

From: July 27, 2021 Board Meeting - Public Comment
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Public Comment
From: Tom Sheehy
Agenda Item: C1, Proposed Property
Tax Rule 462.520
Meeting Date: 07/27/21

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Agenda Item(s):

CL. Proposed Property Tax Rule 462.520 - Public hearing and proposed adoption of Property Tax Rule

Comment:

Commercial Loan Corporation (CLC) has done a significant amount of research on how specific counties process requests for exclusion from reassessment under the historical intergenerational property transfer rules under Proposition's 58 & 193, as well as the current rules contained in Prop 19. Their objective has always been to find ways to help create more consistency in the processing of "Claims for Reassessment Exclusions" between parents and children throughout the state. CLC has found wide discrepancies between counties on how requests for exclusion from reassessment are processed. The culprit seems to be how parent to child transfers are handled by county assessors when real property is held in a family trust and one of the child-beneficiaries wants to keep the family property. CLC has documented a number of known fraudulent schemes being used in California to bypass the requirements of Revenue and Taxation Code 63.1 in these instances. These schemes include: 1) faking third-party loans, 2) creating bogus LLCs or corporations whose real purpose is deception and not to provide real loans, 3) taking properties out of a trust to secure conventional financing, 4) asset inflation to equalize, and more. All of these schemes and more are being utilized in California to one extent or another. The due diligence done by county assessors is the primary way these tax-avoidance schemes are caught when requesters attempt to circumvent the law and deprive local and state governments the public resources made available through the property tax revenues. After researching the techniques being used and thoroughly understanding these methods to deceive county assessors, CLC completed the BOE-58-AH form for all the above scenarios as well as for a normal parent to child transfer that did not require a third-party loan. CLC found that the BOE-58-AH looked IDENTICAL in each instance. It makes it unclear how an assessor would know what additional information or documents to ask for in order to make sure the law is being followed and requests for exclusion from reassessment are legitimate. CLC believes that there needs to be uniformity from county to county in the state. It should not matter where a request for exclusion from reassessment under the intergenerational transfer rules takes place. Los Angeles County should follow similar procedures as Monterey, or San Diego, or Colusa. To that end, we are asking the BOE and County Assessors Association to adopt a couple of minor changes to the new BOE-19-P that we believe will help weed out quite a bit of the questionable transactions and promote more uniformity in how these requests are processed around the state. Our request on these minor form changes to the BOE-19-P and an actual "mock-up" of an amended form have been made available on the public comments page for this proposed regulation. CLC strongly urges the BOE to work with the California Assessors Association and adopt these changes to the form as a way to promote more uniformity among the counties and to prevent fraudulent schemes from draining needed public resources. Some have argued the changes are not necessary because taxpayers requesting the reassessment exclusions must sign these forms under

“penalty of perjury.” The penalty under perjury requirement does not stop those who intentionally decide to break the rules in order to enrich themselves at the cost to other taxpayers, governments, and citizens. This is sad but true, and Federal IRS statistics bear this out year after year.