September 30, 2014

TO COUNTY ASSESSORS:

TRINITY COUNTY
ASSESSMENT PRACTICES SURVEY

A copy of the Trinity 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 Deanna L. Bradford, Trinity County Clerk/Recorder/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 Trinity County Board of Supervisors and Grand Jury.

Fieldwork for this survey was performed by the BOE’s County-Assessed Properties Division from September through October 2012. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

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

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

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee
Acting Deputy Director
Property Tax Department

DRK:decl
Enclosure
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INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

In September 2012, the Trinity County Board of Supervisors appointed Deanna Bradford as the Trinity County Clerk/Recorder/Assessor, effective October 1, 2012. Ms. Bradford was appointed to replace the Honorable Dave Hunt, who resigned in August 2012. While Ms. Bradford was appointed during the time of our survey, the reader should note that the report addresses the administration of the assessor's office under Mr. Hunt, as well as Ms. Bradford's administration, since she served as the Trinity County Clerk/Recorder/Assessor prior to Dave Hunt being elected to office in January 2011.

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

During our survey, we found that the assessor has effective programs for business equipment valuation and aircraft. However, we found significant assessment problems throughout the remainder of the assessor's programs we reviewed.

In the area of administration, we found that the assessor needs improvement in the following programs: workload, staff property and activities, assessment appeals, disaster relief, and exemptions.

In the area of real property assessment, we found that the assessor needs improvement in the following programs: change in ownership, new construction, declines in value, California Land Conservation Act (CLCA) property, taxable possessory interests, and mineral property.

In the area of personal property and fixtures assessment, we found that the assessor needs improvement in the following programs: audit, business property statement, manufactured homes, and vessels.

For purposes of section 75.60 and Government Code section 15643, Rule 371 defines "significant assessment problems" as procedures in one or more areas of an assessor's assessment operation, which alone or in combination, have been found by the BOE 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 BOE'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.
As defined in Rule 371, we found significant assessment problems in the following areas:

- Discovering and assessing newly constructed property.
- Discovering and assessing real property that has undergone a change in ownership.
- Conducting audits in accordance with section 469.
- Assessing open-space land subject to enforceable restriction, in accordance with sections 421 et seq.
- Discovering and assessing taxable possessory interests in accordance with sections 107 et seq.
- Discovering and assessing mineral-producing properties in accordance with Rule 469.
- Discovering and assessing property that has suffered a decline in value.
- Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.

As a result of our findings of these significant assessment problems, the BOE will be performing a sampling of the county's assessment roll as required by section 75.60(b)(3) and Government Code section 15643(b) in order to determine whether the county's assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. This sampling will take place at a future date still to be determined and we will report our findings at that time.

It should be noted that Rule 371(c) provides that a finding of significant assessment problems is limited to the purposes of section 75.60 and Government Code section 15643, and shall not be construed as a generalized conclusion about an assessor's practices.

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

**RECOMMENDATION 1:** Improve the workload program by reporting statistics as requested by the BOE pursuant to section 407..........................11

**RECOMMENDATION 2:** Develop written procedures for the assessment of staff-owned property and expand the written procedures for conflicts of interest. ............................................12

**RECOMMENDATION 3:** Obtain waivers of the statute of limitations when an assessment appeal cannot be resolved within the two-year time period. .........................................................15

**RECOMMENDATION 4:** Improve the disaster relief program by: (1) requesting that the board of supervisors revise the disaster relief ordinance to conform to the current provisions of section 170, and (2) revising the disaster relief application to comply with section 170..................................................................................16
RECOMMENDATION 5: Improve the disabled veterans' exemption program by:
(1) granting the full disabled veterans' exemption to the extent of the interest owned by the claimant pursuant to section 205.5(d), (2) requiring annual certification of income for the low-income provision of the disabled veterans' exemption, (3) requiring documentation that the disabled veteran has been honorably discharged, and (4) removing the disabled veterans' exemption as of the date the property is no longer the claimant's principal place of residence.................................................................20

RECOMMENDATION 6: Apply the appropriate inflation factor as required by section 51.................................................................22

RECOMMENDATION 7: Improve the change in ownership program by properly processing changes in ownership due to the death of a property owner.................................................................24

RECOMMENDATION 8: Improve the change in ownership program by implementing an effective tracking system to monitor the progress of a requested COS..................................................25

RECOMMENDATION 9: Improve the LEOP program by: (1) reassessing all properties owned by legal entities that have undergone a change in control or ownership, and (2) applying appropriate penalties as required by section 482(b). ....................26

RECOMMENDATION 10: Timely reassess those properties experiencing a change in ownership when the property owner has failed to provide a section 63.1 claim for exclusion as requested............28

RECOMMENDATION 11: Improve the change in ownership program by:
(1) providing documentation to support enrolling the purchase price as current market value, and (2) reassessing all properties having undergone a change in ownership due to a foreclosure.................................................................30

RECOMMENDATION 12: Value new construction at its fair market value. .....................33

RECOMMENDATION 13: Improve the declines in value program by: (1) developing a comprehensive appraisal program for discovering properties that experience a decline in value, (2) annually reviewing all decline-in-value properties pursuant to section 51(e), and (3) including all required information on the value change notice pursuant to section 619.........................35
RECOMMENDATION 14: Improve the CLCA program by: (1) annually computing the restricted values for CLCA properties in accordance with section 423, and (2) correctly valuing CLCA properties subject to terminating restrictions in accordance with section 426.

RECOMMENDATION 15: Improve the taxable possessory interest program by: (1) obtaining current copies of all lease agreements or permits for taxable possessory interests, (2) deducting allowed expenses from gross income when valuing taxable possessory interests by the direct income approach, (3) using proper methods to develop the appropriate capitalization rate when valuing taxable possessory interests, (4) assessing all taxable possessory interests located at the fairgrounds, (5) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, (6) reappraising taxable possessory interests in compliance with section 61(b)(2), and (7) assessing only private uses on publicly-owned real property in accordance with Rule 20.

RECOMMENDATION 16: Improve the mining property program by: (1) adding the present worth of the future rental payments to the sale price of an unpatented mining claim, (2) establishing base year values for unpatented mining claims, and (3) assessing the mineral rights of all mining properties.

RECOMMENDATION 17: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

RECOMMENDATION 18: Request a waiver of the statute of limitations when an audit will not be completed in a timely manner.

RECOMMENDATION 19: Improve the audit program by: (1) removing incorrect language advising taxpayers of their appeal rights from the Notice of Proposed Escape Assessment, and (2) sending a Notice of Enrollment of Escape Assessment as required by section 534.

RECOMMENDATION 20: Improve the business property statement (BPS) program by: (1) valuing taxable business property in accordance with section 501 when a taxpayer fails to file a BPS, and (2) accepting only properly signed BPSs.
RECOMMENDATION 21: Improve the manufactured homes program by: (1) excluding site value from the reported purchase price of a manufactured home on rented or leased land when determining the current market value to be enrolled, and (2) periodically reviewing manufactured home assessments for declines in value. ..........................54

RECOMMENDATION 22: Improve the vessels program by: (1) sending an annual Vessel Property Statement to the owners of vessels having an aggregate cost of $100,000 or more pursuant to section 441, (2) annually assessing all vessels at current market value, and (3) adding sales tax as a component of market value. ........................................................................................................57
OVERVIEW OF TRINITY COUNTY

Trinity County is located in the northwestern portion of California. The county encompasses an area of 3,207 square miles, which consists of 3,179 square miles of land and 28 square miles of water. Only 3.0 percent of the land in Trinity County is privately owned. Created in 1850, Trinity County is one of California's original 27 counties. Trinity County is bordered by Siskiyou County to the north, Shasta and Tehama Counties to the east, Mendocino County to the south, and Humboldt County to the west.

As of 2012, Trinity County had a population of 13,526. There are no incorporated cities in Trinity County. Weaverville is the largest town in the county and serves as the county seat. A significant portion of the Shasta-Trinity National Forest is located in Trinity County, which is home to the Trinity Alps.
The following table displays information pertinent to the 2012-13 assessment roll:

<table>
<thead>
<tr>
<th>PROPERTY TYPE</th>
<th>ENROLLED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Secured Roll</strong></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$569,199,644</td>
</tr>
<tr>
<td>Improvements</td>
<td>$669,966,521</td>
</tr>
<tr>
<td>Fixtures</td>
<td>$12,687,043</td>
</tr>
<tr>
<td>Personal Property</td>
<td>$7,253,666</td>
</tr>
<tr>
<td><strong>Total Secured</strong></td>
<td>$1,259,106,874</td>
</tr>
<tr>
<td><strong>Unsecured Roll</strong></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$4,501,291</td>
</tr>
<tr>
<td>Improvements</td>
<td>$8,139,106</td>
</tr>
<tr>
<td>Fixtures</td>
<td>$5,180,881</td>
</tr>
<tr>
<td>Personal Property</td>
<td>$19,798,359</td>
</tr>
<tr>
<td><strong>Total Unsecured</strong></td>
<td>$37,619,637</td>
</tr>
<tr>
<td><strong>Exemptions(^3)</strong></td>
<td>($24,390,615)</td>
</tr>
<tr>
<td><strong>Total Assessment Roll</strong></td>
<td>$1,272,335,896</td>
</tr>
</tbody>
</table>

The next table summarizes the change in assessed values over recent years:\(^4\)

<table>
<thead>
<tr>
<th>ROLL YEAR</th>
<th>TOTAL ROLL VALUE</th>
<th>CHANGE</th>
<th>STATEWIDE CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>$1,272,336,000</td>
<td>2.1%</td>
<td>1.4%</td>
</tr>
<tr>
<td>2011-12</td>
<td>$1,245,777,000</td>
<td>2.4%</td>
<td>0.1%</td>
</tr>
<tr>
<td>2010-11</td>
<td>$1,216,394,000</td>
<td>1.0%</td>
<td>-1.9%</td>
</tr>
<tr>
<td>2009-10</td>
<td>$1,203,932,000</td>
<td>5.6%</td>
<td>-2.4%</td>
</tr>
<tr>
<td>2008-09</td>
<td>$1,140,534,000</td>
<td>6.8%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

\(^3\) The value of the Homeowners' Exemption is excluded from the exemptions total.
\(^4\) State Board of Equalization Annual Report, Table 7.
ADMINISTRATION

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

**Budget and Staffing**

The following table sets forth the assessor's gross budget and staffing over recent years:

<table>
<thead>
<tr>
<th>BUDGET YEAR</th>
<th>GROSS BUDGET</th>
<th>PERCENT CHANGE</th>
<th>PERMANENT STAFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>$251,836</td>
<td>-0.3%</td>
<td>3.0</td>
</tr>
<tr>
<td>2011-12</td>
<td>$252,696</td>
<td>-12.3%</td>
<td>5.0</td>
</tr>
<tr>
<td>2010-11</td>
<td>$288,033</td>
<td>6.0%</td>
<td>5.0</td>
</tr>
<tr>
<td>2009-10</td>
<td>$271,673</td>
<td>9.3%</td>
<td>4.0</td>
</tr>
<tr>
<td>2008-09</td>
<td>$248,499</td>
<td>-15.8%</td>
<td>5.0</td>
</tr>
</tbody>
</table>

As of the date of our survey, there were three full-time budgeted permanent staff positions. This included the assessor, the deputy assessor, and an appraiser.

**Workload**

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

In addition, for most real property, the assessor is required to annually enroll the lower of current market value or the factored base year value. Therefore, when any factor causes a decline in the market value of real property, the assessor must review the assessment of the property to determine whether the decline has impacted the taxable value of the property for that year. In certain economic times, this decline may greatly impact the workload of the assessor. Additionally, the number of assessment appeals may increase during this period.

As shown in the previous tables, the assessor's gross budget has decreased three of the past five years, while the total assessment roll value has increased each of the past five years. The prior table also shows that the number of allocated permanent staff positions remained relatively stable for a number of years before a 40 percent drop in staffing was experienced for the 2012-13 budget year. Meanwhile, the assessor's workload has been changing. The number of
reappraisable transfers due to changes in ownership, the number of new construction permits received, and the number of assessment appeals filed have all been fluctuating; increasing one year and decreasing the next. However, the number of decline-in-value assessments has increased each of the past three years.

These trends are shown in the following table:

<table>
<thead>
<tr>
<th>WORKLOAD DESCRIPTION</th>
<th>2012-13</th>
<th>2011-12</th>
<th>2010-11</th>
<th>2009-10</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reappraisable Transfers</td>
<td>415</td>
<td>422</td>
<td>371</td>
<td>311</td>
<td>468</td>
</tr>
<tr>
<td>New Construction Permits Received</td>
<td>353</td>
<td>420</td>
<td>379</td>
<td>454</td>
<td>N/A</td>
</tr>
<tr>
<td>Decline-In-Value Assessments</td>
<td>65</td>
<td>51</td>
<td>24</td>
<td>5</td>
<td>N/A</td>
</tr>
<tr>
<td>Assessment Appeals Filed</td>
<td>N/A</td>
<td>15</td>
<td>7</td>
<td>14</td>
<td>0</td>
</tr>
</tbody>
</table>

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

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

During the survey, we requested statistics from the assessor for various topics, since the assessor had not reported requested statistics to the BOE for the annual *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for the past several years. In addition, the assessor did not report requested statistics to the BOE for the annual *California Assessors' Offices and Assessment Appeals Boards' Salary and Benefits Survey* report for years 2007-08 and 2011-12.

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

By not reporting statistics and other information to the BOE as required, the assessor is not in compliance with current statute.

**Staff Property and Activities**

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

The assessor becomes aware of employee-owned property through name recognition when a recorded deed is received in the office, through self-declaration by the employee acquiring the property, and from the annual filing of the California Fair Political Practices Commission Form 700, Statement of Economic Interests (Form 700), which requests information regarding employee ownership in any real property, other than their primary residence, as well as ownership interest in any business entity.
In Trinity County, all certified appraisers in the assessor's office are required to annually submit Form 700. The forms are submitted to and maintained by the deputy clerk/recorder from the clerk/recorder's office. Annually, the assessor certifies to the BOE that she and her staff have complied with the requirements of section 672 by disclosing their financial interests.

The assessor has no written procedures for the assessment of staff-owned property. However, the assessor has an informal policy that no employee shall perform work that will result in changing assessment roll data, such as, but not limited to, ownership, values, exemptions, and property characteristics for properties owned by the employee. If an appraisal is needed on a staff-owned property, the appraiser in the assessor’s office performs the appraisal, unless the property is owned by the appraiser, in which case the assessor would perform the appraisal.

The assessor has limited policies and procedures in place regarding conflicts of interest, relying mainly on the Trinity County Employee Information Booklet as a guide for employees to follow. The employee booklet was designed to assist new county employees regarding questions about personnel procedures, employment benefits, and employee rights. Upon employment with Trinity County, each employee is required to sign and acknowledge receipt of the employee booklet.

The employee booklet also includes information in regards to dual employment for employees working for Trinity County. County employees are allowed to work for another employer, as long as the employee continues to function in a satisfactory manner during service with the county and there is no conflict of hours. As stated in the booklet, "No employee may engage in outside employment or other activity which interferes with the efficient and proper discharge of the duties of county employment, and which tends to impair capacity to perform the duties and responsibilities assigned." The booklet further states, "The board of supervisors may prohibit and/or limit the type of outside employment that department heads or employees may engage in as a condition of continued employment where a conflict with county employment can be clearly demonstrated." The county's policy clearly states that violation of the provisions could result in disciplinary action, including dismissal.

We reviewed several employee-owned property records and found no problems. However, we found the following areas in need of improvement:

**RECOMMENDATION 2:** Develop written procedures for the assessment of staff-owned property and expand the written procedures for conflicts of interest.

We found that the assessor does not have written procedures in place to address the assessment of staff-owned properties. While we did not find any problems with the assessor's handling of staff-owned properties, the assessor should have written procedures in place to fully address the assessment of real and personal property in which staff in the assessor's office holds an interest. In addition, we found the assessor's Conflict of Interest Code to be outdated and no longer being utilized. Instead, the assessor relies on the Trinity County Employee Information Booklet to address conflicts of interest. While the employee booklet covers some of the procedures necessary in monitoring potential conflicts of interest, these procedures are limited. For example,
the written procedures do not include procedures for staff to seek prior approval for outside employment activities, or procedures to track and document those outside employment activities.

Conversion of the informal policies to written procedures to formalize existing policies is good business practice. Written procedures are preferred because they are more easily tracked and can be referenced when questions arise; their existence commonly results in a greater degree of compliance. Letter To Assessors No. 2008/058 was issued as a guide to assist assessors in establishing procedures relative to the assessment of staff-owned property.

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

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

Development of written procedures for staff-owned property that includes the above bulleted practices is recommended. In addition, expanding or amending the assessor's existing written procedures addressing conflicts of interest is also recommended. The written procedures should provide staff with clearly established procedures. Further development of the written procedures in these areas will help ensure that staff is aware of and follows office policy.

**Assessment Appeals**

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

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

The clerk is responsible for providing applications for changed assessment to the public. The application can be obtained at the clerk's office. Trinity County does not currently accept electronically submitted applications for changed assessment.

Once an application is received, the clerk date stamps the application, confirms that it is complete and timely filed, and assigns it an application number. If the application is not timely filed, the clerk will deny the application and send a letter to the applicant. For incomplete applications, the clerk contacts the applicant for any necessary information. If the application is found to be complete and timely filed, the clerk sends a copy of the application to the assessor. The clerk enters the necessary information from the application into an appeals database for tracking purposes. Appeals hearing dates are set by the clerk, and the applicant and the assessor are notified at least 45 days prior to the hearing. There have been no hearings scheduled in recent years.

The following table summarizes the assessment appeals workload in recent years:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2011-12</th>
<th>2010-11</th>
<th>2009-10</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appeals Filed</td>
<td>15</td>
<td>7</td>
<td>14</td>
<td>0</td>
</tr>
<tr>
<td>Appeals Carried Over From Prior Year</td>
<td>21</td>
<td>14</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total Appeals Workload</strong></td>
<td><strong>36</strong></td>
<td><strong>21</strong></td>
<td><strong>17</strong></td>
<td><strong>3</strong></td>
</tr>
<tr>
<td>Resolution:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Withdrawn</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Stipulation</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Appeals Reduced</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Appeals Upheld</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Appeals Increased</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Determination*</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Resolved</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>3</strong></td>
<td><strong>0</strong></td>
</tr>
<tr>
<td>To Be Carried Over**</td>
<td><strong>36</strong></td>
<td><strong>21</strong></td>
<td><strong>14</strong></td>
<td><strong>3</strong></td>
</tr>
</tbody>
</table>

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

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

The assessor oversees and tracks the assessment appeals process in the assessor's office. The assessor is responsible for preparing and presenting all assessment appeals scheduled for hearing. If an applicant should decide to withdraw their application prior to the hearing, the assessor sends the applicant a withdrawal form with instructions to sign and return the withdrawal directly to the clerk. The clerk forwards a copy of each withdrawal filed to the assessor.
If an applicant wishes to go forward with the assessment appeals process, it is the clerk's responsibility to set the matter for hearing, and to provide the applicant and the assessor a notice by mail at least 45 days prior to hearing. Both the clerk and the assessor track the progress of the assessment appeals.

As previously stated, there have been no assessment appeals hearings scheduled in recent years, so we were unable to attend a hearing. However, there have been several assessment appeals filed in recent years that have yet to be resolved or scheduled for hearing. In addition, we found several assessment appeals filed that have gone past the two-year time period without having a timely filed extension or waiver. We have the following recommendation for the assessor's assessment appeals program:

**RECOMMENDATION 3:** Obtain waivers of the statute of limitations when an assessment appeal cannot be resolved within the two-year time period.

During our survey, we noted that the assessor has not resolved an assessment appeal in several years. In addition, we found numerous examples of assessment appeals that have extended past the two-year time period without the applicant having filed an extension or waiver of the statute of limitations. In some instances, the assessor has enrolled the applicant's opinion of value by default, since the appeal was not resolved timely. However, we found an instance where the applicant's opinion of value has not been enrolled and the appeal is still unresolved.

Rule 309(b) states that a hearing must be held and a final determination made on the application within two years of the timely filing of an application for reduction in assessment, unless the applicant or the applicant's agent and the board mutually agree in writing or on the record to an extension of time. Section 1604(c) provides that the applicant's opinion of value as reflected on the application shall be enrolled if the board fails to hear evidence and fails to make a final determination on the application for reduction in assessment within two years of the timely filing of the application.

While the assessor has correctly enrolled the applicant's opinion of value in accordance with section 1604(c) for some of the appeals not heard within the two-year time period, she has not enrolled the applicant's opinion of value on other unresolved appeals as required by statute. By not seeking a waiver of the statute of limitations, the assessor is denying the applicant the right to be heard before the appeals board and the right to have their appeal timely resolved.

**Disaster Relief**

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

To obtain relief under section 170, an assessee must file a written application with the assessor requesting reassessment. In addition, if the assessor is aware of any property that has suffered damage by misfortune or calamity, the assessor must provide the last known assessee with an
application for reassessment. Alternatively, the board of supervisors may, by ordinance, grant the assessor the authority to initiate the reassessment if the assessor is aware and determines that within the preceding 12 months taxable property located in the county was damaged or destroyed by misfortune or calamity.

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

The Trinity County Board of Supervisors adopted a disaster relief ordinance on August 8, 1977 (Ordinance No. 362), establishing the county's disaster relief program for the reassessment of property damaged or destroyed by misfortune or calamity.

The assessor discovers calamities by reviewing building permits issued for repairs, field canvassing, taxpayer notification, and newspaper articles. Upon discovery of a calamity, the assessor mails an application to the property owner. Returned applications are date stamped and kept in the property record file for historical reference. The application is evaluated by the appraiser or the assessor to determine whether the property qualifies for disaster relief. The assessor receives very few applications for disaster relief each year.

We reviewed several records of properties that suffered a calamity. We found the assessor verified that the damage had occurred, noted the damage amount on the records, and reduced the assessment when appropriate. However, we found areas in need of improvement.

**RECOMMENDATION 4:** Improve the disaster relief program by: (1) requesting that the board of supervisors revise the disaster relief ordinance to conform to the current provisions of section 170, and (2) revising the disaster relief application to comply with section 170.

• Property owners can file an application for reassessment within 60 days from the date of the misfortune or calamity occurring. Amendments to section 170(a) allow property owners to file an application for reassessment within the time specified in a county's ordinance or within 12 months of the misfortune or calamity occurring, whichever is later.
• Property owners can file an application for reassessment within 30 days from the date of notification from the assessor when the assessor initiates the application for reassessment. The amendments to section 170(d) changed the filing requirements to provide that if no application is made and the assessor determines that within the preceding 12 months a property has suffered damage that may qualify for relief under an ordinance, the assessor shall provide the last known property owner with an application for reassessment. The property owner shall file the application within 12 months after the damage occurred.

• The threshold for qualifying for relief is $5,000 or more of damage. The amendments to section 170(b) increased this threshold to $10,000 or more.

• The assessment appeal filing period is within 14 days of the date of mailing the notice of reassessment. The amendments to section 170(e) increased the period for a property owner to file an appeal on the post-disaster value from 14 days to 6 months after the date of the mailing of notification.

• The lien date is referred to as March 1. The amendments to section 170(e) changed the lien date from March 1 to January 1.

• The statute for compliance is referred to as "Section 155.13, Revenue and Taxation Code." This section was repealed effective July 10, 1979. Reference should currently be made to section 170.

By not revising the disaster relief ordinance, the assessor's current administration of the disaster relief program will continue to be in conflict with the provisions authorized by the board of supervisors.

Revise the disaster relief application to comply with section 170.

The assessor's application for disaster relief does not request information regarding the condition of the property immediately after the damage. In addition, the application contains incorrect language in the title of the application, stating "APPLICATION FOR REASSESSMENT OF DAMAGED ASSESSABLE PROPERTY IN EXCESS OF $10,000," which is incorrect.

Section 170(a) provides that an application request must report the condition and value, if any, of the property immediately after the damage or destruction, and the dollar amount of the damage. This required information will assist the assessor in determining whether the property owner is eligible for tax relief following a misfortune or calamity, as well as the amount of relief to provide.

In addition, section 170(b) provides that the sum of the full cash values of the land, improvements, and personalty before the damage or destruction must exceed the sum of the values after the damage by $10,000 or more in order to qualify for disaster relief. By indicating on the application that only properties damaged in excess of $10,000 may qualify for relief, the assessor is not allowing all eligible applicants to apply for disaster relief.
Exemptions

Church and Religious Exemptions

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

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

The following table shows religious and church exemption data for recent years:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>RELIGIOUS EXEMPTIONS</th>
<th>EXEMPTED VALUE</th>
<th>CHURCH EXEMPTIONS</th>
<th>EXEMPTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>25</td>
<td>$6,003,030</td>
<td>6</td>
<td>$2,351,056</td>
</tr>
<tr>
<td>2011-12</td>
<td>25</td>
<td>$5,892,554</td>
<td>6</td>
<td>$2,274,561</td>
</tr>
<tr>
<td>2010-11</td>
<td>25</td>
<td>$5,758,353</td>
<td>6</td>
<td>$2,251,924</td>
</tr>
<tr>
<td>2009-10</td>
<td>24</td>
<td>$5,090,947</td>
<td>7</td>
<td>$2,302,024</td>
</tr>
<tr>
<td>2008-09</td>
<td>26</td>
<td>$5,461,949</td>
<td>6</td>
<td>$2,210,204</td>
</tr>
</tbody>
</table>

We reviewed several church and religious exemptions in Trinity County. Overall, we found the program to be properly administered. We have no recommendations for the assessor's church and religious exemptions program.

Welfare Exemption

Article XIII, section 4(b) of the California Constitution authorizes the Legislature to exempt property owned and used exclusively for religious, hospital, or charitable purposes by organizations formed and operated exclusively for those purposes. When the Legislature enacted section 214 to implement this constitutional provision, a fourth purpose (scientific) was added. Both the organizational and property use requirements must be met for the exemption to be granted.
The welfare exemption is co-administered by the BOE and county assessors. The BOE is responsible for determining whether an organization itself is eligible for the welfare exemption and for issuing either Organizational Clearance Certificates (OCCs) to qualified organizations or Supplemental Clearance Certificates (SCCs) to limited partnerships, which have a qualified organization as the managing general partner, that own and operate low-income housing. The assessor is responsible for determining whether the use of a qualifying organization's property is eligible for exemption and for approving or denying exemption claims.

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

The following table shows welfare exemption data for recent years:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>WELFARE EXEMPTIONS</th>
<th>EXEMPTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>25</td>
<td>$9,217,151</td>
</tr>
<tr>
<td>2011-12</td>
<td>26</td>
<td>$9,278,278</td>
</tr>
<tr>
<td>2010-11</td>
<td>24</td>
<td>$8,432,184</td>
</tr>
<tr>
<td>2009-10</td>
<td>26</td>
<td>$7,138,386</td>
</tr>
<tr>
<td>2008-09</td>
<td>24</td>
<td>$6,718,987</td>
</tr>
</tbody>
</table>

We reviewed a variety of welfare exemption claims in Trinity County. Overall, we found the welfare exemptions program to be properly administered. We have no recommendations for the assessor's welfare exemptions program.

Disabled Veterans' Exemption

The disabled veterans' exemption is authorized by article XIII, section 4(a) of the California Constitution. This constitutional provision, implemented by section 205.5, exempts a specified amount of the value of a dwelling when occupied as a principal place of residence by a qualified disabled veteran (or the veteran's unmarried surviving spouse). The property must be owned by the veteran, the veteran's spouse, or the veteran and the veteran's spouse jointly. The amount of exemption is $100,000 or, for qualifying low-income claimant, $150,000. Both of these amounts are adjusted annually by a cost of living index.

The disabled veterans' exemption at the $100,000 basis requires a one-time filing, while the low-income exemption at the $150,000 level requires annual filings to ensure the claimant continues to meet the household low-income restriction.
The following table shows disabled veterans' exemption data for recent years:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DISABLED VETERANS' EXEMPTIONS</th>
<th>EXEMPTED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>56</td>
<td>$6,292,261</td>
</tr>
<tr>
<td>2011-12</td>
<td>54</td>
<td>$5,790,928</td>
</tr>
<tr>
<td>2010-11</td>
<td>55</td>
<td>$5,937,432</td>
</tr>
<tr>
<td>2009-10</td>
<td>51</td>
<td>$5,343,325</td>
</tr>
<tr>
<td>2008-09</td>
<td>47</td>
<td>$4,912,399</td>
</tr>
</tbody>
</table>

We reviewed several disabled veterans' exemption claims. We found that the assessor has an effective disabled veterans' exemption program. However, we found areas in need of improvement.

**RECOMMENDATION 5:** Improve the disabled veterans' exemption program by:

1. Granting the full disabled veterans' exemption to the extent of the interest owned by the claimant pursuant to section 205.5(d),
2. Requiring annual certification of income for the low-income provision of the disabled veterans' exemption,
3. Requiring documentation that the disabled veteran has been honorably discharged,
4. Removing the disabled veterans' exemption as of the date the property is no longer the claimant's principal place of residence.

Grant the full disabled veterans' exemption to the extent of the interest owned by the claimant pursuant to section 205.5(d).

We noted that the assessor did not take into consideration that a claimant and his spouse only owned a partial interest in a property and incorrectly granted a full exemption to the property, even though the claimant's son owned a portion of the property, as well.

Section 205.5(d) provides that "property that is owned by a veteran" includes, as stated in part, "...(3) Property owned with one or more other persons to the extent of the interest owned by the veteran, the veteran's spouse, or both the veteran and the veteran's spouse."

Granting the exemption based on 100 percent ownership when the claimant only has a partial interest in the property allows the taxpayer a larger exemption on the property than is entitled and is contrary to statute.

Require annual certification of income for the low-income provision of the disabled veterans' exemption.

We discovered instances where claimants for the low-income provision of the disabled veterans' exemption had not submitted a certification of household income for the appropriate year, but were still granted the exemption.
The assessor should consistently administer the requirement for annual certification of household income for the low-income provision of the disabled veterans' exemption. Claim forms are the most common method of certification, but the requirement may also be met by the claimant submitting correspondence certifying their income for the year previous to the year for which the exemption is claimed.

The household income ceiling to qualify for the low-income provision of the disabled veterans' exemption changes annually. It is therefore an important part of the proper administration of the low-income provision of the disabled veterans' exemption. The assessor should request annual certification of the claimant's income before allowing the low-income provision of the exemption.

Require documentation that the disabled veteran has been honorably discharged.

We found that the assessor does not require a statement of honorable discharge before granting a disabled veterans' exemption.

Article XIII, section 3 of the California Constitution specifically states that the veteran must be discharged under honorable conditions. The Department of Veterans Affairs indicates that a veteran is typically ineligible to receive a 100 percent disability rating if the discharge conditions were dishonorable; however, benefit compensation may be available under "general" or "other than honorable" discharge conditions. The assessor's practice of not requesting form DD-214 discharge papers or other verification of honorable discharge may result in the assessor granting exemptions to ineligible claimants.

Remove the disabled veterans' exemption as of the date the property is no longer the claimant's principal place of residence.

We found that the assessor does not consistently remove the disabled veterans' exemption from the principal place of residence as of the date the claimant no longer occupies the residence.

Section 279 provides that the disabled veterans' exemption shall remain in continuous effect unless specified conditions occur, one being that the owner does not occupy the dwelling as their principal place of residence. Section 276.3(b) provides that when property is no longer used by a claimant as their principal place of residence, the exemption shall cease to apply on the date the claimant terminates residency at that location. Finally, section 276.2(b) provides that if a property becomes eligible for the exemption after the lien date, the exemption shall be appropriately prorated from the date the property became eligible for the exemption.

The practice of not cancelling the exemption when the claimant moves out of the principal place of residence and not prorating the exemption on the substitute property is contrary to statute and may result in the exemption of property not eligible for an exemption, as well as delaying an exemption to eligible property.
ASSESSMENT OF REAL PROPERTY

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

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

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

Article XIII A Annual Inflation Factor

Pursuant to section 51(a), the inflation factor shall be the annual percentage change in the California Consumer Price Index (CCPI) for all items, as determined by the California Department of Industrial Relations, rounded to the nearest one-thousandth of 1 percent. Each year, the BOE issues a Letter To Assessors (LTA) announcing the year's CCPI adjustment to be applied.

We found an area in need of improvement when applying the inflation factor.

RECOMMENDATION 6: Apply the appropriate inflation factor as required by section 51.

While reviewing various files during our survey, we found that for the 2011-12 roll year, the assessor applied an incorrect inflation factor to the assessed values from the 2010-11 roll year. For the 2011-12 roll year, the annual CCPI announced by the BOE was 1.00753. However, we found that the assessor incorrectly applied an inflation factor of 1.01007.

By applying an incorrect inflation factor to assessments for the 2011-12 roll year, the assessor is enrolling incorrect assessments, which also results in incorrect assessments being enrolled for the 2012-13 roll year. Unless this error is corrected, incorrect assessments will continue to be enrolled for future roll years.

Change in Ownership

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

Discovery

The assessor's primary source for discovering properties that have changed ownership is through
the analysis of deeds and other recorded documents from the county recorder's office. The
assessor also discovers potential changes in ownership through change of address requests, as
well as correspondence from property owners, attorneys, or family members of property owners.
In addition, the assessor receives a list on a monthly basis from the recorder's office, which
identifies the names of deceased persons for all deaths having occurred within Trinity County.
This list is used as a discovery tool for potential changes in ownership occurring due to a death
within the county.

The following table shows the total number of recorded documents received and the total number
of reappraisable transfers processed in Trinity County in recent years:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>RECORDED DOCUMENTS RECEIVED</th>
<th>REAPPRAISABLE TRANSFERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>4,152</td>
<td>415</td>
</tr>
<tr>
<td>2011-12</td>
<td>4,141</td>
<td>422</td>
</tr>
<tr>
<td>2010-11</td>
<td>4,341</td>
<td>371</td>
</tr>
<tr>
<td>2009-10</td>
<td>4,064</td>
<td>311</td>
</tr>
<tr>
<td>2008-09</td>
<td>5,154</td>
<td>468</td>
</tr>
</tbody>
</table>

Document Processing

The recorder's office requires BOE-502-A, Preliminary Change of Ownership Report (PCOR),
to accompany documents submitted for recording that transfer ownership of real property. If a
document is received without a PCOR, the recorder adds a $20 charge to the recording fee.
PCORs are available to the public at both the assessor's and recorder's offices, as well as on the
recorder's website.

In Trinity County, the assessor also functions as the county clerk and recorder. The recorder's
office sends all recorded documents to the assessor's office electronically on a daily basis. The
corresponding original PCORs are also sent over on a daily basis in hard-copy format.

Each day, the appraiser in the assessor's office reviews all recorded documents from the prior
day's recordings and determines which documents pertain to the functions of the assessor's
office. The appraiser then reviews each of those documents and corresponding PCORs to verify
that the name of the grantor, the legal description, and the APN being transferred are correct. The
appraiser also determines the percentage of ownership interest being transferred and whether any
of that interest being transferred is subject to reassessment. The transfer information is entered
into the computer system and those transfers resulting in reappraisal are later valued by the appraiser.

We examined several recorded documents and found that most documents were properly handled. However, we found areas in need of improvement when processing changes in ownership.

**RECOMMENDATION 7:** Improve the change in ownership program by properly processing changes in ownership due to the death of a property owner.

We discovered that the assessor is incorrectly processing changes in ownership due to the death of a property owner when the property owner was the last original transferor in the joint tenancy of the property or the present beneficiary in a trust. We found several examples where the assessor properly transferred title per the recorded affidavit of death of joint tenant or trustee; however, the property was never coded for reassessment due to the death of the property owner, even though the transfer did not qualify for an exclusion from reassessment.

Section 60 defines a 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 interest. In addition, Rule 462.260(c) provides that for purposes of reappraising real property as of the date of the change in ownership, the date of death of the decedent is the date of the change in ownership of the real property.

In addition, section 65(c) provides in part, "Upon the termination of the interest of the last surviving original transferor, there shall be a reappraisal of the interest then transferred and all other interests in the properties held by all original transferors which were previously excluded from reappraisal pursuant to this section." Further, Rule 462.160(c) provides that the termination of a trust, or a portion of the trust, constitutes a change in ownership.

By not properly processing changes in ownership due to the death of a property owner, the assessor may be allowing some properties to escape reassessment, which is contrary to statute and leads to unequal treatment of taxpayers.

**Penalties**

When a recorded document is received without a PCOR or the PCOR is incomplete, the assessor sends the property owner a BOE-502-AH, *Change in Ownership Statement* (COS). According to the assessor, COSs are tracked by keying a specific code into the computer system for the APN(s) associated with the COS. When a COS is returned, this code is updated to indicate the COS has been returned. The assessor allows the property owner 45 days to return the completed COS before sending a second COS. If the second COS is not returned within 45 days, the property is reassessed and the information is sent to the auditor to apply the appropriate penalty.

While the assessor indicated that she has a tracking system in place, the assessor was not able to provide any examples of a COS having been sent to a property owner and the assessor tracking it to make sure it was returned timely or, if not returned timely, a penalty was applied. Therefore, we have the following recommendation:
RECOMMENDATION 8: Improve the change in ownership program by implementing an effective tracking system to monitor the progress of a requested COS.

As stated previously, the assessor has indicated that she has a tracking system in place to monitor the progress of a COS sent to a property owner for failure to file a PCOR at the time of recording. However, the assessor was unable to provide any examples of this process to support these statements. An effective tracking system would allow the assessor to obtain files that contained previously requested COSs.

Section 482(a) provides that if a person or legal entity required to file a statement described in section 480 fails to do so within 90 days (45 days prior to 1/1/2012) from the date of a written request by the assessor, a specific penalty is applied. When the property owner fails to return the COS timely, the assessor should notify the property owner of the penalty being applied and inform them of the abatement process as described in section 483(a).

The assessor should put an effective tracking system in place to monitor the date a COS is sent and the date the COS is returned in order to determine if the COS is filed timely. Without an effective tracking system in place, the assessor may not be aware of whether a COS is returned timely or not, and therefore, may not apply the appropriate penalties as required by statute.

Leases

The assessor typically discovers lease transactions through recorded documents. The assessor attempts to obtain copies of all long term leases and, if necessary, the appraiser will contact the property owner and/or tenant to obtain the terms and conditions of the lease.

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

Transfer Lists

Pursuant to section 408.1(a), the assessor shall maintain a list of transfers of any interest in property, other than an undivided interest, within the county, which have occurred within the preceding two-year period. Section 408.1(e) states that the provisions of section 408.1 shall not apply to any county with a population of under 50,000 people, as determined by the 1970 federal decennial census. Based on the population of 7,615 in Trinity County in 1970, the assessor is not required to maintain a transfer list and has elected not maintain one.

Legal Entity Ownership Program (LEOP)

Section 64 provides that certain transfers of ownership interests in a legal entity constitute a change in ownership of all real property owned by the entity and any entities under its ownership control. Rule 462.180 interprets and clarifies section 64, providing examples of transactions that either do or do not constitute a change in entity control and, hence, either do or do not constitute a change in ownership of the real property owned by the entity. Discovery of these types of changes in ownership is difficult for assessors, because ordinarily there is no recorded document evidencing a transfer of an ownership interest in a legal entity.
To assist assessors, the BOE's LEOP section gathers and disseminates information regarding changes in control and ownership of legal entities that hold an interest in California real property. On a monthly basis, LEOP transmits to each county assessor a listing, with corresponding property schedules, of legal entities that have reported a change in control under section 64(c) or change in ownership under section 64(d). However, because the property affected is self-reported by the person or entity filing information with the BOE, LEOP advises assessors to independently research each entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

Sections 480.1, 480.2, and 482 set forth the filing requirements and penalty provisions for reporting of legal entity changes in control under section 64(c) and changes in ownership under section 64(d). A change in ownership statement must be filed with the BOE within 90 days of the date of change in control or change in ownership; reporting is made on BOE-100-B, Statement of Change in Control and Ownership of Legal Entities. Section 482(b) provides for application of a penalty if a person or legal entity required to file a statement under sections 480.1 and 480.2 does not do so within 90 days from the earlier of (1) the date of change in control or ownership or (2) the date of written request by the BOE. The BOE advises county assessors of entities that are subject to penalty, so they can impose the applicable penalty to the entity's real property.

Due to staffing constraints, the assessor has not been reviewing the monthly LEOP reports from the BOE for the past several years. Other than recorded documents, the assessor does not utilize any other methods to discover changes in control or ownership of legal entities owning property in Trinity County.

We have the following recommendations for the assessor's LEOP program:

RECOMMENDATION 9: Improve the LEOP program by: (1) reassessing all properties owned by legal entities that have undergone a change in control or ownership, and (2) applying appropriate penalties as required by section 482(b).

Reassess all properties owned by legal entities that have undergone a change in control or ownership.

We found several properties owned by legal entities having undergone a change in control or ownership that had not been reassessed, even though the assessor had been notified of the change through the BOE's LEOP program.

Section 64(c)(1) provides that when a legal entity acquires controlling interest of another legal entity by obtaining more than 50 percent of the voting stock or a majority ownership interest in that legal entity, there is a change in ownership of the real property owned by the legal entity being acquired. By not reassessing properties owned by legal entities identified as having undergone a change in control or ownership, the assessor may be enrolling incorrect assessments for those properties.

5 Effective January 1, 2012, Senate Bill 507 (Stats. 2011, ch. 708) amends the filing requirement in section 482(b) from 45 days to 90 days for a person or legal entity to report a change in control or change in ownership, or to comply with a written request from the BOE, whichever occurs earlier.
Apply appropriate penalties as required by section 482(b).

We found instances where penalties were not applied when an entity did not timely file BOE-100-B, even though the assessor had been notified by the BOE's LEOP Division to apply the penalty.

Sections 480.1 and 480.2 require the filing of a signed BOE-100-B whenever a legal entity has undergone a change in control or ownership. At the time of our survey, section 482(b) provided that if a person or legal entity failed to file a BOE-100-B within 90 days of a change in control or ownership or within 90 days of a written request from the BOE, whichever occurred earlier, they were subject to a specified penalty.6

The BOE provides the assessor with several reports, as well as copies of BOE-100-Bs, indicating whether a penalty applies. The assessor should review these reports and the BOE-100-Bs to identify entities with late-filings or failures to file and apply penalties accordingly. By failing to apply the required section 482(b) penalty, the assessor is not following statutory requirements and is not treating all taxpayers equitably.

Change in Ownership Exclusions – Section 63.1

Section 63.1 generally excludes from the definition of "change in ownership" the purchase or transfer of principal residences and the first $1 million of other real property between parents and children. Section 63.1 also excludes qualifying purchases or transfers from grandparents to their grandchildren.

To enforce the $1 million limit for property other than principal residences, the BOE maintains a database that lists transfers of such property statewide. To further the state and local interests served by tracking these transfers, section 63.1 encourages county assessors to report such transfers to the BOE on a quarterly basis. The quarterly reporting, which was formerly mandatory, is now optional. However, if an assessor opts not to report quarterly to the BOE, the assessor must track such transfers internally to be in compliance with section 63.1.

The BOE uses the information received by assessors to generate quarterly reports notifying assessors of any transferors who have exceeded their $1 million limit. With this information, assessors are able to identify ineligible claims and, if necessary, take corrective action.

The assessor is proactive regarding public awareness of potential change in ownership exclusions. If a PCOR indicates a transfer may be between a parent(s) and child(ren) or from grandparent(s) to grandchild(ren) and a claim form was not submitted, the appraiser sends a claim form to the property owner advising them of a possible exclusion from reassessment. The appraiser tracks the progress of the requested claim form through the computer system. If the

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6 Effective January 1, 2010, Senate Bill 816 (Stats. 2009, ch. 622) amended section 482(b) to provide for the application of a penalty if a person or legal entity failed to file a statement within 45 days of: (1) the date the change in control or the change in ownership occurred, or (2) the date of a written request from the BOE (filing of BOE-100-B), whichever occurred earlier. Prior to January 1, 2010, the penalty was only applicable if the statement was not filed within 45 days of a written request. In addition, effective January 1, 2012, Senate Bill 507 (Stats. 2011, ch. 708) amended the filing requirement from 45 days to 90 days for a legal entity to report a change in control or change in ownership, or to comply with a written request from the BOE, whichever occurred earlier.
property owner fails to respond after a year, a second claim form is sent to the property owner. This process continues until either the property owner has responded or three years have passed from the date of transfer, at which time the property is reassessed.

When a section 63.1 claim form is received, it is logged into the computer system and reviewed by either the appraiser or the assessor. The appraiser or the assessor will determine whether an exclusion is accepted or denied.

The assessor submits optional quarterly reports to the BOE listing approved section 63.1 transfer exclusions involving property other than the transferor's principal residence. When the assessor receives a *Report of Transferors Exceeding $1,000,000* from the BOE, the report is reviewed by either the assessor or the appraiser. Trinity County has not encountered any excess claims in the past several years. However, when the assessor does have properties exceeding the limit involving multiple properties in counties other than Trinity County, the assessor coordinates with those counties and the property owner to determine which properties to exclude and which to reassess.

Pursuant to section 63.1(i), the assessor ensures that all claim forms are held confidential by keeping them in a secure area not accessible to the public.

We reviewed several section 63.1 claims and found them to be properly handled. However, we found an area in need of improvement.

**RECOMMENDATION 10:** Timely reassess those properties experiencing a change in ownership when the property owner has failed to provide a section 63.1 claim for exclusion as requested.

It is the assessor's practice to allow a property owner up to three years to file a section 63.1 claim for an exclusion from reassessment before reassessing the property. According to the assessor, the reason for this practice is to avoid having to prepare roll corrections if the property owner later provides a claim and qualifies for an exclusion from reassessment within the three-year time period allowed by statute to file the claim.

According to the provisions of article XIII A of the California Constitution, a change in ownership constitutes a reassessment of the property to its fair market value, unless an exclusion applies. Section 63.1 allows for an exclusion from reassessment when the transfer is between parents and children. However, this exclusion is not automatic and the property owner must file a claim for exclusion and meet certain criteria before an exclusion may be granted.

Section 63.1(j)(1) states that if the assessor notifies the transferee in writing of a potential eligibility for exclusion from change in ownership, a certified claim for exclusion shall be filed within 45 days of the date of the notice. If the transferee fails to file within 45 days, the assessor may send a second notice allowing the transferee 60 days from the date of the second notice to file the certified claim for exclusion. The second notice shall indicate whether a certified claim for exclusion that is not filed within 60 days will be subject to a processing fee as provided for in section 63.1(j)(2).
If the assessor chooses to do so, perhaps as an incentive for property owners to file their claims timely and the assessor to avoid roll corrections, the assessor may request that the board of supervisors adopt the provisions of section 63.1(j)(2), which provides that if a certified claim for exclusion is not filed within 60 days of the date of the second notice and the transferee subsequently files a claim after the 60 days and qualifies for the exclusion, the assessor may, upon authorization by the county board of supervisors, require the transferee to pay a one-time processing fee. The assessor shall collect the fee at the time the claim is submitted, and shall reimburse the fee to the transferee if the claim is determined to be ineligible. The fee shall not exceed the amount of the actual and reasonable costs incurred by the assessor for reassessment work done due to the transferee's failure to file the claim for exclusion or $175, whichever is less.

As stated previously, when a change in ownership occurs, the property is subject to reassessment. For transfers involving parents and children, the assessor should allow the property owner time, as specified in section 63.1(j)(1), to provide a claim for exclusion. If the property owner fails to provide the claim within the time specified, the assessor should timely reassess the property for a change in ownership. Allowing the property owner up to three years to file a claim for exclusion before reassessing the property in order to avoid roll corrections may cause unequal treatment of taxpayers by allowing certain taxpayers to escape reassessment during this waiting period. In addition, the assessor may have to prepare escape assessments for those years if the property owner does not file and/or does not qualify for the exclusion.

**Change in Ownership Exclusions – Section 69.5**

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

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

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

Trinity County does not accept base year value transfers from other counties. In the past five years, there have been no section 69.5 claims for exclusion filed in Trinity County. The assessor has still been submitting required quarterly reports to the BOE, listing the number of approved section 69.5 exclusions as "zero."

Pursuant to section 69.5(n), the assessor ensures that all claim forms are held confidential by keeping them in a secure area not accessible to the public.
Valuation

Once a transfer has been determined to be a reappraisable event, the assessor or the appraiser reviews the transfer and determines whether the reported purchase price reflects current market value. We reviewed several property records having recently experienced a change in ownership. We found areas in need of improvement when valuing properties due to changes in ownership.

RECOMMENDATION 11: Improve the change in ownership program by:
(1) providing documentation to support enrolling the purchase price as current market value, and (2) reassessing all properties having undergone a change in ownership due to a foreclosure.

Provide documentation to support enrolling the purchase price as current market value.

We found that the assessor does not provide documentation or sales data in the property record to support enrolling the purchase price as current market value. According to the assessor, she does not have the staff to perform an appraisal on each reappraisable transfer, so for those transfers involving a sale with a reported purchase price, the assessor or the appraiser typically enrolls the purchase price as current market value in accordance with Rule 2, without providing any supporting evidence. The assessor indicated that it is not necessary to perform an appraisal, since the assessor and the appraiser are both familiar with the areas in Trinity County and know whether or not the reported purchase price is market value simply by looking at it.

Rule 2(a) provides that full cash value or fair market value means the price at which a property, if exposed for sale in the open market with a reasonable time for the seller to find a purchaser, would transfer for cash or its equivalent under prevailing market conditions. Rule 2(b) provides that when valuing real property as the result of a change in ownership for consideration, it shall be rebuttably presumed that the consideration paid shall be the full cash value of the property, unless a preponderance of the evidence shows that the full cash value of the property is significantly higher or lower than the consideration paid. A significant deviation means a deviation of more than 5 percent of the total consideration.

The assessor should confirm that the reported purchase price represents current market value before enrolling it as such. Providing documentation in the property record, such as comparable sales or other sales data, to confirm that the purchase price reflects market value would be a good business practice. Without reviewing comparable sales or other sales data in the market, the assessor would be unable to make that determination with certainty that the reported purchase price represents current market value. In addition, documentation supporting the value conclusion is a necessary element of any appraisal. It is standard appraisal practice to document in the property record the data used to determine market value conclusions. Proper documentation not only facilitates appraisal review, but also provides the means with which to defend values. By not adequately documenting appraisal records, the assessor's value conclusions, even if correct, may not be fully understood by taxpayers or other appraisers.
Reassess all properties having undergone a change in ownership due to a foreclosure.

We discovered foreclosed properties that were not reassessed as of the date of foreclosure. The property records were updated to reflect the new ownership, but the enrolled value remained the same until the subsequent transfer after the foreclosure.

According to Assessors’ Handbook Section 401, Changes in Ownership (AH 401), a foreclosure is a procedure by which the beneficiary of a deed of trust or other promissory note elects to sell the property if the buyer defaults on the terms of the note. Common foreclosure actions include the following:

- A deed of trust may be foreclosed by the trustee's sale of the property. If a property is sold at a trustee's sale, a change in ownership occurs on the date the right of possession vests in a new purchaser.
- A mortgage or deed of trust may be foreclosed by judicial action. Judicial foreclosures involve a redemption period. A change in ownership occurs after the period of redemption has passed and the property has not been redeemed, or upon redemption when title vests in the original debtor's successor in interest.
- The trustor (property owner who is obligated on the loan) under a deed of trust may transfer title to the property to the lender in lieu of the lender undertaking the foreclosure action. If a property owner transfers title to the lender in lieu of a foreclosure action, the transfer is a change in ownership, and the date of the transfer is the date of the change in ownership.

By not reassessing properties identified as having undergone a change in ownership due to a foreclosure, the assessor is not following applicable statutes, and is not accurately tracking base year values or issuing applicable supplemental assessments. The assessor's policy may result in overassessments or underassessments of these properties.

New Construction

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

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

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

Building permits are the assessor's primary means of discovering new construction. The assessor receives building permits from the Trinity County Building Department. In addition, the assessor receives permits from the Trinity County Environmental Health Department for water wells and septic systems, and from the Department of Housing and Community Development (HCD) for manufactured homes and accessories. Other discovery methods for new construction include field canvassing, reviewing business property statements, the use of aerial-viewing software, and receiving information from county code enforcement, real estate agents, and taxpayers.

The following table sets forth the number of building permits received in recent years:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PERMITS RECEIVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>353</td>
</tr>
<tr>
<td>2011-12</td>
<td>420</td>
</tr>
<tr>
<td>2010-11</td>
<td>379</td>
</tr>
<tr>
<td>2009-10</td>
<td>454</td>
</tr>
<tr>
<td>2008-09</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Permit Processing

Permits and building plans are sent to the assessor's office in hard-copy format on a monthly basis. The assessor receives all building permits issued in the county, including all non-assessable work, such as replacement water heaters, reroofing, and other repair and replacement permits. All permits are reviewed and entered into a computer spreadsheet where the assessor can filter out permits that do not represent assessable new construction. If the nature of a certain permit is in question, the appraiser will perform a field inspection to verify whether the permit represents assessable new construction. Although not required by ordinance, the assessor's parcel number (APN) is listed on the permits.

When unpermitted new construction is discovered, the assessor values and enrolls the escaped new construction as of the date of completion, whenever possible. If the appraiser is unable to determine the actual date of completion, the appraiser will do a field inspection and determine the date of completion using their best judgment. The assessor properly enrolls supplemental assessments and escape assessments for all applicable years, as allowed by law.

Construction in Progress (CIP)

On each lien date, section 71 requires the assessor to enroll CIP at its fair market value. The assessor values new construction by estimating the full value of new construction as of the date of completion. For CIP, the appraiser must determine the completion status of new construction on each lien date and estimate the fair market value. On subsequent lien dates, if the new construction is still incomplete, the assessor must again enroll the CIP at its fair market value. This process continues until the new construction is complete, at which time the new
construction is assessed at its fair market value and a base year value is assigned. We reviewed several property records and found that, in most instances, the assessor is correctly valuing CIP. This issue is discussed further as part of our recommendation at the end of the new construction program topic.

Valuation

The appraiser values new construction at its full cash value as of the date of completion. The appraiser confirms completion of new construction through field inspections, information provided by the building department, or information from the property owner.

The appraiser relies primarily on the cost approach to value new construction. The comparative sales and income approaches are seldom used due to the limited amount of data available in Trinity County. The appraiser uses a variety of sources to develop a cost indicator of value for new construction. These sources include Assessors' Handbook Section 531, Residential Building Costs (AH 531), Assessors' Handbook Section 534, Rural Building Costs (AH 534), and the owner's reported costs.

New construction questionnaires are sent to the property owners of all building permits involving new construction. The assessor has a high rate of return of cost questionnaires; however, if a cost questionnaire is not returned, the appraiser performs a field inspection of the new construction. The information provided on the cost questionnaire and/or field inspections are used as additional sources of data in the valuation process. In addition, information received from business property statements is also used in the valuation of new construction involving commercial and industrial properties.

The appraiser prepares diagrams for new construction using computer drawing software. The diagrams are based on either the building plans or actual measurements of the structure obtained during a field inspection.

Summary

We reviewed several new construction records and found that the assessor is properly showing CIP being assessed as of the lien date, completed new construction being assessed as of the date of completion, and supplemental assessments being issued as of the date of completion, when appropriate. However, we found an area in need of improvement when valuing new construction.

RECOMMENDATION 12:  Value new construction at its fair market value.

We found several instances in which the assessor valued CIP and completed new construction using the permit value rather than using one of the three accepted approaches to value when determining the fair market value to be enrolled.

As stated previously, section 71 requires that new construction in progress be appraised at its full value as of the lien date and each lien date thereafter until the date of completion. At such time of completion, the appraiser shall reappraise the entire portion of property which is newly constructed at full value. The value reported on permits is typically based on published cost factors derived from a building journal and only reflects average costs throughout various
regions in California; the values are not necessarily representative of construction costs in Trinity County. Moreover, these estimates cannot account for variations in construction costs resulting from differences in square footage, construction quality, complexity of proposed projects, or revisions to project plans. Thus, the values reported on the permits are not likely to represent fair market value. In order to develop an accurate indicator of value for completed new construction, the appraiser must determine its fair market value using the cost, comparative sales, and/or income approaches.

The assessor's practice is not in compliance with section 71 and may result in inequitable treatment of taxpayers, as well as inaccurate assessments.

**Declines in Value**

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

The following table shows the number of decline-in-value assessments in Trinity County over recent years:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DECLINE-IN-VALUE ASSESSMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>65</td>
</tr>
<tr>
<td>2011-12</td>
<td>51</td>
</tr>
<tr>
<td>2010-11</td>
<td>24</td>
</tr>
<tr>
<td>2009-10</td>
<td>5</td>
</tr>
<tr>
<td>2008-09</td>
<td>N/A</td>
</tr>
</tbody>
</table>

In Trinity County, the assessor does not have a formal program in place for identifying properties experiencing a decline in value. The assessor's primary means for discovery is through taxpayer requests for an informal review. Other discovery methods include the appraiser's knowledge of the area and assessment appeals.

Property owners may request an informal review of their assessment by completing and submitting a *Request For Value Review (Prop 8)*. This form is available to the public at the assessor's office. The assessor will also mail an informal request for review form upon request form the property owner.

When the appraiser reviews residential properties for potential declines in value, reliance is placed on the comparative sales approach to determine current market value. For commercial or industrial property reviews, reliance is placed on the comparative sales and/or cost approaches. The appraiser then compares the property's current market value to its FBYV and enrolls the lower of the two values for the lien date. The property owner is notified of the results of the informal review by letter. For subsequent years, the property owner is only notified if there is an
increase to their assessed value, such as when the property is either partially or fully restored to its FBYV.

Once a property is determined to be in a decline-in-value status, the property is assigned a code of "8." The assignment of this code identifies the property in the computer system as being in decline-in-value status, which suspends the application of the annual inflation factor and identifies the property for annual review. In addition, decline-in-value assessments are also tracked on a computer spreadsheet.

We reviewed several appraisal records for residential and commercial properties in decline-in-value status and found that the assessor properly assigned a code of "8" to each parcel, performed a market analysis for each property to determine the current full cash value, suspended the application of the annual inflationary factor, and notified taxpayers of increases to their assessed values. However, we found areas in need of improvement.

**RECOMMENDATION 13:** Improve the declines in value program by: (1) developing a comprehensive appraisal program for discovering properties that experience a decline in value, (2) annually reviewing all decline-in-value properties pursuant to section 51(e), and (3) including all required information on the value change notice pursuant to section 619.

**Develop a comprehensive appraisal program for discovering properties that experience a decline in value.**

The assessor does not have a proactive declines in value program in place to discover or identify properties on the roll that are in excess of current market value. The assessor relies primarily on informal requests for review from taxpayers and assessment appeals to discover properties that have declined in value. However, we found that the assessor has a backlog of taxpayer submitted informal requests for review and has not resolved any assessment appeals in several years. In addition, while the assessor reduces the value on some properties based on the appraiser's knowledge of the area, the vast majority of the properties experiencing a decline in value are discovered when the taxpayer files an informal request for review. When a property is discovered to have experienced a decline in value by performing an informal request for review, the assessor does not review any neighboring properties for potential declines in value.

Section 2(b) of article XIII A of the California Constitution requires the assessor to recognize declines in value if the current market value of the property on the lien date falls below its FBYV. Section 51(a) requires the assessor, as of the lien date, to enroll the lesser of the property's FBYV or its full cash value, as defined in section 110. Rule 461(d) states that the assessor shall prepare an assessment roll containing the base year value appropriately indexed or the current lien date full value, whichever is less. According to Letter To Assessors No. 92/63, it is the assessor's responsibility to prepare an assessment roll that appropriately reflects both constitutional and statutory provisions. Not only does the assessor have a responsibility to reassess property when a change in ownership or new construction occurs, the assessor also has the responsibility to discover properties where assessments are on the roll in excess of their current market value.
By not actively identifying properties on the roll exceeding current market value, the assessor is not complying with proper statutes and may be enrolling overstated values. In addition, the assessor's practice of enrolling the market value of some properties while enrolling FBYVs for comparable properties represents inequitable taxation. When the assessor discovers that the market value of a property has declined below its FBYV, she should also review the values of comparable properties to ensure none are being reassessed.

**Annually review all decline-in-value properties pursuant to section 51(e).**

We found that for properties already in decline-in-value status, the assessor does not perform annual reviews for each of these properties in accordance with section 51(e).

Section 51(e) provides that the assessor is not required to annually reappraise all assessable property to determine if the property qualifies for a decline-in-value reduction. However, for each lien date after the first lien date for which the taxable value of the property is reduced, the value of that property must be annually reappraised at its full cash value until its full cash value exceeds its FBYV.

By not annually reviewing all properties in decline-in-value status, the assessor is not in compliance with statute and may be enrolling incorrect assessments for the lien date.

**Include all required information on the value change notice pursuant to section 619.**

We found that the letters being utilized to notify assessees of a value change to their assessed values do not contain all information required by section 619.

Section 619(a) requires the assessor to inform each assesseee of real property on the local secured roll whose property's full value has increased over its full value from the prior year as it shall appear on the completed local roll. Section 619(b) provides that the information given by the assessor to the assessees shall include a notification of hearings by the county board of equalization, which shall include the period during which assessment appeals will be accepted and the place where they may be filed. The information shall also include an explanation of the stipulation procedure set forth in section 1607. Section 619(c) provides that in the case of an increase in a property's full value over the property's full value determined for the prior year in accordance with section 51, the information shall also include the property's FBYV.

By not including all required information in the letters sent to taxpayers indicating a value change to their assessed values, the assessor is not in compliance with current statute and taxpayers are not being properly notified of the information concerning the property's assessed value or their rights to file for property tax relief.

**California Land Conservation Act Property**

Pursuant to the California Land Conservation Act (CLCA) of 1965, agricultural preserves may be established by a city or county for the purpose of identifying areas within which the city or county will enter into agricultural preserve contracts with property owners.
Property owners who place their lands under contract agree to restrict the use of such lands to agriculture and other compatible uses; in exchange, the lands are assessed at a restricted value. Lands under contract are valued for property tax purposes by a method that is based upon agricultural income-producing ability (including income derived from compatible uses, for example, hunting rights and communications facilities). Although such lands must be assessed at the lowest of the restricted value, current market value, or factored base year value, the restricted value typically is the lowest.

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

For the 2012-13 roll year, Trinity County had 115 parcels encumbered by CLCA contracts, encompassing 22,055 acres. Trinity County has two parcels totaling 235 acres in nonrenewal status. There have been no contracts cancelled in recent years. All CLCA parcels in Trinity County are rated non-prime and are used for grazing.

In Trinity County, the gross agricultural production value for 2011 was approximately $13,775,000. The top five crops by value for 2011 were timber, firewood, cattle and calves, forest products, and pasture and range.

According to the assessor, staffing constraints have not allowed for a dedicated employee to oversee the assessor's CLCA program in several years. As such, the restricted values for the majority of the CLCA parcels have not been calculated since the 1994-95 roll year. Since then, the restricted values have remained the same on the assessment roll; only unrestricted values have been changing due to the application of the annual inflation factor. In addition, the assessor has not been estimating the current market value of the properties in many years. Further, the assessor has not been sending out annual CLCA questionnaires requesting income and expense data for the past several years.

We found several areas in need of improvement for the assessor's CLCA program.

**RECOMMENDATION 14:** Improve the CLCA program by: (1) annually computing the restricted values for CLCA properties in accordance with section 423, and (2) correctly valuing CLCA properties subject to terminating restrictions in accordance with section 426.

**Annually compute the restricted values for CLCA properties in accordance with section 423.**

As previously stated, the assessor has not calculated the restricted values for the CLCA properties in many years, nor has he annually estimated the current market value of the CLCA properties, which is necessary in order to make the three-way comparison between the section 423 value, the factored base year value, and the current market value, and then properly enrolling the lowest of these three values. Instead, the assessor has let the restricted value remain
constant over recent years, even though market rents, expenses, and the BOE's annual interest component have changed.

The basic appraisal method applicable to the valuation of open-space land subject to an enforceable restriction is the statutorily-prescribed income approach in section 423. Subdivisions (a), (b), and (c) of section 423 prescribe the method of valuation. Section 423(d) provides that the taxable value on the lien date may not exceed the lowest of: (1) the current restricted value (determined via the prescribed income method for open-space properties); (2) the current fair market value calculated pursuant to section 110; or (3) the factored base year value, as if unrestricted, calculated pursuant to section 110.1.

By not annually calculating the restricted value for the restricted portion of CLCA properties, the assessor cannot make the three-way comparison that is necessary to correctly assess such property pursuant to section 423. This practice may lead to incorrect assessments of CLCA properties.

Correctly value CLCA properties subject to terminating restrictions in accordance with section 426.

We found that the assessor does not always use the correct annual interest component in the valuation of CLCA properties that are in nonrenewal status of their CLCA contracts. Instead, the assessor consistently uses an interest component of 4.5 percent, even though, for example, the annual interest component for 2012 was 4.0 percent.

Section 426 contains specific directives concerning the valuation procedure applicable to land subject to a terminating restriction. Such land shall be valued annually by:

1. Determining the full cash value of the land according to section 110.1 (factored base year value), or, if the land will not be subject to article XIII A upon the expiration of the contract, according to section 110 or other special restricted assessment provided for in the law;
2. Determining the restricted value of the land by the capitalization of income method specified for open-space land as provided in section 423;
3. Subtracting the restricted value in step 2 from the value determined in step 1;
4. Discounting the difference between the restricted value and the value determined in step 1 for the number of years remaining until the termination of the enforceable restriction at the interest rate announced by the State Board of Equalization by September 1 pursuant to subdivision (b)(1) of section 423; and
5. Adding this discounted value to the restricted value determined in step 2.

The correct discount rate is the interest component announced by the BOE; the discount rate does not include the other components in the open-space capitalization rate. The discounting period is the number of years remaining until the termination of the enforceable restriction.

The assessor's current practice of not using the most recent interest component is contrary to statute and may result in incorrect assessments for CLCA properties in the nonrenewal process.
Taxable Possessory Interests

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

For the 2012-13 roll year, the assessor enrolled 791 taxable possessory interests with a total assessed value of $9,083,192. Examples of taxable possessory interests in Trinity County include cable television franchises, hangars and tie-downs at public airports, boat slips at public marinas, grazing permits, mining claims, and cabins located on United States Forest Service lands.

In Trinity County, the assessor is responsible for the discovery and assessment of all taxable possessory interests. To assist in the discovery process, the assessor sends BOE-502-P, Possessory Interests Annual Usage Report, to 13 government agencies owning property in Trinity County on an annual basis.

In our review of several taxable possessory interests, we found several areas in need of improvement.

RECOMMENDATION 15: Improve the taxable possessory interest program by:
(1) obtaining current copies of all lease agreements or permits for taxable possessory interests, (2) deducting allowed expenses from gross income when valuing taxable possessory interests by the direct income approach, (3) using proper methods to develop the appropriate capitalization rate when valuing taxable possessory interests, (4) assessing all taxable possessory interests located at the fairgrounds, (5) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, (6) reappraising taxable possessory interests in compliance with section 61(b)(2), and (7) assessing only private uses on publicly-owned real property in accordance with Rule 20.

Obtain current copies of all lease agreements or permits for taxable possessory interests.

We found that the majority of the taxable possessory interest files we reviewed did not contain copies of leases for the interests being assessed. The assessor relies on tenant lists, historical information, information obtained from Trinity County, or information obtained on BOE-502-P, Possessory Interests Annual Usage Report, to value taxable possessory interests. The assessor does not typically request copies of leases.

Rule 21 describes the various approaches to value and how to determine the term of possession for the valuation of taxable possessory interests. Rule 21(d)(1) explains that the stated term of possession is deemed to be the reasonably anticipated term of possession, except in certain
situations. In addition, Rule 21(e)(3)(C) explains how to determine the net operating income for capitalization purposes.

These steps in the valuation process cannot be completed if the contract conveying the taxable possessory interest is not reviewed. For example, the assessor may have some information relating to the initial lease term, but may not know of any renewal options contained in the lease or know the lessor/lessee expense allocations.

By not obtaining copies of current leases or permits, the assessor is unable to determine what terms were agreed to between the parties and, therefore, is unable to accurately value the taxable possessory interests. Unconfirmed data may be inaccurate or incomplete and may lead to incorrect assessments.

Deduct allowed expenses from gross income when valuing taxable possessory interests by the direct income approach.

When valuing taxable possessory interests by the direct income approach, the assessor typically capitalizes the gross rental income without making any deductions from the gross rental income for management and other operating expenses incurred by the public lessor.

Assessors’ Handbook Section 510, *Assessment of Taxable Possessory Interests* (AH 510), provides that allowed expenses paid by the public owner should be deducted from the estimated economic rent. Also, Rule 21 provides that in the direct income approach, the amount to be capitalized to arrive at a value estimate is the future net income the taxable possessory interest is capable of generating under typical, prudent management during the term of possession. Further, Rule 8(c) provides that it is appropriate to reduce a lessor's gross rental income for typical management and other property-related expenses incurred by the lessor.

A public owner will incur at least some management expense with each taxable possessory interest. Some lease agreements may require the public owner to pay for insurance, maintenance, or utilities. By not recognizing these allowable expenses and subtracting them from the gross income to be capitalized, the assessor may be overstating the value of these taxable possessory interests.

Use proper methods to develop the appropriate capitalization rate when valuing taxable possessory interests.

The assessor uses several components to develop a capitalization rate when valuing taxable possessory interests. The assessor starts with a 5 percent interest component, and then adds a 0.5 percent component for risk and a 1 percent component for property taxes to develop a total capitalization rate of 6.5 percent.

According to AH 510, and consistent with Rule 8, a capitalization rate for valuing a taxable possessory interest may be developed using any of the following methods:

- By comparing the anticipated net incomes from comparable taxable possessory interests with their sale prices stated in cash or its equivalent and adjusted as described in Rule 21(e)(1)(A).
• By comparing anticipated net incomes of comparable fee simple absolute interests in real property with their sale prices stated in cash or its equivalent, provided the comparable fee properties are not expected to produce significantly higher net incomes subsequent to the subject taxable possessory interest's term of possession than during it.

• By deriving a weighted average of capitalization rates for debt and equity capital appropriate for the subject taxable possessory interest, weighting the separate rates of debt and equity by the relative amounts of debt and equity capital expected to be used by a typical purchaser of the subject taxable possessory interest.

Also consistent with Rule 8(f), the capitalization rate should include a component for property taxes, where applicable. According to AH 510, when the landlord (lessor) is responsible for paying the property taxes, the capitalization rate should include a component for property taxes. However, if the tenant is responsible for paying the property taxes in addition to rent, the capitalization rate should not include a component for property taxes.

Using an improper method to develop a capitalization rate when valuing taxable possessory interests may cause the assessor to apply an inappropriate capitalization rate and enroll incorrect assessments.

**Assess all taxable possessory interests located at the fairgrounds.**

We found that the assessor does not request vendor or concessionaire information from the Trinity County Fairgrounds. We obtained data from the fairgrounds and found that, even though the county has a low-value resolution exempting real and personal property of $2,000 or less from assessment, there are several potential taxable possessory interests having values over the $2,000 low-value limit that should be assessed.

Section 107 and Rule 20 define the requirements for a taxable possessory interest. Briefly stated, these requirements are that the right of possession be independent, exclusive, durable, and provide a private benefit. Recurring uses of the county's fairground facilities by the same private persons or entities could constitute taxable possessory interests and should be reviewed for possible assessment.

Failure to assess all taxable possessory interests located at the fairgrounds results in taxable property escaping assessment.

**Periodically review all taxable possessory interests with stated terms of possession for declines in value.**

We reviewed several taxable possessory interests with stated terms of possession and found several instances where these taxable possessory interests were not reviewed for possible declines in value. Instead, the assessor simply enrolled the factored base year value each year.

Rule 21(d)(1) states, in part, "The stated term of possession shall be deemed the reasonably anticipated term of possession unless it is demonstrated by clear and convincing evidence that the public owner and the private possessor have reached a mutual understanding or agreement, whether or not in writing, such that the reasonably anticipated term of possession is shorter or
longer than the stated term of possession. If so demonstrated, the term of possession shall be the stated term of possession as modified by the terms of the mutual understanding or agreement.

Rule 21(a)(6) defines the stated term of possession for a taxable possessory interest as of a specific date as "...the remaining period of possession as of that date as specified in the lease, agreement, deed, conveyance, permit, or other authorization or instrument that created, extended, or renewed the taxable possessory interest, including any option or options to renew or extend the specified period of possession if it is reasonable to assume that the option or options will be exercised." Therefore, the stated term of possession declines each year. This may or may not have a material effect on the market value of the possessory interest. Thus, absent clear and convincing evidence of a mutual understanding or agreement as to a shorter or longer term of possession, the assessor must estimate the current market value of the taxable possessory interest on lien date based on the remaining stated term of possession, compare this value to the factored base year value, and enroll the lower of the two values.

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

**Reappraise taxable possessory interests in compliance with section 61(b)(2).**

We found that the assessor does not consistently reappraise taxable possessory interests at the end of the reasonably anticipated term of possession used by the assessor to initially value the taxable possessory interest.

Section 61(b) provides that a change in ownership, as defined in section 60, includes the creation, renewal, extension, or assignment of a taxable possessory interest in tax exempt real property for any term. Section 61(b)(2) further provides that the renewal or extension of a taxable possessory interest during the reasonably anticipated term of possession used by the assessor to value the interest does not result in a change in ownership until the end of that reasonably anticipated term of possession. At that time, the assessor must establish a new base year value for the taxable possessory interest based on a new reasonably anticipated term of possession as determined by the assessor.

By not reappraising taxable possessory interests at the end of the reasonably anticipated term of possession used by the assessor to initially value the interest, the assessor is not in compliance with statutory provisions and may be enrolling incorrect assessments.

**Assess only private uses on publicly-owned real property in accordance with Rule 20.**

We found that the assessor is currently assessing several grazing permits as taxable possessory interests, even though the property is owned by Sierra Pacific Industries, which is a privately-owned entity.
Rule 20(b) defines a taxable possessory interest as a possessory interest in publicly-owned real property. Property owned by Sierra Pacific Industries is privately-owned and, therefore, the interests of its tenants do not meet the definition of a taxable possessory interest.

The assessor's practice of enrolling taxable possessory interests on property owned by Sierra Pacific Industries has resulted in erroneous assessments for the 2012-13 roll year and similar improper assessments for prior roll years.

**Mineral Property**

By statute and case law, mineral properties are taxable as real property. They are subject to the same laws and appraisal methodology as all real property in the state. However, there are three mineral-specific property tax rules that apply to the assessment of mineral properties. They are Rule 468, *Oil and Gas Producing Properties*, Rule 469, *Mining Properties*, and Rule 473, *Geothermal Properties*. These rules are interpretations of existing statutes and case law with respect to the assessment of mineral properties.

There are no assessable petroleum or high temperature geothermal properties in Trinity County.

**Mining Property**

Mining has a long history in Trinity County. California's largest hydraulic mining operation was once located west of Weaverville, the county seat. Today, this location provides for the sand and gravel needs of the area. Over time, Trinity County has produced copper, silver, gold, and silica. Many of the active mining claims pre-date the General Mining Law of 1872, which governs how unpatented claims are handled.

**RECOMMENDATION 16:** Improve the mining property program by: (1) adding the present worth of the future rental payments to the sale price of an unpatented mining claim, (2) establishing base year values for unpatented mining claims, and (3) assessing the mineral rights of all mining properties.

**Add the present worth of the future rental payments to the sale price of an unpatented mining claim.**

There are over 600 active unpatented mining claims located in Trinity County. These are classified and assessed as taxable possessory interests. The county has a low-value resolution exempting real and personal property with an assessed value of $2,000 or less, and many of the mining claims fall below this threshold. The assessor's current procedure for valuing these claims is to use the direct comparison method of the comparative sales approach to value, using prior sales of claims to determine an average sale price for a 20-acre claim. This average sale price is then scaled up for any association claims. However, we found that the assessor does not add the present worth of the future rental payments to the average sale price of the unpatented mining claims.

Rule 21(e)(1)(A) states that when using the comparative sales approach to value using the direct comparison method, the assessor must add the present worth of the future rental payments to the
sale price of the unpatented mining claim. Since unpatented mining claims have no stated term of possession, the assessor should review the practices of claim holders to determine a reasonably anticipated term of possession over which to capitalize the future rental payments to be added to the average sale price.

Without making this adjustment to the average sale price, the value indicator may not reflect the full value of the unpatented mining claim and may result in an underassessment.

**Establish base year values for unpatented mining claims.**

The assessor does not establish base year values for unpatented mining claims. Unpatented mining claims are taxable possessory interests and, as such, are classified as real property. Pursuant to section 110.1, a base year value should be established for such interests when they are first created or subsequently undergo a change in ownership. Change in ownership provisions with respect to taxable possessory interests are prescribed in section 61.

The assessor must establish a base year value for each unpatented mining claim and track the base year value forward each year in order to compare it to the current market value, so the assessor can enroll the lower of the two values each lien date. The failure to establish base year values makes it impossible to perform this comparison and may result in incorrect assessments.

**Assess the mineral rights of all mining properties.**

There are several sand and gravel producers located in Trinity County. Due to limited resources and a lack of information from taxpayers, the assessor has failed to establish estimates of mineral reserves and base year values for these properties. Mineral rights represent the right to enter in or upon land for exploration, development, or production of minerals. Mineral rights are a real property interest and, as such, assessable.

Each year, the assessor requests various information from taxpayers in regards to their mining property as part of the valuation process. This includes sending the taxpayer a BOE-571-L, *Business Property Statement*, and a BOE-560-A, *Aggregate Production Report*. While taxpayers typically return the BOE-571-L, the BOE-560-A is not typically returned. According to the assessor, limited resources in the office keep her from pursuing compliance.

Section 501 provides that if a taxpayer fails to provide information requested by the assessor, the assessor shall estimate the value of the property based on information available. While limited, there are other sources of information regarding mining properties that can be used for appraisal purposes. Methods to develop these values could be the appraisals of a similar property in another county or estimates of revenue made from observation of commercial traffic in and out of the taxpayer's business. Also, conditional use permits obtained from the planning department contain a wealth of information regarding anticipated production rates and the expected life of the property. Once the value has been determined and the base year value established, the assessor may apply a section 463 penalty levied against the mineral rights interest in the property due to the taxpayer's failure to file the requested statements.

The failure to properly value and assess all taxable mineral rights results in some properties escaping assessment.
Power Plants

Trinity County has several hydroelectric dams. We found that the assessor correctly bases the life of the hydroelectric property on factors other than the remaining life of the power purchase agreement. We have no recommendations in regards to the assessor's valuation of power plants.
**ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES**

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

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

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

**Audit Program**

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

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

Effective January 1, 2009, county assessors are no longer required to audit all taxpayers with trade fixture and business tangible personal property holdings of $400,000 or more at least once every four years. Instead, the county assessor is required to annually audit a significant number of audits as specified in section 469. The significant number of audits required is at least 75 percent of the fiscal year average of the total number of mandatory audits the assessor was required to have conducted during the 2002-03 fiscal year to the 2005-06 fiscal year, with at least 50 percent of those to be selected from a pool of those taxpayers with the largest assessments. Thus, while section 469 still mandates a certain level of audits that must be performed annually, assessors now have some flexibility in determining which accounts will comprise this mandated workload.
The Trinity County Assessor's Office did not have any auditor-appraisers as of the date of our survey. The assessor utilizes the services of the California Counties Cooperative Audit Services Exchange (CCCASE) to complete audits.

As previously noted, effective January 1, 2009, section 469 specifies a minimum audit workload equal to 75 percent of a statutorily defined base level. Rule 192 prescribes the computation establishing minimum required audit production and provides the basis for the audit selection process. According to Letter To Assessors No. 2009/049, the amended statute requires the assessor to complete one audit per year. However, we found that no audits had been completed for the 2010-11 or 2011-12 roll years. Given recent and current audit production levels, the assessor has failed to meet the minimum number of audits required as defined by section 469.

**RECOMMENDATION 17:** Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

The assessor failed to conduct the minimum number of audits required under the provisions of section 469.

An effective audit program verifies the reporting of various business property accounts, from small to large, and helps prevent potential errors or escape assessments. An audit program is an essential component of an equitably administered assessment program. A weak audit program can leave a business property assessment program with no means of verifying the accuracy of taxpayer reporting or correcting noncompliant reporting practices. Furthermore, experience shows that when audits are not conducted timely, it is more difficult to obtain the records necessary to substantiate accurate reporting the further removed the audit is from the year being audited. Therefore, timeliness of the audit is an important factor in an effective audit program and ultimately a well-managed assessment program.

By failing to conduct a significant number of audits in a timely manner, the assessor is not in compliance with section 469 and risks the possibility of allowing taxable property to permanently escape assessment.

**Statute of Limitations**

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

**RECOMMENDATION 18:** Request a waiver of the statute of limitations when an audit will not be completed in a timely manner.

The assessor does not request waivers of the statute of limitations on all scheduled audits that will not be completed timely.
Section 532 provides that assessments must be enrolled within four years after July 1 of the assessment year during which the property escaped assessment. If the assessor cannot complete an audit within the prescribed time, 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.

A waiver of this nature protects the taxpayer during the audit process should an overassessment be discovered and allows the assessor to enroll an escape assessment if a reporting deficiency is found. By failing to obtain waivers, the assessor may allow taxable property to escape assessment should the statute of limitations expire prior to the completion of the audit.

Audit Quality

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

We sampled three completed audits and found that in most cases audit determinations were accurate, well documented, and supported by a comprehensive audit checklist defining the areas of investigation. We found that the assessor performs change in control (ownership) reviews, verifies leased equipment, accounts for supplies, and properly classifies equipment during the audit process. However, there is a problem with the way the assessor notifies taxpayers of her intent to enroll escaped assessments discovered during the audit process.

RECOMMENDATION 19: Improve the audit program by: (1) removing incorrect language advising taxpayers of their appeal rights from the Notice of Proposed Escape Assessment, and (2) sending a Notice of Enrollment of Escape Assessment as required by section 534.

Remove incorrect language advising taxpayers of their appeal rights from the Notice of Proposed Escape Assessment.

When the assessor initiates an escape assessment, a Notice of Proposed Escape Assessment is sent to notify taxpayers of the change to the assessed value on their property. The notice correctly includes the information as required by section 531.8:

- "NOTICE OF PROPOSED ESCAPE ASSESSMENT" heading prominently displayed,
- The amount of the proposed escape assessment for each tax year involved, and
- The telephone number of the assessor's office to allow the taxpayer to contact the office regarding the proposed escape assessment.

However, the assessor includes incorrect information regarding appeal rights on the Notice of Proposed Escape Assessment.
In Letter to Assessors No. 2008/021, dated March 10, 2008, the BOE advised county assessors and the county clerks of the board that an assessment made outside of the regular filing period is not effective for any purpose until proper notice is given to the taxpayer in accordance with sections 534 and 1605. The Notice of Proposed Escape Assessment is not a valid notice within the meaning of section 534 and 1605. Therefore, an Application for Changed Assessment filed solely upon receipt of a Notice of Proposed Escape Assessment and filed prior to receipt of a Notice of Enrollment of Escape Assessment or a tax bill reflecting the escape assessment is invalid.

The assessor's current Notice of Proposed Escape Assessment provides taxpayers with misleading information regarding their rights to appeal an escape assessment because an appeal based on this notice would be invalid.

Send a Notice of Enrollment of Escape Assessment as required by section 534.

The assessor does not properly notify taxpayers when enrolling an escape assessment. The only notice taxpayers receive from the assessor related to escape assessments is the Notice of Proposed Escape Assessment.

The Notice of Proposed Escape Assessment informs the recipient of their right to request a hearing before the assessment appeals board. It further states the appeal application must be filed within 60 days from the date of the proposed escape assessment letter, which is inaccurate; it should be within 60 days from the date of the notice of enrollment of the escape assessment. Subsequently, the property tax bill further states that appeals may be filed between July 2 and November 30. Appeal language specific to the enrollment of escaped assessments is not indicated on the tax bill.

Before an escape assessment can be enrolled, taxpayers must first receive a Notice of Proposed Escape Assessment. According to section 531.8, no escape assessment shall be enrolled before ten days after the assessor has mailed or otherwise delivered to the affected taxpayer a Notice of Proposed Escape Assessment. Once the minimum ten-day delay period prior to enrollment of the escape assessment has passed, the assessor may enroll the escape assessment. However, section 534 states that no assessment shall be effective until the assessee has been notified of the escape assessment personally or by mail.

The notice of enrollment must include the following information: (1) the date of mailing, (2) information regarding the assessee's right to an informal review and the right to appeal the assessment, and (3) that the assessment appeal must be filed within 60 days of the date of mailing printed on the notice or the postmark date, whichever is later. Section 534(d)(2) expressly provides that the Notice of Proposed Escape Assessment required by section 531.8 does not satisfy the notice requirements of section 534.

The assessor's Notice of Proposed Escape Assessment states, "If a second notice of escape assessment is not provided, the tax bill for the escaped assessment will serve as notice." While section 534(c)(3) provides that receipt of a tax bill by an assessee shall suffice as notice under section 534 for counties in which the board of supervisors has adopted the provisions of section 1605(c), the Trinity County Board of Supervisors has not adopted such provisions. To
assist in meeting the requirements of section 534, the BOE provides a *Notice of Enrollment of Escape Assessments* (BOE-66-A and BOE-66-B) for use by assessors.

The assessor's practice of not sending a *Notice of Enrollment of Escape Assessment* as required by section 534 does not adequately inform taxpayers of the right to an informal review of the escape assessment and the right to file an appeal contesting the escape assessment.

**Business Property Statement Program**

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

**Discovery**

The assessor utilizes a wide range of tools for discovering taxable business property. The majority of the assessor's business personal property is discovered through taxpayer self-reporting and periodic field canvassing. Other means of discovery utilized by the assessor include reviewing fictitious business name filings, business directory services, real property appraiser referrals, and landlord reports of tenants. We found that the assessor employs effective methods for discovering business personal property.

**General Statement Processing**

BPSs are date stamped when received, and reviewed for completeness and timeliness. BPSs are also reviewed for any changes to existing accounts, such as ownership or business name, DBA, mailing address, or situs address. The assessor oversees all routine processing of BPSs performed by non-certified staff. The assessor retains BPSs for seven years.

**Direct Billing**

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

The direct billing program is beneficial to the taxpayer and the assessor. It results in a reduction of paperwork for taxpayers and fewer BPSs that must be processed annually by the assessor's staff. This program increases the time available for the appraisers to perform other required duties.
In Trinity County, the assessor's direct billing program includes any business account having personal property costing less than $100,000. Participating businesses are sent a BPS every three years for updating purposes.

Findings

We reviewed all major aspects of the assessor's BPS program, including processing procedures, use of Board-prescribed forms, application of penalties, coordination with the real property division, and record storage and retention. In addition, we reviewed several recently processed BPSs. We found areas in need of improvement.

RECOMMENDATION 20: Improve the business property statement (BPS) program by:
(1) valuing taxable business property in accordance with section 501 when a taxpayer fails to file a BPS, and
(2) accepting only properly signed BPSs.

Value taxable business property in accordance with section 501 when a taxpayer fails to file a BPS.

When a completed BPS is submitted late, the assessor correctly calculates the current market value of known taxable business property owned and controlled by the taxpayer and applies the statutorily-defined 10 percent penalty. However, we found that when the business owner fails to file a BPS, the assessor applies a pre-determined escalation rate of 10 percent to the previous year's enrollment. A 10 percent penalty is then applied to this escalated assessment. In addition, we found that the assessor sets no formal limits on the number of consecutive years a business property owner may fail to file a BPS before the assessor either visits the location of the taxable property or conducts an audit.

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

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

Accept only properly signed BPSs.

Our review found property statements processed that were not signed by a qualified person and the required assessee's written authorization was not on file with the assessor.

According to Rule 172, property statements and mineral production report forms prescribed by the BOE and filed with the assessor or the BOE shall be signed by the assesseee, a partner, a duly appointed fiduciary, or an agent. When signed by an agent or employee other than a member of
the bar, a certified public accountant, a public accountant, an enrolled agent, or a duly appointed fiduciary, the assesees's written authorization allowing the agent or employee to sign the statement on behalf of the assesees must be filed with the assessor. A property statement or a mineral production report that is unsigned does not constitute a valid filing. The penalty imposed by section 463 for failure to file shall be applicable to unsigned property statements. The assessor's practice is contrary to statute.

**Business Equipment Valuation**

Assessors value most machinery and equipment using business property valuation factors. Some valuation factors are derived by combining price index factors with percent good factors, while other valuation factors result from valuation studies. A value indicator is obtained by multiplying a property's historical cost by an appropriate value factor.

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

The assessor has a coding system to identify and designate the use of specific valuation tables for business property equipment reported on the business property statement (BPS). These factor tables are developed for use in mass appraisals and are used for converting original cost to estimates of market value for property tax purposes.

The assessor has adopted the price indices and percent good factors recommended in AH 581 and in tables developed by the California Assessors' Association (CAA). The CAA tables parallel the tables published in AH 581, with the exception of specific types of equipment (such as pagers, facsimile equipment, and high tech medical equipment) that the CAA recommends should not be trended. We reviewed the assessor's valuation tables and a number of processed business property statements (BPS). Observed valuation calculations enrolled by the assessor indicate both consistent and appropriate application of Board-recommended tables.

Section 401.16(a)(2) allows the assessor to average the new or used percent good factors for both mobile construction and mobile agricultural equipment when the taxpayer does not indicate on the property statement whether the equipment was first acquired new or used. Where the condition is known, the assessor should use the "new" or "used" table. We reviewed the assessor's factor tables and found the Board-recommended cost index and depreciation tables to be correctly compiled.

We reviewed the assessments of a variety of business equipment reported by businesses, such as banks and financial institutions, service stations, grocery stores, propane companies, construction, and agricultural businesses. We found that the assessor correctly applies the CAA factor tables and the Board-recommended cost index, depreciation tables, and valuation factor tables. We have no recommendations for the assessor's business equipment valuation program.
**Manufactured Homes**

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

Trinity County had 571 manufactured homes enrolled for the 2012-13 roll year, with a total assessed value of $11,395,664. There are 42 mobilehome parks in the county. All manufactured homes are valued by either the assessor or the appraiser.

The assessor classifies manufactured homes as fixtures and enrolls them on the secured roll. Manufactured homes located within a mobilehome park or on leased land outside of a mobilehome park are identified on the roll by the assignment of a fictitious assessor's parcel number (APN) that begins with "076" and a use code of "FFX1." For those manufactured homes located outside of a mobilehome park located on land owned in fee, a use code of "EFX1" is assigned to the actual APN on the roll. If a manufactured home is situated on an approved permanent foundation system, it is reclassified as real property.

The primary means of discovering assessable manufactured homes is through the receipt of information from the Department of Housing and Community Development (HCD), dealer reports of sale, mobilehome tax clearance certificates, building permits, and field canvassing.

The assessor uses the National Automobile Dealers Association *Manufactured Housing Cost Guide* (NADA), or the reported purchase price when determining the full cash value of a manufactured home on rented or leased land.

Section 5813 requires that manufactured homes be assessed at the lesser of the factored base year value or current market value. Currently, the assessor does not have a program in place to periodically review the assessments of manufactured homes for possible declines in value. In addition, the assessor does not track the factored base year value of a manufactured home once it is enrolled due to a change in ownership.

We reviewed several manufactured home assessments, including transfers, supplemental assessments, accessories, new construction, and new installations. We found areas in need of improvement.
RECOMMENDATION 21: Improve the manufactured homes program by: (1) excluding site value from the reported purchase price of a manufactured home on rented or leased land when determining the current market value to be enrolled, and (2) periodically reviewing manufactured home assessments for declines in value.

Exclude site value from the reported purchase price of a manufactured home on rented or leased land when determining the current market value to be enrolled.

We found that the assessor typically values a recently purchased manufactured home on rented or leased land by enrolling the HCD reported purchase price, without making an adjustment to exclude any site value that may be included in that purchase price.

Section 5803(b) provides that since owners of manufactured homes on rented or leased land do not own the land on which the manufactured home is located and are subject to having the manufactured home removed upon termination of tenancy, "full cash value" does not include any value attributable to the particular site where the manufactured home is located on rented or leased land, which would make the sale price of the manufactured home at that location different from its sale price at another location on rented or leased land.

AH 531.35 recommends that using the replacement cost approach, which uses an indicator of value from a recognized value guide, plus the value of all manufactured home accessories, buildings, and structures, provides the best indication of value excluding site influence.

AH 531.35 goes on to state that when using the comparative sales approach, the sale price of comparable manufactured homes located on rented or leased land will include an increment attributable to site value. In order to comply with section 5803(b), the site value must be extracted from each sale before the sale can be used as a comparable, which is why the comparative sales approach is more difficult to apply to manufactured homes located on rented or leased land.

Failure to exclude the value attributable to the site from the HCD reported purchase price of a manufactured home on rented or leased land before enrolling that value as the current assessed value may cause the assessor to overassess certain taxpayers.

Periodically review manufactured home assessments for declines in value.

The assessor does not currently have a program in place to discover declines in value of manufactured homes. When a change in ownership occurs for a manufactured home, the assessor determines the value of the manufactured home and enrolls the value as a fixture on the secured roll. The enrolled value then remains stagnant on the roll until another change in ownership occurs or the property owner requests an informal review of their current assessed value. No inflation factor is applied to the base year value for subsequent years and the manufactured home is never reviewed for a potential decline in value unless requested by the property owner.

Section 5813 provides that the taxable value of a manufactured home shall be the lesser of its base year value, compounded by the annual inflation factor, or its full cash value, as determined pursuant to section 110, as of the lien date, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, or other factors causing a decline in value.
Additionally, section 51(e) provides that once the base year value of real property is lowered to reflect a decline in value, it must be annually reappraised until its market value once again exceeds the factored base year value.

Although not required to reappraise all properties each year, the assessor should develop a program to periodically review the assessments of manufactured homes to ensure declines in value are recognized accurately and consistently. The assessor is required by statute to enroll the lesser of factored base year value or current market value for the manufactured home as of the lien date. By initially enrolling the base year value and letting that value remain stagnant on the roll, which value is neither the factored base year value nor the current market value of the manufactured home, the assessor is not in compliance with statute and may be overassessing certain manufactured homes.

**Aircraft**

**General Aircraft**

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

In Trinity County, the assessor enrolled 19 general aircraft assessments with a total assessed value of $749,420 for the 2012-13 roll year.

The assessor discovers aircraft through airport operators' reports, Federal Aviation Administration (FAA) reports, referrals from other counties, and field canvassing.

Each year, the assessor mails BOE-577, *Aircraft Property Statement*, to the known aircraft owners in the county requesting current information on all aircraft. The form requests the owner to report engine information, air hours since the last major overhaul, airframe time, avionics equipment, overall condition, current situs information, and transfer information if applicable. The aircraft statement indicates a filing due date of April 1, and the assessor imposes a 10 percent penalty for failure to file and late-filings of the aircraft statement.

The assessor reviews all aircraft property statements received. Aircraft are valued using *Bluebook* as the primary valuation guide. *Bluebook* values are properly adjusted for sales tax, overall condition of the aircraft, additional or special equipment, airframe hours, and engine hours since last major overhaul in order to estimate fair market value.

We reviewed several general aircraft records for valuation methodology, legal signatures, and the application of late or failure to file penalties pursuant to section 5367. We found that the assessor's procedures for the discovery, valuation, and assessment of general aircraft conform to statutory provisions and guidelines set forth in Assessors' Handbook 577, *Assessment of General Aircraft (AH 577)*.
We have no recommendations for the general aircraft program.

**Historical Aircraft**

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

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

For the 2012-13 roll year, there were eight historical aircraft with a total value of $317,541.

We reviewed several historical aircraft assessments and exemption claims. We found that the assessor properly obtained signed affidavits in Board-prescribed format and certification of attendance pursuant to section 220.5. The assessor properly granted the exemption when the statutory requirements were met.

We have no recommendations for the historical aircraft program.

**Vessels**

The primary sources used for the discovery of assessable vessels include reports from the State Department of Motor Vehicles (DMV), referrals from other counties, information provided by the vessel owners themselves, certificates of documentation issued by the United States Coast Guard, harbormasters' reports, and field canvassing.
The following table shows the number of vessels and their total assessed values in Trinity County in recent years:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>VESSELS</th>
<th>ASSESSED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>562</td>
<td>$4,710,137</td>
</tr>
<tr>
<td>2011-12</td>
<td>590</td>
<td>$5,093,680</td>
</tr>
<tr>
<td>2010-11</td>
<td>586</td>
<td>$4,879,833</td>
</tr>
<tr>
<td>2009-10</td>
<td>651</td>
<td>$5,582,505</td>
</tr>
<tr>
<td>2008-09</td>
<td>664</td>
<td>$5,761,964</td>
</tr>
</tbody>
</table>

Trinity County vessels consist largely of freshwater recreational vessels, personal watercraft, and a large population of houseboats located in various recreational lakes. The assessor's primary sources of discovery for vessels are DMV reports, marina reports, referrals from other counties, and information from vessel owners themselves.

The assessor sends BOE-576-D, *Vessel Property Statement*, to the registered owners of all new vessels, as well as vessels that have changed ownership. However, the assessor does not send *Vessel Property Statements* to the vessel owners of vessels costing $100,000 or more in accordance with section 441.

The assessor reviews all vessel statements received. Newly enrolled vessels are valued with the aid of the National Automobile Dealers Association *Marine Appraisal Guide* (NADA), the *BUC Used Boat Price Guide* (BUC), the *ABOS Marine Blue Book* (ABOS), and/or the purchase price when reported. For vessels not new to the county, values are derived using the BOE annual vessel valuation factors.

We reviewed several vessel assessments and found the following areas in need of improvement:

**RECOMMENDATION 22:** Improve the vessels program by: (1) sending an annual *Vessel Property Statement* to the owners of vessels having an aggregate cost of $100,000 or more pursuant to section 441, (2) annually assessing all vessels at current market value, and (3) adding sales tax as a component of market value.

**Send an annual Vessel Property Statement to the owners of vessels having an aggregate cost of $100,000 or more pursuant to section 441.**

We found that the assessor does not send annual *Vessel Property Statements* to the owners of vessels having an aggregate cost of $100,000 or more.

Section 441(a) states that each person owning taxable personal property, other than a manufactured home, having an aggregate cost of $100,000 or more for any assessment year shall file a signed property statement with the assessor. Additionally, Rule 171(f) provides that the assessor shall furnish property statement forms and instructions to every person required by law.
or requested by the assessor to file a property statement. These provisions apply to all vessels, including non-commercial vessels.

The information provided by taxpayers in the property statements provides the assessor with current and accurate information regarding replacement engines and new accessories when making vessel appraisals. Failure to require property statement filings from owners of vessels having an aggregate cost of $100,000 or more increases the risk of inaccurate assessments based on insufficient information and is contrary to statute.

**Annually assess all vessels at current market value.**

We found a number of instances where vessel assessments were not annually valued to reflect current market value. The assessor will value the vessel and then leave the value unchanged on the roll for several years.

Article XIII, section 1 of the California Constitution states that unless otherwise provided by the constitution or the laws of the United States, all property is taxable and shall be assessed at the same percentage of fair market value. Assessors' Handbook Section 576, *Assessment of Vessels* (AH 576), further states that vessels are valued at their fair market value every year as of the January 1 lien date. This value can be estimated from the sale price or published vessel value guides. For mass appraisal purposes, a value estimate can also originate from the application of sufficiently specific depreciation rates derived from market data. Due to the often rapid fluctuations in vessel market valuations, simply carrying forward historical values will likely result in inaccurate assessments and is contrary to statutory guidelines.

**Add sales tax as a component of market value.**

The assessor initially values vessels by referring to widely recognized value guides. However, because these vessel guides have national application, their listed values do not include California sales tax, which must be included to obtain the full market value. We could find no examples showing that the assessor had included a sales tax component over and above the published value indicator.

Generally, the addition of sales or use tax to a value estimate is required to approximate the market value to the consumer. Assessors' Handbook Section 576, *Assessment of Vessels* (AH 576), provides that the addition of taxes, freight, and transportation charges to the list price of a vessel is consistent with an appraisal approach that gives consideration to the consumer's total cost in arriving at market value. Furthermore, the court case of *Xerox Corp. v. Orange County* (1977), 66 Cal.App.3d 746, established that under the market value concept, where price is the basis of value, the sales tax and freight charges are elements of value. Without including all elements of the cost, the assessor's values are understated.
APPENDIXES

A. County-Assessed Properties Division Survey Group

Trinity County

Acting Chief
Benjamin Tang

Survey Program Director:
Mike Harris Manager, Property Taxes

Survey Team Supervisor:
Ronald Louie Supervisor, Property Taxes

Survey Team Leader:
Glenn Danley Senior Specialist Property Appraiser

Survey Team:
James McCarthy Senior Petroleum and Mining Appraisal Engineer
Tammy Aguiar Senior Specialist Property Appraiser
Heather White Associate Property Appraiser
David Barbeiro Associate Property Auditor-Appraiser
Paula Montez Associate Property Auditor-Appraiser
B. Relevant Statutes and Regulations

**Government Code**

15640. Survey by board of county assessment procedures.

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

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

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

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

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

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

15641. Audit of records; appraisal data not public.

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

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

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

15642. Research by board employees.

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

15643. When surveys to be made.

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

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

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

15644. Recommendations by board.

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

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

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

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

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

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

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

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

75.60. Allocation for administration.

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

(b) For purposes of this section:

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

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

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

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

Title 18, California Code of Regulations

Rule 370. Random selection of counties for representative sampling.

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

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

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

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

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

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

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


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

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

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

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

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

(2) Discovering and assessing newly constructed property.

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

(4) Conducting audits in accordance with Revenue and Taxation Code section 469.

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

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

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

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

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

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

The Trinity County Assessor's response begins on the next page. The BOE has no comments on the response.
Dean R. Kinnee
County-Assessed Properties Division
State Board of Equalization
P O Box 942879
Sacramento CA 94279-0062

August 22, 2014

Dear Mr. Kinnee,

In accordance with Section 15645 of the California Government Code, enclosed is the Assessor’s response to the recommendations of the Assessment Practices Survey for Trinity County conducted by the State Board of Equalization staff.

Some of the recommendations made in this survey have already been implemented. Others will be as staff and budget permits.

I would like to thank the entire survey team for their constructive recommendations, professional and courteous manners in which the survey was conducted.

Respectfully submitted,

Deanna L. Bradford
Trinity County Assessor/Clerk/Recorder
RECOMMENDATION 1: Improve the workload program by reporting statistics as required by the BOE pursuant to section 407

Response: We have implemented this recommendation. Only time will tell if it can improve the workload.

RECOMMENDATION 2: Develop written procedures for the assessment of staff-owned property and expand the procedures for conflicts of interest

Response: We concur and will implement your recommendation as time and resources become available.

RECOMMENDATION 3: Obtain waivers of the statute of limitations when an assessment appeal cannot be resolved within the two-year time period

Response: We concur and have implemented this recommendation with the 2012-13 roll year.

RECOMMENDATION 4: Improve the disaster relief program by: (1) requesting that the board of supervisors revise the disaster relief ordinance to conform to the current provisions of section 170, and (2) revising the disaster relief application to comply with section 170

Response: We concur and will implement your recommendation as time and resources become available.

RECOMMENDATION 5: Improve the disabled veterans’ exemption program by: (1) granting the full disabled veterans’ exemption to the extent of the interest owned by the claimant pursuant to section 205.5(d), (2) requiring annual certification of income for the low-income provision of the disabled veterans’ exemption, (3) requiring documentation that the disabled veteran has been honorable discharged, and (4) removing the disabled veterans’ exemption as of the date the property is no longer the claimant’s principal place of residence.

Response: We concur and have implemented all the recommendations with the 2014-15 roll year.

RECOMMENDATION 6: Apply the appropriate inflation factor as required by section 51.

Response: We concur and have corrected the error.

RECOMMENDATION 7: Improve the change in ownership program by properly processing changes in ownership due to the death of a property owner.

Response: We concur and will work to improve the change in ownership program.

RECOMMENDATION 8: Improve the change in ownership program by implementing an effective tracking system to monitor the progress of a requested COS

Response: We concur and will work to improve the tracking of COS requests.

RECOMMENDATION 9: Improve the LEOP program by: (1) reassessing all properties owned by legal entities that have undergone a change in control or ownership, and (2) applying appropriate penalties as required by section 482(b)

Response: We concur and will work to improve the LEOP program.

RECOMMENDATION 10: Timely reassess those properties experiencing a change in ownership when the property owner has failed to provide a section 63.1 claim for exclusion as requested

Response: We concur and will work to improve the exclusion program for section 63.1 claims.
RECOMMENDATION 11: Improve the change in ownership program by (1) providing documentation to support enrolling the purchase price as current market value, and (2) reassessing all properties having undergone a change in ownership due to a foreclosure.

Response: We concur and will implement your recommendation as time and resources become available.

RECOMMENDATION 12: Value new construction at its fair market value

Response: We concur and will implement this recommendation with the 2014-15 roll year.

RECOMMENDATION 13: Improve the declines in value program by: (1) developing a comprehensive appraisal program for discovering properties that experience a decline in value, (2) annually reviewing all decline-in-value properties pursuant to section 51€, and (3) including all required information on the value change notice pursuant to section 619

Response: We concur and will implement your recommendation as time and resources become available.

RECOMMENDATION 14: Improve the CLCA program by: (1) annually computing the restricted values for CLCA properties in accordance with section 423, and (2) correctly valuing CLCA properties subject to terminating restrictions in accordance with section 426

Response: We concur and will implement this recommendation with the 2014-15 roll year.

RECOMMENDATION 15: Improve the taxable possessory interest program by: (1) obtaining current copies of all lease agreements or permits for taxable possessory interests, (2) deducting allowed expenses from gross income when valuing taxable possessory interests by the direct income approach, (3) using proper methods to develop the appropriate capitalization rate when valuing taxable possessory interests, (4) assessing all taxable possessory interest located at the fairgrounds, (5) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, (6) reappraising taxable possessory interests in compliance with section 61b)(2), and (7) assessing only private uses on publicly-owned real property in accordance with Rule 20

Response: We concur and will implement this recommendation with the 2014-15 roll year.

RECOMMENDATION 16: Improve the mining property program by: (1) adding the present worth of the future rental payments to the sale price of an unpatented mining claim, (2) establishing base year values for unpatented mining claims, and (3) assessing the mineral rights of all mining properties

Response: We concur and will implement this recommendation with the 2014-15 roll year.

RECOMMENDATION 17: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469

Response: We concur and will implement this recommendation with the 2014-15 roll year.

RECOMMENDATION 18: Request a waiver of the statute of limitations when an audit will not be completed in a timely manner

Response: We concur and will implement this recommendation with the 2014-15 roll year.

RECOMMENDATION 19: Improve the audit program by: (1) removing incorrect language advising taxpayers of their appeal rights from the Notice of Proposed Escape Assessment, and (2) sending a Notice of Enrollment of Escape Assessment as required by section 534

Response: We concur and have implemented this recommendation.
RECOMMENDATION 20: Improve the business property statement (BPS) program by: (1) valuing taxable business property in accordance with section 501 when a taxpayer fails to file a BPS, and (2) accepting only properly signed BPSs.

Response: We concur and have implemented this recommendation.

RECOMMENDATION 21: Improve the manufactured homes program by: (1) excluding site value from the reported purchase price of a manufactured home on rented or leased land when determining the current market value to be enrolled, and (2) periodically reviewing manufactured home assessments for declines in value.

Response: We concur and will implement your recommendation as time and resources become available.

RECOMMENDATION 22: Improve the vessels program by: (1) sending an annual Vessel Property Statement to the owners of vessels having an aggregate cost of $100,000 or more pursuant to section 441, (2) annually assessing all vessels at current market value, and (3) adding sales tax as a component of market value.

Response: (1) We concur and have implemented this recommendation by sending statements to the 4 vessels that fall into this category. (2) We concur and will implement this recommendation with the 2014-15 roll year (3) We concur and will implement this recommendation with the 2014-15 roll year.