months.

The assessor processes 15 to 20 claims for disaster relief each year. One staff appraiser currently manages disaster relief files, including tracking claims and preparing roll change forms. We reviewed a list, maintained by the appraiser, of properties damaged by fire in 2002. The list included information regarding types of property damaged, including personal property, and taxpayer response to mailed claims.

The assessor grants relief only when a claim form is returned. We reviewed property records for several parcels damaged by fire in 2002. We found all taxpayers who received property tax relief had returned timely claims (verified by date stamp), and that the assessor had properly entered reassessments on the supplemental roll.

In general, the disaster relief program is well administered. However, we did find a few problems with it.

**RECOMMENDATION 2:** Revise the disaster relief assessment program by: (1) conforming the disaster relief notification form to the requirements of section 170, (2) calculating the disaster relief assessment according to section 170(b), and (3) calculating the lien date value of damaged property that has been partially restored or reconstructed according to section 170(g).

**Conform disaster relief notification form to the requirements of section 170.**

We found that the notification form used by the assessor to inform property owners of their reduced valuation (Form ASR70-3020-010) contains language which states that a claimant who chooses to appeal the reassessment must make that appeal within 60 days. Section 170(c) provides, "The notice shall state that the applicant may appeal the proposed reassessment to the local board of equalization within six months of the date of mailing…" [Emphasis added.] By misrepresenting the amount of time available to a property owner to file an appeal of the reassessment, the assessor may prevent some applicants from filing such an appeal.
Calculate the disaster relief assessment according to section 170(b).

The assessor's method of calculating disaster relief reassessment does not conform to section 170(b). The assessor's disaster relief worksheet includes a proration of property values for the portions of the fiscal year before and after the misfortune or calamity occurred. The undamaged value of the property is prorated for the number of months in the fiscal year the property was undamaged and the damaged value of the property is prorated for the number of months in the fiscal year the property was damaged or destroyed. The assessor then sums these two prorated values to arrive at the reassessed value posted on the calculation worksheet.

Section 170 (b) provides that the assessor shall reduce the values on the assessment roll by the percentages of damage or destruction to land, improvements, and personalty, and that the taxes due shall be adjusted as provided in subdivision (e). Section 170(e) provides that the assessees shall be liable for the following: (1) a proration of the taxes that would have been due on the property for the current fiscal year had the misfortune or calamity not occurred and (2) a proration of the the taxes due on the property as reassessed in its damaged or destroyed condition. In other words, the assessor should properly determine the percentages of damage to land, improvements, and personalty and subtract amounts based on these percentages from the respective roll values. The reassessed values - that is, the values for land, improvements, and personalty after the damage - and information about the portions of the fiscal year the property was damaged and undamaged then should be forwarded to the county auditor, who prorates the taxes due based on this information. The assessor is performing unnecessary steps in his disaster relief calculations that could lead to errors in calculating the amount of disaster relief.

Calculate the lien date value of damaged property that has been partially restored or reconstructed according to section 170(g).

The assessor incorrectly calculates the taxable value of partially restored or reconstructed property on subsequent lien dates. The assessor does not add the percentage of restored taxable value in subsequent years; rather, the assessor adds an amount based upon the total cost of restoration or reconstruction multiplied by the percentage completed on the lien date.

Section 170(g) provides that if partial reconstruction, restoration, or repair has occurred on any subsequent lien date, the taxable value of a property shall be increased by an amount determined by multiplying the difference between the property's factored base year value immediately before the calamity and its assessed value in its damaged condition by the percentage of the repair, reconstruction, or restoration completed on that lien date.

By calculating the taxable value of the restoration based on something other than the amount of damage itself, the assessor fails to provide correct tax relief to the owner of the damaged property.

Low-Value Property Exemption

Section 155.20 authorizes the county board of supervisors to exempt from property taxation all real property with a base year value, and personal property with a full value, so low that, if not exempt, the total taxes, special assessments and applicable subventions on the property would amount to less than assessment and collection costs. Section 155.20(b)(1) provides that the
The county board of supervisors has no authority to exempt property with a total base year value or full value of more than $5,000, or more than $50,000 in the case of certain possessory interests.

The board of supervisors must adopt any such exemption 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, by Resolution 2002-300 dated December 17, 2002, adopted a low-value property exemption of $5,000 that applied to the class of property comprising vessels, aircraft, unsecured personal property, and trade fixtures.

In our 1999 assessment practices survey, we recommended that the assessor request that the board of supervisors consolidate the existing low-value exemption resolutions into a single resolution that included all personal property with a value less than the adopted low-value limit. Subsequently, the BOE's Legal Department concluded that the law does not require a low-value exemption to be uniform for all personal property. Accordingly, we do not repeat the recommendation.

**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. For the 2003 lien date, the BOE prescribed 78 forms for use by county assessors and one form for use by the county's assessment appeals board.

Generally, the assessor has the option to change the appearance of a prescribed form but cannot add to, change, or delete the specific language on the form. The assessor may also rearrange a form provided the assessor submits that form for BOE approval.

Assessors may also use locally-developed forms to assist them in their assessment duties. However, such forms may not be used as substitutes for BOE-prescribed forms, and no penalty may be imposed upon a property owner for failure to file such a form or questionnaire.

The BOE annually sends three checklists to assessors for property statements, exemption forms, and miscellaneous forms. Assessors are to indicate on the checklists which forms they will use in the succeeding assessment year and return the property statements and miscellaneous forms checklists by October 15, and the exemption forms checklist by December 1. By February 10, assessors are also required to submit to the BOE the final prints of all forms they will use.

The Placer County Assessor submits the required forms checklists to the BOE in a timely manner. The assessor currently uses 59 different BOE-prescribed forms, 7 of which have been rearranged. The rearranged forms also were timely submitted for review and subsequent approval by the BOE.
Assessment Roll Changes

The assessor has a duty to complete the local assessment roll and deliver it to the auditor by July 1 of each year. After delivery of the roll to the auditor, the assessment roll may not be changed except as authorized by statute. All assessment roll changes are based on 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 on the original roll, for any reason. A correction is any type of authorized change to an existing assessment except for an underassessment caused by an error or omission of the assessee.

The Placer County Assessor processed the following number of roll changes over the last five years:

<table>
<thead>
<tr>
<th>ASSESSMENT ROLL</th>
<th>NUMBER OF ROLL CHANGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>7,552</td>
</tr>
<tr>
<td>2002-03</td>
<td>7,070</td>
</tr>
<tr>
<td>2001-02</td>
<td>12,509</td>
</tr>
<tr>
<td>2000-01</td>
<td>5,009</td>
</tr>
<tr>
<td>1999-00</td>
<td>4,820</td>
</tr>
</tbody>
</table>

The real property, personal property, and exemptions units each have clerical staff responsible for processing changes to the assessment roll. All changes are subject to review by the managing appraisers and, ultimately, by the assistant assessor.

In our prior survey, we recommended that the assessor instruct the staff to properly complete the roll correction form they used to initiate roll changes. At that time, we found a number of instances where the staff had not included a date on the form for the auditor to use to compute section 506 interest. Because of these omissions, the auditor did not apply the amount of section 506 interest which the staff had intended to add to some escape assessments.

In our current survey, we reviewed numerous roll correction forms and found all had been completed appropriately.

RECOMMENDATION 3: Cite section 531.6 when notifying the county auditor of an incorrectly allowed homeowners' exemption.

When the assessor discovers that a taxpayer has failed to notify him that a property is no longer eligible for the homeowners' exemption, he transmits a roll correction form to the auditor citing section 4831.5 instead of section 531.6. Section 4831.5 authorizes the assessor to make a roll correction to rectify an error caused by a taxpayer, but does not reference the penalty and interest that must be imposed.

Section 531.6 provides that if a homeowners' exemption has been incorrectly allowed, an escape assessment as authorized by section 531.1 in the amount of the exemption with interest as provided in section 506 shall be made, unless the exemption was the result of an assessor's error. Section 531.6 further provides that if the exemption was allowed because of erroneous or
incomplete information submitted by the claimant, or if the claimant failed to notify the assessor in a timely manner that the property was no longer eligible for the exemption, the penalty provided in section 504 shall be added.

Because the assessor cites section 4831.5 instead of section 531.6 on the escaped assessment form, the auditor does not add penalties or interest when the assessor disallows homeowners' exemptions due to an error on the part of the claimant.

**Assessment Appeals**

The assessment appeals function is prescribed by article XIII, section 16 of the California Constitution. Sections 1601 through 1641.2 are the statutory provisions governing the conduct and procedures of assessment appeal 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 functioning of the assessment appeal process.

Placer County has one assessment appeals board, consisting of three members and two alternates. The board of supervisors appoints the members of the appeals board. The assessment appeals board follows the hearing procedures as outlined in rule 313.

For the 1997-98 assessment roll, more than 1,100 appeal applications were filed. By 2002-03, that number had dropped to 297. The strength of the economy in Placer County over the last five years is the main factor for the reduction in the number of assessment appeals filed.

The following table illustrates the assessment appeals workload for the last five years as of June 30, 2003:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Appeals Filed</td>
<td>297</td>
<td>340</td>
<td>784</td>
<td>318</td>
<td>406</td>
</tr>
<tr>
<td>Appeals Carried Over From Prior Yr.</td>
<td>302</td>
<td>240</td>
<td>216</td>
<td>114</td>
<td>236</td>
</tr>
<tr>
<td><strong>Total Appeals Workload</strong></td>
<td><strong>599</strong></td>
<td><strong>580</strong></td>
<td><strong>1,000</strong></td>
<td><strong>432</strong></td>
<td><strong>642</strong></td>
</tr>
</tbody>
</table>

Resolution:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Withdrawn</td>
<td>264</td>
<td>260</td>
<td>721</td>
<td>157</td>
<td>413</td>
</tr>
<tr>
<td>Stipulation</td>
<td>47</td>
<td>12</td>
<td>13</td>
<td>30</td>
<td>74</td>
</tr>
<tr>
<td>Appeals Reduced</td>
<td>9</td>
<td>2</td>
<td>0</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Appeals Upheld</td>
<td>13</td>
<td>2</td>
<td>23</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Fail to appear</td>
<td>7</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total Resolution</strong></td>
<td><strong>340</strong></td>
<td><strong>278</strong></td>
<td><strong>760</strong></td>
<td><strong>216</strong></td>
<td><strong>528</strong></td>
</tr>
<tr>
<td>To Be Carried Over</td>
<td>259</td>
<td>302</td>
<td>240</td>
<td>216</td>
<td>114</td>
</tr>
</tbody>
</table>

We found that the assessor and the assessment appeals board work closely together to ensure that all appeals are tracked and heard within the required two-year time frame. The assessor properly administers the assessor's portion of the assessment appeals program.
**ASSESSMENT OF REAL PROPERTY**

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

- Revaluation of properties that have changed ownership.
- Valuation of new construction.
- Annual review of properties that have experienced declines in value.
- Annual revaluation of certain properties subject to special assessment procedures, such as land subject to California Land Conservation Act (CLCA) contracts and taxable government-owned land.

Unless there is a change in ownership or new construction, article XIII A of the California Constitution provides that the taxable value of real property shall not exceed its 1975 full cash value factored at no more than 2 percent per year for inflation.

**Change in Ownership**

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

**Document Processing**

The assessor's primary means of discovering properties that have changed ownership is review of deeds and other documents recorded at the county recorder's office. The staff can view all recorded documents on their computers. Five transfer analysts determine which recorded documents might trigger reappraisals and which need to be directed to the mapping unit for further review.

As shown in the following table, the number of documents recorded annually has increased substantially over the last several years. The number of documents recorded in the first six months of 2003 represents an increase of 43 percent over the same period in 2002:

<table>
<thead>
<tr>
<th>CALENDAR YEAR</th>
<th>RECORDED DOCUMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003 (6 mo.)</td>
<td>108,130</td>
</tr>
<tr>
<td>2002</td>
<td>171,720</td>
</tr>
<tr>
<td>2001</td>
<td>141,819</td>
</tr>
<tr>
<td>2000</td>
<td>101,528</td>
</tr>
<tr>
<td>1999</td>
<td>111,052</td>
</tr>
</tbody>
</table>
The table below indicates the number of documents that resulted in reappraisals during the last five years:

<table>
<thead>
<tr>
<th>ASSESSMENT ROLL</th>
<th>REAPPRAISALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>20,916</td>
</tr>
<tr>
<td>2002-03</td>
<td>18,725</td>
</tr>
<tr>
<td>2001-02</td>
<td>17,195</td>
</tr>
<tr>
<td>2000-01</td>
<td>16,945</td>
</tr>
<tr>
<td>1999-00</td>
<td>16,560</td>
</tr>
</tbody>
</table>

The staff picks up completed *Preliminary Change of Ownership Reports* (PCOR), Form BOE-502-A, from the recorder. The staff inputs into the computer system key information from each PCOR, thereby generating a work item worksheet, which shows up in the appropriate appraiser's "active" file.

If a buyer does not submit a PCOR with a deed, submits a PCOR that is incomplete or unsigned, or answers "yes" to one or more of the questions in Part 1 of the PCOR, the staff mails a *Change of Ownership Statement* (COS), Form BOE-502-AH. If the staff does not receive the completed COS within 45 days, they impose the statutory penalty and mail a second COS.

In our prior survey, we recommended that the assessor apply section 482 non-filing penalties timely. At that time, the staff sent a COS, waited 45 days, sent a second COS, and waited an additional 60 days before imposing the section 482 penalty. The staff has corrected this practice and is now in compliance with statutory requirements.

**Legal Entity Ownership Transfers (LEOP)**

Section 64 provides that certain transfers of ownership interests in legal entities are changes in ownership of all real property owned by the entity and its subsidiaries. Rule 462.180 provides a detailed interpretation (with example) of section 64 changes in ownership or control and applicable exclusions. Discovery of such a change in ownership is difficult because ordinarily there is no recorded notice of the transfer.

The BOE's LEOP unit investigates and verifies changes in control and ownership reported by legal entities and transmits to each county a listing, with corresponding property schedules, of the 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 detailed information pertaining to the counties in which they have property, the assessor's parcel number, or how many parcels they own. Because of lack of reliable data provided by the entities, the LEOP unit advises assessors to thoroughly research each named entity's holdings to determine that all affected parcels are identified and properly appraised.

The assessor receives and utilizes the BOE-generated list of legal entity transfers. We reviewed a sampling of the properties listed as having changed ownership on change in control statements provided by the BOE's LEOP unit, and found that these properties were reappraised in a timely manner.
Direct Enrollment

Direct enrollment is a program used in many assessors' offices for enrolling uncomplicated transfers of properties. To be eligible for direct enrollment in Placer County, the recorded document that transfers ownership must be accompanied by a PCOR, and the property must either be vacant land, a single-family residence, or a duplex.

The transfer unit provides one of the staff appraisers with lists of transfers that are eligible for direct enrollment. This appraiser generates a list of comparable sales for each transferred property to determine if its sale price is reasonable. If the sale price is within reason, he enrolls this price as the new base year value. For improved properties, the appraiser either establishes the new base year value for the land based on comparable sales, or allocates as land value a percentage of the total purchase price.

Section 408.1 Transfer List

Section 408.1 requires the assessor to maintain a list, available to the public, showing property transfers that have occurred within the preceding two years. This section provides that the list be divided into geographical areas and must include the transferor and transferee if available, assessor's parcel number, address of the transferred property, date of transfer, date of recording and recording reference number, and the consideration in money paid if it is known by the assessor.

The assessor's transfer list, which the public may access free of charge on a computer at the public counter, is in compliance with section 408.1.

New Construction

Section 71 requires the assessor to determine the full cash value of newly constructed real property as of its date of completion, or on each lien date while construction is in progress. When the assessor appraises completed new construction at full cash value, a new base year value is created for the newly constructed portion. Rule 463 further governs the assessment of new construction. Board approved guidance on this subject is found in Assessors' Handbook Section 502, Advanced Appraisal, Chapter 6.

Discovery

Building permits are the assessor's primary source of discovering new construction. Placer County has seven building permit-issuing agencies: Placer County and the cities of Auburn, Colfax, Lincoln, Loomis, Rocklin, and Roseville. In addition, the county Department of Environmental Health has the responsibility of issuing permits for wells and waste disposal systems.

Permit Processing

Permits are first received in the assessor's office by an assessment clerk. When the assessment clerk receives the permits from the various agencies, she counts, researches, and codes the permits according to activity type.

The assessment clerk culls permits to eliminate items that do not qualify as new construction. Culled permits are discarded only after a thorough review to ensure that no assessable new
construction items are discarded. All assessable permits are assigned a document code. This document code specifies the type of new construction activity. For example, a document code of "30" would indicate that the permit was issued for construction of a new single-family residence. Once the permits have been coded, they are sent to the file room and inserted in the front of the file folder. Folders are kept in the file room until the appraisers request them.

All permit activity is tracked in the assessor's computer system by a database program which is accessible to the appraisers and cost estimators. Each appraiser can print out a listing of parcels that have outstanding permits for new construction.

The following table displays the assessor's new construction workload for the assessment rolls of 1999-00 through 2003-04:

<table>
<thead>
<tr>
<th>ASSESSMENT ROLL</th>
<th>PERMITS RECEIVED</th>
<th>PERMITS RESULTING IN NEW ASSESSMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>15,658</td>
<td>8,705</td>
</tr>
<tr>
<td>2002-03</td>
<td>15,479</td>
<td>11,258</td>
</tr>
<tr>
<td>2001-02</td>
<td>13,290</td>
<td>10,721</td>
</tr>
<tr>
<td>2000-01</td>
<td>11,294</td>
<td>9,207</td>
</tr>
<tr>
<td>1999-00</td>
<td>9,997</td>
<td>10,029*</td>
</tr>
</tbody>
</table>

*Includes both completed construction and construction in progress.

Self Reporting

The Placer County Assessor's Property Owner Reported Construction (PORC) Program is a system in which a mail-out questionnaire is used to gather data for certain types of new construction. The use of this system is limited to residential additions, alterations, and other miscellaneous structures. For residential building permits that have a construction valuation of $50,000 or less, the assessment clerk will automatically prepare and mail a self-reporting questionnaire to the property owner. Permits for commercial properties and manufactured homes are not included in the PORC program. For residential permits in excess of the $50,000 threshold, it is up to the individual appraiser to determine if a PORC needs to be sent out.

The self-reporting program is a valuable and productive method for obtaining data on new construction. However, not all of the self-reporting questionnaires are returned to the assessor. In these cases, the appraisal staff will annotate the property record and schedule a field review of the new construction.

New Construction Valuation

The assessor typically values residential new construction by the cost approach. The assessor has developed a cost program that utilizes the cost factors found in Assessors' Handbook Section 531, Residential Building Costs (AH 531). Due to the active real estate market in Placer County, the assessor has performed a market analysis that indicates that certain areas within the county require an additional location adjustment to the indicated unit cost factors. When valuing completed new single-family residences in these areas by the cost approach, the assessor
multiplies the indicated costs by the adjustment factor and enrolls the resulting amount as the value of the new construction. Although value added for completion of additions and other improvements is primarily based on the cost approach to value, the market approach is used in some instances.

In determining the cost of commercial and industrial new construction, the assessor uses factors found in the *Marshall Valuation Services* cost guide. In valuing commercial and industrial new construction, the assessor uses all three approaches to value. Most weight is typically given to the cost approach.

Our review of the assessor's new construction program reveals that the program is efficient and well-administered. However, we noted one area of concern.

**RECOMMENDATION 4:** Consistently add the value of water wells to the land.

In his valuation of single family residences on parcels not served by a public water system, the assessor correctly recognizes the value contribution of the water pump and holding tank in his cost approach to value and assesses these components as structural improvements. However, the assessor does not consistently add the value of water wells to the land for all parcels that have had domestic water wells installed. Rule 124 classifies wells as an improvement to land, and a well's value contribution should be added to the land value. By not attributing any value to the land for value added by the new construction of domestic water wells, the assessor is underassessing the land.

**Supplemental Assessments**

Sections 75 et seq. require the assessor to appraise property at its full cash value on the date the property changed ownership or upon completion of new construction and issue a supplemental assessment. The increase or decrease in assessed value resulting from a change in ownership or new construction is reflected in a prorated assessment that covers the portion of the fiscal year remaining after the date of change in ownership or new construction (the supplemental assessment). Practical guidelines for supplemental assessments resulting from the completion of new construction are published in rule 463.500.

**Supplemental Assessment Processing**

The assessor processes supplemental assessments through the automated Megabyte computer system. Appraisers use a system-provided worksheet for supplemental assessment valuation. The managing appraiser reviews supplemental assessment worksheets, then forwards approved supplemental assessments for data entry.

Data entry staff divides supplemental assessments into transfer and new construction events, then adds supplemental assessments to the assessor's computer system, based on values indicated by property appraisers. After entering supplemental assessments, the clerical staff batches them, but does not keep a log of the accounts worked. The Megabyte system automatically generates notice letters, called *Notice of Supplemental Assessment*, to be mailed to property owners. The *Notice of Supplemental Assessment* provided by the automated system includes all of the information required by section 75.31.
Clerical staff forwards supplemental assessment information to the county auditor 30 days after sending the notices to property owners.

Enrollment

We examined several appraisal records in order to verify that the assessor is correctly enrolling supplemental assessments. We found the assessor enrolls supplemental assessments for most property types, as required by statute. However, the assessor does not enroll supplemental assessments for unrestricted portions of California Land Conservation Act (CLCA) properties. This issue is addressed in the CLCA section of this survey report. Excepting this issue, we found no problems with the assessor's supplemental assessment program.

Declines In Value

Section 51 requires the assessor to enroll the lesser of either a property's factored base year value or its full cash value. When a property's current market value falls below its factored base year value on any given lien date, the assessor must enroll that lower value as the taxable value for that property. If, on a subsequent lien date, a property's value rises above the factored base year value, then the assessor must enroll the factored base year value as the taxable value.

Increasing market values in recent years have greatly reduced the number of properties in Placer County enrolled at less than factored base year value (FBYV). The exception is timeshares, which represented 77 percent of the properties still enrolled at reduced values for the 2002-03 assessment roll. The following table shows the number and distribution of properties enrolled at less than FBYV over the last four years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Properties</th>
<th>Timeshares</th>
<th>Other Properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>9,520</td>
<td>7,331</td>
<td>2,189</td>
</tr>
<tr>
<td>2002-03</td>
<td>9,473</td>
<td>4,350</td>
<td>5,123</td>
</tr>
<tr>
<td>2001-02</td>
<td>15,578</td>
<td>5,202</td>
<td>10,376</td>
</tr>
<tr>
<td>2000-01</td>
<td>18,432</td>
<td>4,595</td>
<td>13,837</td>
</tr>
</tbody>
</table>

The staff has developed a mass appraisal system for revaluing residential properties, excluding timeshares, which have suffered declines in value. To implement this system, they divided the county into numerous homogenous neighborhoods. The appraiser responsible for discovering declines in value annually prepares a spreadsheet showing all recent residential sales in each of these neighborhoods, which highlights any homes that are still enrolled at less than FBYV. For each sold property currently enrolled at less than FBYV, the appraiser calculates the percentage by which the sale price exceeds the current enrolled value. The appraiser also determines how frequently homes in the neighborhood sell for more than their reduced enrolled values. Based on these findings, the appraiser either estimates a percentage by which to increase the enrolled values of all homes in that neighborhood currently enrolled at less than FBYV, or he enrolls the FBYV for all of the residences in that neighborhood.
All of the timeshares in Placer County are located at Lake Tahoe and are assessed by staff in the Tahoe City office. For the 2003-04 assessment roll, 4,122 of the 4,605 timeshares were enrolled at less than FBYV.

One staff member is assigned the responsibility for tracking the sales and listings of timeshares. When analyzing the sales, he differentiates between sales from the developer to private parties, resales between private parties, resales from brokers to private parties, and also takes into consideration Internet listings. His annual reviews of sales prices indicate that there is little change in the market values of timeshares from year to year.

We found that the assessor complies with section 51 by annually reviewing and adjusting property values to reflect current market value.

**California Land Conservation Act Property**

Agricultural preserves may be established by a city or county pursuant to the California Land Conservation Act (CLCA) of 1965 for the purpose of determining boundaries of areas in which the city or county is willing to enter into contracts with property owners. Property owners in an agricultural preserve who choose to enter into a contract agree to restrict the use of their lands for agriculture and compatible uses in exchange for assessment at a restricted value. Lands under such contracts are valued for property tax purposes by a methodology based upon agricultural income-producing ability, including income derived from compatible uses (e.g., hunting rights and communications facilities). They are assessed at the lowest of the restricted value, the current market value, or the factored base year value (FBYV). Sections 421 through 430.5 prescribe the guidelines for assessing land subject to agricultural preserve contracts. Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521), provides BOE-approved guidance for the appraisal of these properties.

For the 2002-03 assessment roll, Placer County had 511 parcels under CLCA contract covering approximately 44,505 acres. Of the 511 parcels, 82 parcels had nonrenewal acreage that represented approximately 6,332 acres of the total restricted acreage. The total assessed value of CLCA properties in Placer County for 2003-04 was approximately $42,400,000.

In our prior survey we made the recommendations that the assessor revise the CLCA program by: (1) assessing trees and vines, (2) including a charge for irrigation improvements when calculating income to the land, and (3) using AUM's as the unit of measurement in assessing grazing lands. The assessor has not implemented any of these recommendations; however, part three is not being repeated in this report. Upon further review, it was determined that for grazing land in Placer County, it was the rent per-acre indicator that was supported by the market, not the price per animal unit.
RECOMMENDATION 5: Revise the CLCA assessment program by: (1) deducting a charge for the investment in irrigation improvements and wells when valuing CLCA properties, (2) assessing trees and vines, (3) enrolling supplemental assessments for improved residential homesites on CLCA land when there is a change in ownership, (4) documenting the expenses used in the valuation of CLCA properties, and (5) correcting the factored base year values of improved CLCA homesites.

Deduct a charge for the investment in irrigation improvements and wells when valuing CLCA properties.

The assessor currently does not allow for a return on and of the investment in irrigation improvements and a return of the investment in wells in the income approach used to value CLCA properties. In our prior survey, we noted the assessor did not include a charge for irrigation improvements.

In valuing irrigated lands, the assessor uses market rents which include the income generated by irrigation improvements. When this income is capitalized into value, the land value estimate will include the value contribution of the irrigation improvements. If the assessor adds a separate increment of value for the irrigation improvements, the improvements will be doubly assessed. In accordance with AH 521, and to avoid a double assessment, the assessor should deduct a charge for the income attributable to the irrigation improvements from the income stream, prior to capitalizing the income into value.

In addition, the assessor does not allow for a return of the investment in wells in the expenses deducted from gross income to land. By capitalizing an income that does not reflect this expense, the assessor includes the return of the investment in wells in the income to be capitalized and hence in the restricted value calculation for land. A well is a wasting asset and a charge for recapture must be subtracted from the income stream or overassessments will occur on restricted lands that have wells.

Assess trees and vines.

As noted in our prior survey, and currently, the assessor does not assess trees or vines on CLCA land. The assessor is not assessing trees or vines due to non-production. Pursuant to section 429, in valuing land, enforceably restricted, fruit-bearing or nut-bearing trees and vines on the land, and not exempt from taxation, shall be valued as land.

In response to the assessor's 2003 CLCA questionnaire, property owners reported production for 508 acres of trees and vines, none of which are assessed. The effect of the assessor's practice is that restricted living improvements are escaping assessment.

Enroll supplemental assessments for improved homesites on CLCA land when there is a change in ownership.

The assessor does not issue supplemental assessments for improved CLCA homesites when there is a change in ownership.
When a property subject to a CLCA contract transfers, unless restricted by section 423(e), a supplemental assessment should be made for nonliving improvements, residences, and residential homesites, in accordance with section 75.14. Failure to issue supplemental assessments for the homesite portion on otherwise restricted property results in the escape of incremental value and underassessment.

**Document the expenses used in the valuation of CLCA properties.**

The assessor typically uses a three-year weighted average rent for various types of properties. The assessor has no documentation to support the expenses deducted from the rent-based land income in order to arrive at the income to be capitalized.

AH 521 provides that those expenditures to be charged against income are only those which are ordinary and necessary in the production and maintenance of the income. When the income is derived from land, amounts shall be excluded from the income to provide a fair return on investment in operating assets other than land, to amortize depreciable property ("return of"), and to fairly compensate the owner-operator for operational and managerial services. Without documenting such expenses, neither the assessor nor the taxpayer knows whether the expenses are ordinary or necessary to maintain the income stream.

**Correct the factored base year values of improved CLCA homesites.**

Due to programming limitations, the assessor's computerized CLCA assessment program did not factor homesite values for the 2000 roll. As a result, all homesites assessed on the 2000, 2001, 2002, and the 2003 assessment rolls are below the correct factored base year value for each roll.

Section 51 requires that for each lien date after the lien date in which the base year value is determined pursuant to section 110.1, the base year value shall be compounded annually by an inflation factor and the taxable value shall be the lower of the current market value or the factored base year value. Until a correction is made, CLCA homesite values in Placer County will continue to be assessed at amounts less than their factored base year values, potentially resulting in underassessments.

**Taxable Government-Owned Property**

Article XIII, section 3 of the California Constitution exempts from property taxation any property owned by local governments, except as provided in section 11. Section 11 of article XIII of the California Constitution provides that land, and the improvements thereon, located outside a local government agency's boundaries are taxable 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.

In 1995, the California Supreme Court held that the limitations of article XIII A of the California Constitution also apply to taxable government-owned properties. The court's ruling means that

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6 *City and County of San Francisco v County of San Mateo et al.* (1995) 10 Cal. 4th 554.
such property must be assessed at the lowest of (1) the current fair market value, (2) the restricted value as determined under section 11, or (3) the article XIII A factored base year value.

For the 2003-04 assessment roll, the assessor in Placer County enrolled 23 taxable government-owned properties with a total taxable value of $797,440. All but one of these parcels is unimproved land; the improved parcel includes a residence. The annual valuation of these parcels is the responsibility of one managing appraiser. He annually updates his spreadsheet program to show the latest current market value estimate and the current restricted value (1967 assessed value multiplied by the factor announced annually by the BOE) and enrolls the lower of the two. His spreadsheet does not include a factored base year value for these properties.

**RECOMMENDATION 6:** Assess taxable government-owned properties at the lowest of current market value, restricted value, or factored base year value.

The assessor annually enrolls the lower of the current market value or the restricted value for taxable government-owned properties. He does not calculate a factored base year value and compare it to the current market and restricted values.

The BOE issued guidance in Letter To Assessors 2000/037 regarding the assessment of taxable government-owned land and improvements. These guidelines provide, among other things, that base year values for taxable government-owned properties acquired after March 1, 1975, should be established at the lower of full cash value as of the date of change in ownership or the 1967 assessed value multiplied by the appropriate BOE-announced factor as of that date. In subsequent years, the base year value is to be adjusted for inflation by the California Consumer Price Index, like property subject to article XIII A. Factored base year values determined in the BOE recommended manner will generally be lower than either the current market value or the restricted value.

The consequence of the assessor's failure to establish a factored base year value for each taxable government-owned property and to compare this value to the current market and restricted values, and enrolling the lowest of the three, is that many of these properties are probably overassessed.

**Timberland Production Zone Property**

Land zoned Timberland Production Zone (TPZ) is assessed in accordance with special TPZ site classifications that exclude the value of the standing timber. The assessed value of TPZ land each year must be its appropriate site pursuant to section 434.5 value plus the lower of the current market value or factored base year value of any existing, compatible, nonexclusive uses of land (section 435). The special assessment limitations do not apply to structures on TPZ lands or to reasonable site values for such structures. In other words, structures and supporting lands are subject to the same assessment guidelines as other real property. Land zoned as TPZ that is not under a California Land Conservation Act contract is assessed at the lowest of its appropriate site value, current market value, or factored base year value.

Placer County has 478 parcels, comprising 117,643 acres, under TPZ zoning. For the 2003 assessment roll, the total assessed value of TPZ lands in Placer County was $8,593,699. We found that the assessor properly follows the BOE's schedule of per-acre values for different site
classes of TPZ land. There are no TPZ parcels in rezoning status pursuant to Government Code section 51120. All of the land zoned as timberland production is identified on the assessment roll with the notation "TPZ Properties" in conformance with section 433.

Overall, the assessor has a very good program in place for the valuation of TPZ land. The assessor has developed a computer program that updates TPZ values annually based on the updated site class values provided by the BOE. However, we did note one area needing improvement.

**RECOMMENDATION 7:** Establish a new base year value for TPZ homesites only when there is a change in ownership.

Of the 478 TPZ zoned parcels, 14 have homesites. A residence located on a TPZ-zoned parcel is considered to be a compatible use under Government Code section 51104(h)(6); an area of the parcel considered necessary to support the improvement is designated as a homesite. The taxable value of a homesite is not subject to the special assessment limitations for TPZ parcels, but it is subject to the provisions of article XIII-A.

Three of the fourteen homesites have an incorrect base year. For these three parcels, we found that the assessor established a new base year value for the homesites upon the completion of the new construction. Without a change in ownership of the homesite, the assessor has no authority to establish a new base year value; the homesite's taxable value should remain the lesser of its existing factored base year value or current market value. Under such circumstances, the assessor should establish a new base year value only for the newly constructed property. By establishing a new base year for the homesite, the assessor is making an assessment without statutory authority and potentially overassessing the homesite.

**Possessory Interests**

A taxable possessory interest is a possession, or a right to possession, of publicly owned real property, where the possession provides a private benefit to the possessor and is independent, durable, and exclusive of rights held by others. In the case of privately owned property, a property tax assessment is based on the fee simple value of the property. In the case of a taxable possessory interest, the assessment is based on the value of the rights actually held by the possessor.

The assessor enrolls over 700 possessory interests in public lands, including several hundred possessory interests that involve mining claims. Excluding the mining claims, the assessor currently enrolls 369 possessory interests with a roll value of $270,541,191.

The assessor annually contacts public agencies in Placer County, by mail or telephone, for updated lists of tenants and lease terms related to possessory interests. The assessor uses a locally developed form letter, rather than BOE Form BOE-502-P, Possessory Interests Annual Usage Report, to obtain information by mail.

A managing commercial/industrial appraiser in the assessor's main office is responsible for possessory interest valuation in the western portion of the county, and the managing appraiser in the Tahoe City office appraises possessory interests located in the eastern portion of the county. Possessory interest records are kept separately at the respective offices. We reviewed the possessory interest files kept in the assessor's main office, some of which contained some leases.
related to the possessory interests. According to the responsible appraiser, many public agencies do not send copies of leases. Instead, the appraiser looks for contract terms of possession on the tenant list provided by the leasing agencies. The appraiser may also review recorded leases or may contact the public agency-lessor for the information.

In our prior survey, we recommended that the assessor revise his possessory interest program by: (1) reviewing the status of all private uses at the county's two fairgrounds, (2) assessing airplane tie-downs, and (3) assessing the rights of commercial and private owners of piers and buoys to use submerged public lands in the Lake Tahoe area. These taxable possessory interests have not been assessed; therefore, a recommendation addressing this issue is presented below.

**RECOMMENDATION 8:** Assess all taxable possessory interests.

We found the assessor still does not enroll taxable possessory interests for tie-downs at the county's two public airports, for the private right to build and use piers and buoys on submerged public lands in the Lake Tahoe area, or for certain private uses of the county's public fairgrounds. Our investigation found that these interests constitute taxable possessory interests pursuant to section 107 and rule 20.

We obtained a list of tie-down tenants at the Lincoln City Airport who had rented a tie-down space in both 2002 and 2003. Approximately two-thirds of the 2002-03 tenants rented the tie-down space for more than one year. According to airport staff at both locations, spaces are assigned, and there is a guarantee of space availability in the tie-down agreement. Because tie-down spaces are specifically assigned, and tie-down spaces are frequently rented to the same individuals for an extended time, there is qualifying evidence of durability, independence, exclusivity, and private use.

We also found that the State Lands Commission manages submerged public lands in the Lake Tahoe area and issues leases to commercial and residential property owners to construct and maintain piers and buoys. Tenants pay a one-time application and processing fee, which allows the use of the submerged lands for a period of 10 years. Tenants may renew their leases by filing a new application and paying the required processing fee. Corporations using submerged public lands are charged a monthly rent in lieu of the fee. We noted that the assessor enrolled a value for the piers and related structures, but did not assess the right to use the submerged land. These interests possess the elements of private benefit, durability, exclusivity, and independence necessary to qualify as taxable possessory interests.

In addition, we found that two fairgrounds in Placer County, the site of the Gold Country Fair, in Auburn, and the Placer County Fairgrounds in Roseville, rent portions of their facilities to groups or individuals, both public and private. Generally, these are for interim uses, although a few tenants may use a facility during most or all of the year. We obtained a list of tenants with permanent tenancies at the Placer County Fairgrounds and a calendar listing recurring annual group events repeated yearly. Both the permanent and recurring tenancies on our review lists appear to constitute taxable possessory interests and should be assessed accordingly.

By not assessing these taxable possessory interests, the assessor has allowed taxable property to escape assessment.
Leasehold Improvements

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

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

Tenant improvements, also commonly referred to as leasehold improvements, are real property items that are owned and installed by a lessee on leased real property. Such improvements can be enrolled on the secured assessment roll or assessed directly to the tenant on the unsecured assessment roll.

When real property is reported on the business property statement, coordination between the real property and business property divisions of the assessor's office is very important. The reported cost should be examined by both an appraiser in the real property division and an auditor-appraiser in the business property division. The divisions should determine the proper classification of the property to ensure appropriate assessment by each division and avoid escapes and double assessments. The assessor's office 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. For these reasons, coordination between the real property and business property divisions of the assessor's office is very important.

To facilitate communication between the real property and business property divisions, the assessor uses a referral slip. Either the real property or business property divisions can initiate referrals.

Discovery

The assessor has two main sources for the discovery of leasehold improvements. One source is the business property statement. Schedule B of the Form BOE-571-L, Business Property Statement, requests information from business owners regarding the costs for buildings, building improvements, and/or leasehold improvements, land improvements, land and land development. Schedule B provides the assessor with information regarding costs incurred by tenants for improvements to rented or leased land or structures where they operate their business, trade, or profession. Schedule B is divided into four columns. Column B-1 is for reporting costs related to structure items only; column B-2 is for reporting costs for fixture items only; column B-3 is for reporting costs related to land improvements; and column B-4 for costs of land and land development.

Copies of business property statements that report new costs under Schedule B are forwarded to the real property division for review. The real property division compares the reported costs with

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7 Assessors' Handbook Section 504, Assessment of Personal Property and Fixtures, p. 92 (October 2002).
the secured property record to determine if the property has been assessed. If the appraiser determines that the new leasehold improvements are structure items, the appraiser establishes a base year value and issues a supplemental assessment.

All fixture costs reported under column B-2 are reviewed and assessed by the business property division. Fixtures are valued based on cost. For new fixtures, a base year value is established but no supplemental assessment is created. Each year the current fair market value of the fixture is compared to its factored base year value and the lower of the two is enrolled.

The other main source for the discovery of leasehold improvements is from building permits. When permits are issued for leasehold improvements, copies of the permits are sent to both the real property division and the business property division. All permits issued for new signs are sent to the business property division; these permits alert the business property division of potential new businesses. When the real property division investigates permits issued for leasehold improvements, they forward any reported costs that they discover for fixtures to the business property division. Likewise, when the business property division performs audits of business accounts, any costs discovered for structural items are forwarded to the real property division.

We found that the assessor is in compliance with generally accepted assessment practices relating to leasehold improvements.

**Timeshares**

There are two types of timeshares: fee and interval. A timeshare estate (fee timeshare) is a right of occupancy in a timeshare project, which is coupled with an undivided interest in real property. A timeshare use (interval timeshare) is one in which a purchaser receives a right for a specific period of time 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, unaccompanied by an estate in real property. When purchased, a timeshare typically includes nonassessable personal property (furniture, linens, kitchenware, and household items) and nonassessable nonreal property items (considered non-taxable). Examples of nonreal property items include vacation exchange rights, club memberships, selling and promotional expenses, and prepaid expenses such as a maintenance fee for the upcoming year.

**Discovery and Tracking**

The assessor has identified four timeshare projects operating in Placer County, all located in the Lake Tahoe area. The assessor tracks a total of 4,605 timeshares, including both fee (estate) and interval (use) timeshares. Interval owners in three of the timeshare projects purchase blocks of time in various seasons. Fee owners in the fourth timeshare project purchase a fee seasonal ownership in a particular building.

The assessor currently tracks individual timeshare ownership by both computer spreadsheet and individual records for each timeshare. Each timeshare project is assigned to a specific map book in the 700 series, and each separate fee or interval ownership is assigned a parcel number in the series to help prevent confusion between sales of new and existing timeshares. The assessor also
maintains a record of transfers for each timeshare project that includes parcel numbers, unit types and season sold, reported and adjusted sales prices, transfer date, and other data.

Valuation

In the case of timeshare estate assessments, the assessor verifies sales prices through the Preliminary Change of Ownership Report (PCOR), Form BOE-502-A. Some PCOR's are also available for timeshare use assessments. The assessor may also use deeds to verify sales prices, especially in the case of timeshare use assessments. Transfers are valued using the comparative sales approach.

For both timeshare estate and timeshare use interests, the assessor adjusts nominal selling prices for marketing costs, personality, exchange rights, and other non-real property elements of timeshare ownership. To make this adjustment, the assessor establishes a fixed percentage discount based on differences between initial selling price and resales.

Timeshare interests have generally declined in value, and many interests are in a decline-in-value status. Currently, 4,122 fee and use timeshares are in such a status.

We found no problems related to the assessment of timeshares in Placer County.

Water Company Property

Water company property assessed on the local roll may include property owned by private water companies, mutual water companies, and some property of government-owned water systems. Each type presents a different assessment problem.

We obtained lists of all water supply sources annually inspected by the Placer County Department of Environmental Health, the California State Department of Health Services' Branch of Drinking Water Field Operations, and the California Public Utilities Commission (CPUC). Using these lists, we reviewed the assessments of several water company properties.

The assessor's currently enrolls assessments for 17 water companies - 9 private CPUC-regulated companies, 6 private non-regulated water companies, 1 mutual water company, and 1 publicly owned water utility that holds taxable property located outside its boundaries.

The assessor requests that water companies file BOE-prescribed Form BOE-540-S, Mutual or Private Water Company Property Statement. Our examination of water company files showed all companies had complied with the assessor's request and forms were filed timely.

We examined lists of non-regulated private water companies provided by the California State Department of Health Services' Branch of Drinking Water Field Operations and the Placer County Department of Environmental Health, and reviewed the assessments for the CPUC-regulated water companies in Placer County and property records for the one mutual water company included on the assessor's list of annually reviewed water companies. We found no assessment problems with these water companies.
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. The court ruled that while the pipelines themselves are properly assessed by the BOE, the right-of-way through which the pipelines run must be locally assessed. Subsequent to this court ruling, the Legislature added sections 401.8 through 401.12, guiding county assessors in the valuation of intercounty pipeline lands and rights-of-way.

There is one company with a pipeline right-of-way in Placer County. This right-of-way consists of 127 parcels that the assessor has correctly combined into one assessment. The assessor properly valued this right-of-way using the three density classifications and values per mile found in section 401.10(a)(3)(A).

Mineral Property

Rule 469(b) provides that the rights to enter upon land for the purpose of exploration, development, or production of mineral are "taxable real property interests to the extent they individually or collectively have ascertainable value." Each subdivision of the rule thereafter specifically sets forth what to value and how a mine reaches the point of producing income.

Placer County has a limited number of mining operations. In our prior survey, we made two recommendations: (1) that the assessor improve the mineral appraisal program by recognizing the proper appraisal unit and reviewing reserve estimates, and (2) that unpatented mining claims be assessed based on rental payments or on the annual value of assessment work. The assessor has implemented the first recommendation; however, he has not implemented the second recommendation, which is repeated below along with other mineral property recommendations.

RECOMMENDATION 9: Revise the mineral properties assessment program by:
(1) assessing unpatented mining claims by capitalizing the annual rental payments on a per claim basis, (2) reviewing mineral properties for declines in value, (3) calculating the annual depletion allowance of mineral reserves according to rule 469, and (4) enrolling settling ponds according to section 53.5.

Assess unpatented mining claims by capitalizing the annual rental payments on a per claim basis.

Unpatented mining claims are possessory interests in federal land for the exclusive right to develop and extract certain minerals. Claims are typically filed with the BLM and recorded in each county. In order to retain a claim, the claimant must do either of the following: (1) pay an annual rental fee to the federal government for each claim or (2) provide labor or make improvements to the claim worth at least $100 during each year. Individuals filing mining claims can claim a maximum of 20 acres per claim and pay an annual rental fee of $100 plus a $5 filing

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fee. A provision of the mining law also allows association claims, that is, groups of up to eight individuals or companies may claim up to 160 acres and pay the same $105 in annual fees.

We found that the assessor values mining claims by capitalizing the annual fee, dividing the capitalized value by the average size claim to arrive at a value per acre, and multiplying the acreage of the claim being valued by the per acre value. However, in Assessors' Handbook Section 560, Assessment of Mining Properties (page 6 - 9), the BOE recommends valuing mining claims by capitalizing the recording fees and rental fees (or assessment work) required by the federal government. The rental fee represents income to the land and is an indication of the minimum value that the claimant perceives the property to be worth; in order to retain the claim, this annual fee must be paid. Based on this method of valuation, the individual claim and the association claim would have the same assessed value, because the annual fee that is capitalized ($105) would be the same in both cases.

There may be other factors that justify higher values for individual claims, such as recent sales of the subject property, but in general, unpatented mining claims should be valued by claim and not by acreage. The assessor's practice may result in the overassessment of some mining claims and the underassessment of others.

**Review mineral properties for declines in value.**

The county currently does not make any determination of the current market value of mineral properties. Rule 469(e)(2)(C) states, "declines in the value of mineral property shall be recognized when the market value of the appraisal unit, (i.e., land, improvements including fixtures, and reserves), is less than the current adjusted base-year value of the same unit, except for a leach pad, tailings facility, or settling pond." 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 adjusted (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.

**Calculate the annual depletion allowance of mineral reserves according to rule 469.**

We found that the assessor's mineral extraction worksheet improperly calculates the annual depletion allowance of reserves prior to deducting the allowance from the factored base-year value. The assessor is calculating the depletion allowance for reserves based on the original unfactored base year value and deducting that amount from the factored base year value for the current assessment roll. The depletion allowance should be calculated using the factored base year value. The proper procedure for calculating the depletion allowance is defined in property tax rule 469(e)(2)(A)(4).

The method used by the assessor potentially overstates the remaining value of the mineral rights.
Enroll settling ponds according to section 53.5.

We found that the assessor is not treating settling ponds used in the mining operation as separate appraisal units. According to section 53.5, with respect to property that is subject to valuation as mining or mineral property, each leach pad, tailing facility, or settling pond shall be considered a separate appraisal unit. As a separate appraisal unit, the assessor can better recognize declines in value associated with this segment of the mining operation. The assessor's practice may lead to overassessments.
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.

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.

Mandatory Audits

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

For the 2002-03 fiscal year, the assessor had a total workload of 187 audit accounts that met section 469 requirements for mandatory audits. These accounts are to be audited in the next four years. Eighty-nine audits were completed for the 2002-03 fiscal year. We found all audits to be current or under signed waiver of statute of limitations.

Nonmandatory Audits

A nonmandatory audit program serves several purposes in the assessment of personal property. Besides helping to mitigate taxpayer-reporting errors, a nonmandatory program also allows for the investigation and resolution of special problems uncovered during the processing of property statements. For instance, accounts that have not reported properly in the past four years may be scheduled as nonmandatory audits.

In the past four years, the assessor completed 28 nonmandatory audits.

Statute of Limitations

Section 532 requires that the assessor enroll an escape assessment discovered during an audit 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, the assessor may request, pursuant to section 532.1, a waiver of the statute of limitations from the taxpayer to extend the time for making an assessment.

We found that the assessor is very conscientious about obtaining a waiver of the statute of limitations when it is needed to extend the audit period. The assessor currently has eight accounts under waivers.
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 business property.

We found that the assessor's audit program is effective. Audits contained sufficient detail and good supporting documentation and the audit worksheets included an audit checklist to define the areas of investigation.

The following tables display the results of the audit program for the past five years:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Audits Scheduled:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandatory</td>
<td>67</td>
<td>54</td>
<td>54</td>
<td>59</td>
<td>54</td>
</tr>
<tr>
<td>Nonmandatory</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>28</td>
<td>0</td>
</tr>
<tr>
<td>Total Audits Scheduled</td>
<td>67</td>
<td>54</td>
<td>54</td>
<td>87</td>
<td>54</td>
</tr>
<tr>
<td>Unfinished from prior year</td>
<td>30</td>
<td>39</td>
<td>16</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Total Audit Workload</td>
<td>97</td>
<td>93</td>
<td>70</td>
<td>88</td>
<td>61</td>
</tr>
<tr>
<td>Audits Completed:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandatory</td>
<td>89</td>
<td>63</td>
<td>31</td>
<td>44</td>
<td>60</td>
</tr>
<tr>
<td>Nonmandatory</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>28</td>
<td>0</td>
</tr>
<tr>
<td>Total Audits Completed</td>
<td>89</td>
<td>63</td>
<td>31</td>
<td>72</td>
<td>60</td>
</tr>
<tr>
<td>Audits Carried Forward</td>
<td>8</td>
<td>30</td>
<td>39</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Mandatory</td>
<td>8</td>
<td>30</td>
<td>39</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Nonmandatory</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
**Business Property Statement Program**

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

We reviewed the assessor's business property statement program. The focus of our review was on examining written procedures, methods of discovery, use of BOE prescribed forms, processing by non-certified staff, taxpayer interactions, completeness of the property statements, application of penalties, real property division coordination, direct billing, and record storage and retention. Our review also included the inspection of selected business property statements.

**Direct Billing**

Many California assessors utilize an assessment procedure called "direct billing" or "direct assessment." It is a method of assessing certain smaller business accounts without requiring the annual filing of a business property statement. An initial value is established and continued for several years, with only periodic property statements or field reviews. Examples of businesses suitable for direct billing include apartments, barber shops, beauty parlors, coin-operated launderettes, small cafes, restaurants, and professional firms with small equipment holdings.

The direct billing program is beneficial to both taxpayers and the assessor. Direct billing streamlines filing requirements, reduces the amount of paperwork for small businesses, and reduces the number of property statements that must be processed by the assessor.

In Placer County, there are 2,000 direct billing accounts on the 2002-03 assessment roll. The assessor's guidelines for direct billing are (1) the cost of assets must be under $100,000, (2) the property has to have a history of asset stability, and (3) the taxpayer must file a property statement every four years. At the discretion of the audit staff, taxpayers are removed from this program if they fail to meet the criteria. We found no problems with the assessor's direct billing program.

**Discovery**

The discovery of taxable property is an essential function of the county assessor; part of that function is to maintain accurate and up-to-date listings of assessable business properties. The assessor has expanded the discovery of taxable property. Both real and personal property appraisers are completing more situs inspections. The assessor is maintaining a list of taxpayers who have multiple penalty assessments for failure to file business property statements. These taxpayers will be contacted as part of fieldwork assignments. To discover assessable business properties, the assessor uses various sources of discovery, such as sales tax permits, business licenses, business directories, phone directories, and tenant information from landlords. The assessor also reviews the annual BOE advisory letter listing companies that have pollution control equipment financing bonds and BOE Valuation Division Form BOE-600-B (*Schedule of Leased Equipment Which is to be Reported by Lessor to Local Assessor for Assessment*) as a means of discovery.
We found that the assessor's business property statement program is efficient. The following table displays the assessor's workload of property statements for businesses, leased equipment, vessels, aircraft and other property types for the 2003-04 assessment roll:

<table>
<thead>
<tr>
<th>TYPES OF PROPERTY STATEMENTS</th>
<th>2003-04 ROLL YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>COUNT</td>
</tr>
<tr>
<td>Agriculture</td>
<td>277</td>
</tr>
<tr>
<td>Apartments</td>
<td>256</td>
</tr>
<tr>
<td>Financial</td>
<td>158</td>
</tr>
<tr>
<td>General Business (Including direct billing)</td>
<td>5,795</td>
</tr>
<tr>
<td>Leased Equipment</td>
<td>922</td>
</tr>
<tr>
<td>Service Stations</td>
<td>142</td>
</tr>
<tr>
<td>Vessels, Aircraft and other</td>
<td>5,228</td>
</tr>
<tr>
<td>Totals</td>
<td>12,778</td>
</tr>
</tbody>
</table>

**Business Equipment Valuation**

Commercial, Industrial, and Agricultural Equipment

Assessors' offices use business property value factors that are derived by combining cost index factors (trend factors) with percent good factors for the valuation of machinery and equipment. Section 401.5 provides that the BOE shall issue information that, in the judgment of the BOE, will promote uniformity in appraisal practices and in assessed values throughout the state. Pursuant to that mandate, the BOE annually publishes Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581).
The following table displays the assessor's workload of secured and unsecured property statements, leased equipment, accounts, vessels, and aircraft for the 2003-04 assessment roll:

<table>
<thead>
<tr>
<th>TYPE</th>
<th>2003-04 ROLL YEAR</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>COUNT</td>
<td>VALUE</td>
</tr>
<tr>
<td>Commercial</td>
<td>6,599</td>
<td>$1,058,710,325</td>
</tr>
<tr>
<td>Industrial</td>
<td>265</td>
<td>$429,445,820</td>
</tr>
<tr>
<td>Agricultural</td>
<td>277</td>
<td>$6,779,530</td>
</tr>
<tr>
<td>Construction</td>
<td>409</td>
<td>$35,400,940</td>
</tr>
<tr>
<td>Biopharmaceutical</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Software</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Semiconductor</td>
<td>9</td>
<td>$202,163,890</td>
</tr>
<tr>
<td>Vessels</td>
<td>4,836</td>
<td>$89,183,506</td>
</tr>
<tr>
<td>4% Vessels</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>General Aircraft</td>
<td>390</td>
<td>$31,898,827</td>
</tr>
<tr>
<td>Cert. Aircraft</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12,778</td>
<td>$1,853,582,838</td>
</tr>
</tbody>
</table>

Price index factors are developed for use in mass appraisal and are used for converting original cost to estimates of reproduction cost or replacement cost new. Percent good factors are used in conjunction with the index factors to estimate reproduction cost new less normal depreciation. Valuation factors are the product of price index factors and the percent-good factors. A value indicator or estimate of market value is obtained by multiplying a property's historical (acquisition) cost by an appropriate value factor. The proper choice and application of price index and percent good factors to original cost produces an estimate of market value.

**RECOMMENDATION 10:** Use the percent good factors in Assessors’ Handbook Section 581, *Equipment Index and Percent Good Factors*, as intended

The Placer County Assessor has adopted the price indices and percent good factors recommended by the California Assessors' Association (CAA). The percent good factors parallel the factors in the AH 581 with the exception that the CAA factors provide a minimum percent good factor for older equipment. Because the assessor uses the CAA tables, he employs arbitrary minimum percent good factors for older equipment.

Beginning with the 2003 lien date, assessors are prohibited from employing minimum percent good factors that are determined in an unsupported manner. The CAA tables recommend using

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9 AB 2714, Ch. 299, Stats. 2002, adding section 401.16 to the Revenue and Taxation Code.
factors for an age equal to 125 percent of estimated service life as the minimum percent good. The assessor has no supporting evidence for using such minimum factors; hence, the factors do not meet the requirements of section 401.16.

Computer Valuation

In order to promote uniformity in appraisal practices and assessed values and to comply with the requirements of section 401.5, the BOE issued valuation factors for computer equipment. In AH 581, Table 6: Computer Valuation Factors, the BOE provides valuation factors for use when valuing computer equipment.

We found that the assessor properly values computers using the BOE-recommended factors.

Special Design Equipment

The equipment index factors in the AH 581 are developed for use in mass appraisals and are generally reliable and practical for converting original cost to estimates of reproduction cost or replacement cost new. In situations where equipment is unique to a particular industry or a region, the BOE encourages the assessor to make special studies of industry trends, useful lives, and obsolescence. Because of the large number of ski and winter sports facilities in Placer County, the assessor has made a study of the value of ski lift fixtures and equipment. This study was supported by current market data. We found that the approach used by the assessor was acceptable in valuing ski lift fixtures and equipment. We commend the assessor for his initiative in estimating the fair market value of this type of special design 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 types of property to assess correctly. Common problems include taxable situs, reporting errors by the lessees or lessors, taxability, valuation (whether the value of the equipment should be the lessor's cost or the cost for the consumer to purchase), and double or escape assessments resulting from lessor and lessee reporting. These issues are discussed in detail in Assessors' Handbook Section 504, Assessment of Personal Property and Fixtures.

We reviewed a sample of business property files of lessors and lessees for compliance as well as several completed copies of Form BOE-600-B, which contains information about equipment leased by public utilities and railroads. The assessor uses this information to locate assessable leased equipment within Placer County. We found that staff is doing a good job in the discovery, processing, tracking, and assessing of leased equipment.

Manufactured Homes

A manufactured home is subject to local property taxation if first sold new on or after July 1, 1980, or by the owner's request for conversion from vehicle license fee to local property taxation. A manufactured home is defined in Health and Safety Code sections 18007 and 18008, and statutes prescribing the valuation and assessment of manufactured homes are contained in Revenue and Taxation Code sections 5800 through 5842. Manufactured homes should be classified as personal property and enrolled on the secured roll.
The following table shows the total number of manufactured homes (including those sited in rental parks and those on fee land) and their total assessed values for the last five assessment rolls:

<table>
<thead>
<tr>
<th>ASSESSMENT ROLL</th>
<th>NUMBER OF HOMES</th>
<th>TOTAL ASSESSED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>1,922</td>
<td>$130,991,730</td>
</tr>
<tr>
<td>2002-03</td>
<td>1,938</td>
<td>$129,364,971</td>
</tr>
<tr>
<td>2001-02</td>
<td>1,896</td>
<td>$118,496,138</td>
</tr>
<tr>
<td>2000-01</td>
<td>1,849</td>
<td>$113,783,594</td>
</tr>
<tr>
<td>1999-00</td>
<td>1,786</td>
<td>$108,090,028</td>
</tr>
</tbody>
</table>

Manufactured homes are designated by account numbers that begin with "910." These account numbers are assigned sequentially and are not associated with a home's situs. The assessor enrolls manufactured homes as personal property on the secured roll.

A senior administrative clerk is responsible for setting up accounts for new manufactured homes. She inputs the information provided to the assessor by the Department of Housing and Community Development (HCD) for homes that have changed ownership and verifies each home's make, model, and serial number.

Overall, the assessor has an effective manufactured home assessment program in place. However, we did find one area that needed improvement.

**RECOMMENDATION 11:** Annually review manufactured home assessments for declines in value.

The assessor does not annually review the assessments of manufactured homes for declines in value. Once a base year value for manufactured homes is established, it is factored by the annual inflation factor each year.

Section 5813 requires the assessor to assess a manufactured home at the lesser of its base year value (adjusted annually for inflation not to exceed two percent) or its market value, taking into consideration any reductions in value due to damage, depreciation, or any other factors causing a decline in value. Most price guides suggest that manufactured homes depreciate in value over time. Thus, assessing manufactured homes at their factored base year values without reviewing for declines in value may result in the overassessment of these properties.

**Aircraft**

Section 5363 requires the assessor to determine the market value of aircraft according to standards and guidelines prescribed by the BOE. Section 5364 requires the BOE to establish such standards to be used by the assessor. 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* as an alternate for aircraft not listed in the *Bluebook*.

The following table illustrates the number of aircraft assessed in Placer County for the last five years:
We found no problems with the assessor's general aircraft assessments.

**Historical Aircraft**

Aircraft of historical significance are exempt from taxation upon meeting certain requirements. Section 220.5 defines "aircraft of historical significance" as any aircraft which is an original, restored, or replica of a heavier than air powered aircraft which is 35 years or older or any aircraft of a type or model of which there are fewer than five in number known to exist worldwide.

The historical aircraft exemption is not automatic. The owner of a historical aircraft must submit an affidavit on or before 5:00 p.m., February 15, and pay a filing fee of thirty-five dollars ($35) upon the initial application for exemption. Along with these requirements, an aircraft of historical significance is 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 exemption is claimed.

We found that the assessor properly administers exemptions for historical aircraft.

**Vessels**

The assessor's business property division assessed more than 4,800 vessels on the 2003-04 assessment roll with a total assessed value of $89.2 million. The primary discovery sources are Department of Motor Vehicle (DMV) reports, marina lists, and referrals from other counties.
The following table illustrates vessels assessed in Placer County for the last five years:

<table>
<thead>
<tr>
<th>ASSESSMENT ROLL</th>
<th>NUMBER OF VESSELS</th>
<th>ASSESSED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-03</td>
<td>4,838</td>
<td>$89,183,506</td>
</tr>
<tr>
<td>2001-02</td>
<td>6,522</td>
<td>$83,344,405</td>
</tr>
<tr>
<td>2000-01</td>
<td>6,287</td>
<td>$73,482,716</td>
</tr>
<tr>
<td>1999-00</td>
<td>5,835</td>
<td>$58,039,504</td>
</tr>
<tr>
<td>1998-99</td>
<td>5,849</td>
<td>$51,500,773</td>
</tr>
</tbody>
</table>

The assessor follows the vessel assessment procedures recommended in Assessors' Handbook Section 576, Assessment of Vessels, including the use of the Form BOE-576-D, Vessel Property Statement. However, any vessel with a market value of $5,000 or less does not appear on the roll because of the low-value property exemption.

The vessel's purchase price is initially used to determine its assessed value, with consideration also being given to the N.A.D.A. Marine Appraisal Guide, BUC Used Price Guide, and ABOS Marine Blue Book. Thereafter, vessels are categorized into groups by boat type, such as sailboat, inboard, outboard, personal watercraft, and jet skis. Within each group, a value adjustment is developed using trends based on market values derived from the January-April edition of the N.A.D.A. Marine Appraisal Guide. We found the assessor's vessel assessment program well administered and, accordingly, have no recommendations in this area.

**Animals**

The California Constitution mandates that all property is taxable unless specifically exempted by the Constitution or, in the case of personal property, by act of the Legislature. Most animals are exempt from taxation. Pets are exempted under section 224. Many animals that are considered business inventory are exempted by sections 129 and 219 and rule 133.

Methods used by the Placer County Assessor to discover taxable animals include exchange of information with other county assessors, newspaper articles and advertisements, telephone directories, business directories, agricultural property statements, and audits of agricultural property. Animals that are assessed are typically those used as rodeo stock, show horses, security dogs, riding stable or pack animals remaining under the owner's direct control, and animals held for breeding purposes. Also included are any other animals, not held for sale or lease or used in the production of food, fiber, or feed for such animals.

The assessor annually sends Form BOE-571-F, Agricultural Property Statement, to those property owners that are involved in agriculture. Schedule B of this form requests the description and number of all taxable animals. If there are registered and show horses located in Placer County, Form BOE-571-F2, Registered and Show Horse Other Than Racehorses Statement, must be completed as a supplemental schedule. When the forms are returned, the date received is stamped on the form. The forms are forwarded to an auditor-appraiser who specializes in agricultural property and taxable animals for review and valuation. The auditor-appraiser is careful to recognize the exempt status of animals that qualify as business inventory or pets as provided in rules 133 and 134.
A review of the assessor's files indicated that there are 57 property owners who have assessable animals located in Placer County. We reviewed several of these files and found that the program for assessing animals is administered correctly.

**Racehorses**

Racehorses domiciled in California are subject to an annual in-lieu tax rather than an ad valorem property tax. Sections 5701 through 5790 outline the provisions of this tax. Specific procedures and forms are prescribed by rules 1045 and 1046. Rule 1045(a)(2) requires the assessor to furnish BOE-prescribed forms to racehorse owners for reporting the in-lieu tax.

The assessor discovers the tax situs of racehorses through the use of Form BOE-751-J, *Annual Racehorse Tax Return*, by referring to the California Horse Racing Board Web site, telephone book listings, and information from other counties. Currently, the assessor's records list 84 individuals, partnerships, or corporations as owners of racehorses in Placer County.

The annual racehorse tax form is sent to racehorse owners where the racehorse has a tax situs in Placer County. The tax forms are sent no later than December 15 and prior to the calendar year in which the tax is due. A copy of the current mailing list is forwarded to the tax collector's office by December 25. When the forms are returned, an appraiser reviews the forms for completeness and classifies the racehorse by age and registry. Also, the appraiser determines if the horse has participated in horse races where pari-mutuel wagering is allowed, or has been bred to produce racehorses during the preceding two years. The forms are logged in at the assessor's office and forwarded to the tax collector's office for processing. If applicable, the tax collector applies the appropriate late filing and interest penalties. 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.
APPENDICES

A. County Property Tax Division Survey Group

Placer County Assessment Practices Survey

Chief, County Property Tax Division
Mickie Stuckey

Survey Program Director:
Benjamin Tang Principal Property Appraiser

Survey Team Supervisor:
Peter Gaffney Supervising Property Appraiser

Survey Team Leader:
Ronald Louie Senior Specialist Property Appraiser

Survey Team:
James McCarthy Senior Petroleum and Mining Appraisal Engineer
Zella Cunningham Associate Property Appraiser
Wes Hill Associate Property Appraiser
Kim Trotto Assistant Property Appraiser
Lloyd Allred Associate Property Auditor-Appraiser
David Barbeiro Associate Property Auditor-Appraiser
Larry Gee Associate Property Auditor-Appraiser
Marilyn Jones Tax Technician II
B. Relevant Statutes and Regulations

**Government Code**

15640. Survey by board of county assessment procedures.

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

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

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

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

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

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

15641. Audit of Records; Appraisal Data Not Public.

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

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

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

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.
15642. **Research by board employees.**

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

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

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

(b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.

(c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.

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

15644. **Recommendations by board.**

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.
15645. **Survey report; final survey report; assessor's report.**

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

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

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

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

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

75.60. Allocation for administration.

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

(b) For purposes of this section:

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

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

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

(B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).

(3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.
Title 18, California Code of Regulations

Rule 370. Random selection of counties for representative sampling.

(a) SURVEY CYCLE. The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.

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

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

(2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.

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

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

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


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

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

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

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

1. Uniformity of treatment for all classes of property.

2. Discovering and assessing newly constructed property.

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


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

Under section 15645 of the Government Code, an assessor may file a response to the findings and recommendation contained in the BOE's 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 to the assessor's response.
December 13, 2004

Mickie Stuckey, 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 Ms. Stuckey:

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 Mr. Peter Gaffney 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 will note, I concur with many of the recommendations and have already taken the appropriate steps to implement changes to our current procedures. In other instances, I either do not agree, or I feel that the impact on the overall assessment program is so minor, or costly, that the recommendation will be prioritized and addressed as time and budget permit.

Finally, I want to thank the employees of the Placer County Assessor Department for their dedication and professionalism. We have workload activity that leads the State, combined with a chronic inability to fill key department positions. It is the hard work and conscientious efforts of staff members that enable this office to maintain very high standards of quality and efficiency in a challenging environment.

Sincerely,

Bruce Dear
Placer County Assessor

BMD/lp

Enclosure
RECOMMENDATION 1: Review the eligibility of multi-specialty health care clinics for the welfare exemption, taking into consideration all of the claimant's clinic sites for purposes of section 214.9 requirements.

RESPONSE: We disagree with this aggregation recommendation because it runs contrary to exemption language in the Revenue & Taxation Code. The California Assessors' Association (CAA) position concerning multi-specialty medical clinics, under Section 214.9, is that the welfare exemption for multi-specialty medical clinics should be granted on a single clinic site basis only. Attorneys in the County Counsels' Tax Section support the Assessor position. After analyzing each clinic location in Placer County, it was determined that each clinic did not have the 40 physicians practicing at least 10 specialties, two-thirds of whom practiced medicine full-time at each location.

RECOMMENDATION 2: Revise the disaster relief assessment program by: (1) conforming the disaster relief notification form to the requirements of section 170, (2) calculating the disaster relief assessment according to section 170(b), and (3) calculating the lien date value of damaged property that has been partially restored or reconstructed according to section 170(g).

RESPONSE: Although this recommendation increases complexity to the property owner, it is statutorily accurate. We have modified our forms and procedure to strictly comply with Section 170.

RECOMMENDATION 3: Cite section 531.6 when notifying the county auditor of an incorrectly allowed homeowners' exemption.

RESPONSE: Yes, this is a minor citation issue, but we concur and have implemented the recommendation.

RECOMMENDATION 4: Consistently add the value of water wells to the land.

RESPONSE: Our policy has been to add the value contribution of a water well to the land. In practice, information may not be consistently available. We will document the value contribution more thoroughly, as information is reviewed.
RECOMMENDATION 5: Revise the CLCA assessment program by: (1) deducting a charge for the investment in irrigation improvements and wells when valuing CLCA properties, (2) assessing trees and vines, (3) enrolling supplemental assessments for improved residential homesites on CLCA land when there is a change in ownership, (4) documenting the expenses used in the valuation of CLCA properties, and (5) correcting the factored base year values of improved CLCA homesites.

RESPONSE: In order to respond, let me first place this recommendation in the proper perspective. The Placer County CLCA program continues to decline and now comprises approximately one-tenth of one percent (.1%) of the assessment roll. We are currently modifying our CLCA automated assessment program and will take appropriate follow-up action in consideration of this recommendation.

(1) We will revise our process for identifying and valuing irrigation improvements and wells for CLCA properties.

(2) Most existing orchards in Placer County are in a declining production state, and the restricted living improvements are annually reviewed and assessed in accordance with Section 429.

For agricultural properties that are a going concern, as existing production increase or new trees and vines are established, they will be valued appropriately. This is particularly true for crops such as mandarin oranges and grapes.

(3) We concur and will implement as part of our CLCA program review, and computer enhancements.

(4) We concur and will implement as part of our CLCA program enhancements.

(5) We will prospectively correct the CLCA homesites that did not get correctly factored with the 2% inflation adjustment for the 2000 roll year. The cost to correct far exceeds the assessment revenue impact associated with this one-time CPI adjustment. However, the adjustment is warranted based on assessment statutes.

RECOMMENDATION 6: Assess taxable government-owned properties at the lowest of current market value, restricted value, or factored base year value.
RESPONSE: We agree that assessment statutes call for the calculation of three separate values with subsequent enrollment of the lowest value for the subject properties. We also note that government-owned properties constitute an infinitesimal portion of the assessment roll. We will revise our process to better note calculation of the three value approaches. We will assess the twenty-three (23) taxable, government-owned properties in Placer County consistent with the guidelines provided in LTA 2000/037.

RECOMMENDATION 7: Establish a new base year value for TPZ homesites only when there is a change in ownership.

RESPONSE: We understand and agree completely with the statutory basis for this recommendation. To clarify the magnitude of this recommendation, three TPZ homesites were discovered to have incorrect base year values. We will correct the three homesites for future assessment rolls.

RECOMMENDATION 8: Assess all taxable possessory interests (1) Public Airport Tie-downs, (2) Submerged Public lands, (3) Private use of County Public Fairgrounds.

RESPONSE: (1) We agree with part 1 of this recommendation. Our procedure has been to annually review tie-down tenants and assess the users who meet the criteria for a taxable possessory interest. We will review our procedure to ensure that the procedure for identifying tie-down tenants is effective.

(2) We disagree with this recommendation. The Public Resources Code Section 6503.5 states … no rent shall be charged for any private recreational pier constructed on state lands for the use of the littoral landowner… Therefore, the State Lands Commission is not charging for appraising the land for private residential piers and buoys. The value of the possessory interests for the submerged public lands with private piers and buoys is reflected in the value increase in the sale of the upland parcel. Separately assessing these possessory interests is inefficient, a disservice to the public, and could result in a double assessment.

The six, non-private parcels with piers and buoys qualify as taxable possessory interests and are assessed accordingly.
(3) We concur and are modifying our procedure to ensure that we have a complete inventory and annually review the list of fairground users. As always, our policy is to assess all private beneficial property rights that meet the criteria for a taxable possessory interest.

RECOMMENDATION 9: Revise the mineral properties assessment program by: (1) assessing unpatented mining claims by capitalizing the annual rental payments on a per claim basis, (2) reviewing mineral properties for declines in value, (3) calculating the annual depletion allowance of mineral reserves according to Rule 469, and (4) enrolling settling ponds according to section 53.5.

RESPONSE:

(1) We concur with part 1 and will assess unpatented mining claims on a per claim basis, rather than a per parcel basis.

(2) We agree and consistent with Rule 469, our annual review of the six mineral properties in Placer County will better document any decline in value.

(3) We concur and will formally document depletion of mineral reserves consistent with Rule 469.

(4) We acknowledge Section 53.5, but contend that creating appraisal units for the leach pads, settling ponds, and tailing facilities 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.

RECOMMENDATION 10: Use the percent-good factors in Assessors' Handbook Section 581, Equipment Index and Percent Good Factors, as intended.

RESPONSE:

We disagree with Recommendation 10. Assessors working through the California Assessors' Association (CAA) spend a significant amount of time reviewing business property percent good factors on an annual basis. A key task of the CAA Business Property
Subcommittee is to convene Business Division Chief Appraisers from throughout the state. The purpose of the meetings is to review audit results, assessment appeal information, and any other data to determine appropriateness of property lives, replacement cost data, and loss of value (percent good) tables. A far more significant concern associated with the BOE AH 581 percent good factors is that the State will not identify a recommended economic life for most California business property assets. Quibbling about minimum percent good differences is a red herring. The far more significant issue is how can the BOE produce AH 581 percent good tables and then neglect to advise Assessors, or their own survey staff, as to appropriate economic lives for California business property. Without a determination of a property's economic life, the AH 581 percent good tables are absolutely useless.

RECOMMENDATION 11: Annually review manufactured home assessments for declines in value.

RESPONSE: We concur as evidenced by our efforts to develop a cost-effective, automated process for annually reviewing the 1,500 manufactured home assessments.