



Outline of California Alliance of Taxpayer Advocates (CATA)
Testimony before the State Board of Equalization April 21, 2020
Item M

- I. CATA Opening Remarks and Introductions (Paul Waldman, CATA President – Director, Ryan)
- II. Short-Term Issues (Nick Fogle, CATA Treasurer – California Market Leader, Paradigm Tax Group)
 - A. Filing Business Personal Property Returns/Renditions

Background: Every year taxpayers must file Business Personal Property (BPP) returns with the county Assessors. The returns, sometimes called renditions, list all of the personal property taxpayers had as of January 1st of the year. Returns have to be filed by May 7th to avoid an automatic late filing penalty. Returns can be amended up to May 31st. Returns are filed with Assessors Taxpayers on Form 571s. California *Revenue and Taxation Code* Sections 441(k) and 441.5(a)(2) give Assessors discretion to accept electronic signatures on Form 571 filings, but Assessor can demand original “wet” signatures from taxpayers.

Taxpayers are facing two problems in filing their returns because of the COVID-19 statewide and local “stay-at-home” orders. First, such orders are preventing taxpayers and their employees from gathering and assembling the necessary information needed to prepare and timely file their Form 571s. Second, some Assessors are asking that taxpayers submit their Form 571s with original “wet” signatures from authorized persons, which is difficult or impossible due to the “stay-at-home” orders.

Suggestions for addressing first problem:

1. Move compliance date for filing Form 571s from May 7 to June 15 (for all original and amended filings)
2. Allow County Assessors to postpone roll close date for BPP accordingly

3. As an alternative to 1. and 2., waive late filing penalties for 571s filed by July 15

Suggestions for addressing second problem:

1. Allow filing of Form 571s with electronic signature (not “wet” signature)
2. Allow Form 571s to be submitted by facsimile, scan, or any other media

B. Filing Assessment Appeal Applications for 2020

Background: County Assessors mail supplemental assessment and escape assessment notices and tax bills to taxpayers at their business addresses. Supplemental/escape assessment notices must be appealed to the county Assessment Appeals Boards within 60 days of the date of mailing by Assessors. Due to COVID-19 “stay-at-home” orders, some property owners are not able to retrieve mail sent to their business addresses. As a result, business owners will miss the date for appealing supplemental and escape assessments.

Some Assessment Appeals Boards require original “wet” signatures on assessment appeal applications filed with those Boards, including agent authorizations that often accompany such applications. COVID-19 orders have made it difficult or impossible to obtain original “wet” signatures on assessment appeal applications.

Suggestions for addressing these problems:

1. Where taxpayers are unable to timely file assessment appeal applications due to COVID-19 “stay-at-home” orders, permit taxpayers to file applications with an explanation for the delayed filing attached to the application form.
2. Allow taxpayers to submit assessment appeal applications and related documents electronically by facsimile, scan, or any other media.

III. Medium-Term Issues (Cris O’Neill, CATA Chair - Shareholder, Greenberg Traurig)

A. Allowing Taxpayers to Obtain Relief for Property Value Reductions in 2020

Background: Local assessed property valuations for the 2020-2021 fiscal year are based on market conditions as of January 1, 2020. The impact of COVID-19 on California property values did not occur until sometime in March 2020. Values of business properties have plummeted since the implementation of statewide and local “stay-at-home” orders, which have caused the closure of many retail, hotel and hospitality, and restaurant properties. In addition, multifamily residential

properties have been impacted by anti-eviction orders issued by many municipalities in response to widespread layoffs and unemployment caused by the COVID-19 orders.

Because COVID-19's impact was not felt until well-after the January 1, 2020 lien date, taxpayers who file for property tax relief during the July to November 2020 assessment appeal filing period will be unable to receive any property tax reductions for the value declines caused by COVID-19. In fact, taxpayers will not be able to obtain property tax relief for the value declines that started in March 2020 until the 2021-2022 assessment appeal filing season. Those property tax appeals will be based on market conditions as of January 1, 2021, and appeals must be filed during the July to November 2021 assessment appeal filing period.

Suggestions for addressing these problems:

1. Allow taxpayers to file Misfortune and Calamity (M&C) claims under *Revenue and Taxation Code* section 170 for the impact of COVID-19 on property values starting in March 2020. Problem: Section 170 generally requires "physical" damage, and COVID-19's damage to properties is "economic" in nature; an amendment to Section 170 and other laws would be required to include "economic" damage caused by COVID-19.
2. For only this year, move the 2020-2021 property tax date of value (or lien date) from January 1, 2020 to July 1, 2020. Problem: Moving the January 1 lien date would require an amendment to the pertinent statute.
3. For 2020-2021 only, change the evidentiary standard for showing market declines in value by allowing Assessors and Assessment Appeals Boards to consider market information for the period from January 1, 2020 through June 30, 2020. Problem: With a few exceptions, current law only permits Assessors and Assessment Appeals Board, when valuing properties, to consider information that was known as of January 1st. *Revenue and Taxation Code* section 402.5 allows information from sales that occurred 90 days after January 1, 2020, and some court decisions would allow limited consideration of market evidence after January 1, 2020.

IV. Long-Term Issues (Wes Nichols, CATA Board Member - Managing Principal and Founder of Paramount Property Tax Appeal)

- A. Preparing for the "Tsunami" of Appeals that Will Be Filed in July 2021
 1. Assist Assessment Appeals Boards to handle more appeals
 - a. Increase number of Boards in each county

- b. Support recruiting new Board members
 - c. Improve training of Board members
 - d. Increase salaries paid to Board members
 - e. Create a “mega-board” that handles appeals for multiple counties
 - f. For large counties, create board(s) to handle large cases
 - 2. Changing assessment appeal procedures to improve efficiencies
 - a. Allow flexibility in 2-year waivers under R&TC section 1604(c)
 - b. Develop ways to accelerate processing of appeals
- B. Increase the number of appraisers in Assessor’s Offices
 - 1. Expand training programs to community colleges, etc.
 - 2. Create apprentice appraisers who can handle simpler matters
 - 3. Require Assessor’s Offices in larger counties to create “assessment appeal units” that only handle appeals (Orange County model)
- C. Improve tax payment and refund procedures
 - 1. Expand plans for payment of escape assessment taxes to help taxpayers
 - 2. Establish requirements for timely payment of refunds (economic stimulus)
- V. Summary and Conclusion (Paul Waldman, CATA President – Director, Ryan))

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