COLUSA COUNTY
ASSESSMENT PRACTICES SURVEY

JANUARY 2025

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January 28, 2025

TO COUNTY ASSESSORS:

No. 2025/002

COLUSA COUNTY
ASSESSMENT PRACTICES SURVEY

A copy of the Colusa County Assessment Practices Survey Report is enclosed for your information. The State 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 specified counties 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 Arnold Gross, Jr., Colusa County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the Assessor's response, constitutes the final survey report, which is distributed to the Governor, the Attorney General, and the State Legislature; and the Colusa County Board of Supervisors and Grand Jury.

Fieldwork for this survey was performed by the BOE's Assessment Practices Survey Division from February through May 2024. The report does not reflect changes implemented by the Assessor after the fieldwork was completed.

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

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
Property Tax Department

DY:gdc
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 specified County Assessors' offices. This report reflects the BOE's findings in its current survey of the Colusa County Assessor's Office.

The Assessor is required to file with the board of supervisors a response that states the manner in which the Assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, and the Senate and Assembly; and the Colusa 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 Arnold Gross Jr., Colusa County Assessor, elected to file their initial response prior to the publication of our survey; it is included in this report following the Appendices.

OBJECTIVE

The survey shall "…show…the extent to which assessment practices are consistent with or differ from state law and regulations."[1] The primary objective of a survey is to ensure the Assessor's compliance with state law governing the administration of local property taxation. This objective serves the three-fold purpose of protecting the state's interest in the property tax dollar, promoting fair treatment of taxpayers, and maintaining the overall integrity and public confidence in the property tax system in California.

The objective of the survey program is to promote statewide uniformity and consistency in property tax assessment by reviewing each specified county's property assessment practices and procedures, and publishing an assessment practices survey report. Every Assessor is required to identify and assess all properties located within the county – unless specifically exempt – and maintain a database or "roll" of the properties and their assessed values. If the Assessor's roll meets state requirements, the county is allowed to recapture some administrative costs.

SCOPE AND METHODOLOGY

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.

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.

This survey examined the assessment practices of the Colusa County Assessor's Office for the 2023-24 assessment roll. 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.

Our survey methodology of the Colusa County Assessor's Office included reviews of the Assessor's records, interviews with the Assessor and their staff, and contacts with officials in other public agencies in Colusa County who provided information relevant to the property tax assessment program.

For a detailed description of the scope of our review of county assessment practices, ~~please refer to the document entitled *Scope of Assessment Practices Surveys*, which is available on the BOE's~~

[1] Government Code section 15642.

[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.

~~website at http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf.~~ as of 10/2/2025, please refer to the updated URL on the BOE's website https://boe.ca.gov/proptaxes/assessment-practices-survey-division/scope.htm. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at http://www.boe.ca.gov/proptaxes/apscont.htm.

EXECUTIVE SUMMARY

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.

We examined the assessment practices of the Colusa County Assessor's Office for the 2023-24 assessment roll.

During our survey, we conducted reviews of the following areas:

- Administration

  We reviewed the Assessor's administrative policies and procedures that affect both the real property and business property assessment programs. Specific areas reviewed include budget and staffing, workload, assessment appeals, and exemptions. In the area of administration, the Assessor is effectively managing assessment appeals. However, we made recommendations for improvement in the workload and exemptions programs.

- Assessment of Real Property

  We reviewed the Assessor's program for assessing real property. Specific areas reviewed include properties having experienced a change in ownership, new construction assessments, and declines in value. In the area of real property assessment, we made recommendations for improvement in the change in ownership, new construction, and declines in value programs.

- Assessment of Personal Property and Fixtures

  We reviewed the Assessor's program for assessing personal property and fixtures. Specific areas reviewed include conducting audits, processing business property statements, and business equipment valuation. In the area of personal property and fixtures assessment, the Assessor has an effective program for processing business property statements. However, we made recommendations for improvement in the audit and business equipment valuation programs.

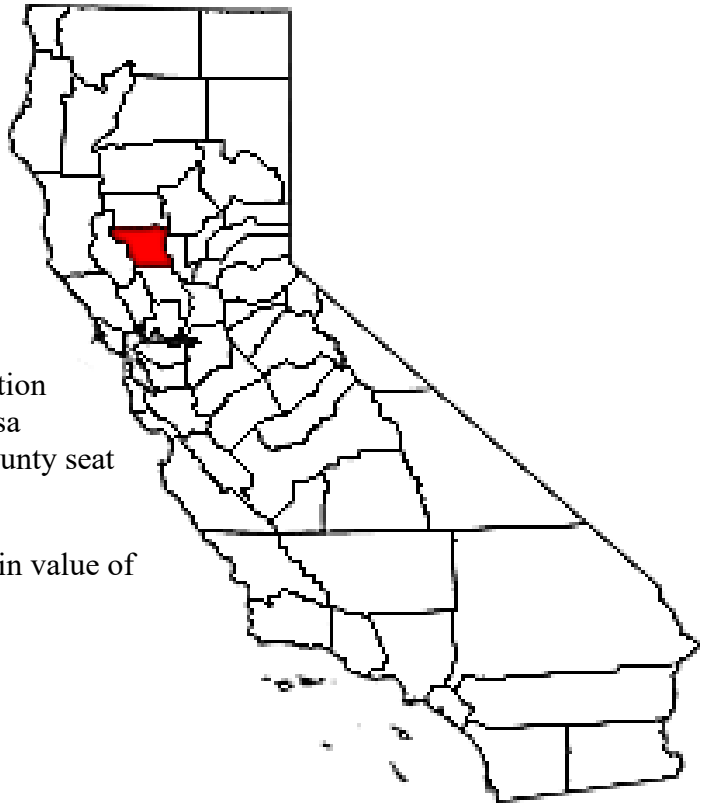
Despite the recommendations noted in this report, we found most properties and property types are assessed correctly, and the overall quality of the assessment roll meets state standards.

We found no significant assessment problems as defined in Rule 371. Since Colusa County was not selected for assessment sampling pursuant to Government Code section 15643(b), this report

does not include the assessment ratios that are generated for surveys that include assessment sampling. Accordingly, pursuant to section 75.60, Colusa County continues to be eligible for recovery of costs associated with administering supplemental assessments.

OVERVIEW OF COLUSA COUNTY

Colusa County is located in northern California, and is one of California's original 27 counties created in 1850. The county encompasses a total area of 1,156.36 square miles, consisting of 1,150.73 square miles of land area and 5.63 square miles of water area. Colusa County is bordered by Glenn County to the north, Butte and Sutter Counties to the east, Yolo County to the south, and Lake County to the west.



As of 2022, Colusa County had an estimated population of 21,914. There are two incorporated cities in Colusa County, which include Colusa and Williams. The county seat is Colusa.

The Colusa County local assessment roll ranks 51st in value of the 58 county assessment rolls in California.[3]

[3] Statistics provided by the BOE Open Data Portal dataset - *County Assessed Property Values, by Property Class and County (Table 7),* for year 2023-24.

FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the Colusa County assessment roll meets the requirements for assessment quality established by section 75.60. This report does not provide a detailed description of all areas reviewed; it addresses only the deficiencies discovered.

Following is a list of the formal recommendations contained in this report.

RECOMMENDATION 1: Report statistics as requested by the BOE pursuant to section 407. 8

RECOMMENDATION 2: Conduct field inspections on all first-time filing claims for new locations. 9

RECOMMENDATION 3: Correctly implement the penalty process in accordance with section 482(a)....10

RECOMMENDATION 4: Improve the LEOP program by: (1) reassessing all properties owned by a legal entity undergoing a change in control or ownership, and (2) applying penalties in accordance with section 482(b). 11

RECOMMENDATION 5: Reappraise all properties exceeding the $1 million exclusion provided in section 63.1. 13

RECOMMENDATION 6: Submit quarterly reports to the BOE pursuant to section 69.5(b)(7). 14

RECOMMENDATION 7: Improve the new construction program by: (1) valuing new construction at its fair market value, and (2) classifying wells as land pursuant to Rule 124. 15

RECOMMENDATION 8: Annually review all decline in value properties pursuant to section 51(e). 16

RECOMMENDATION 9: Improve the audit program by: (1) performing the minimum number of audits of professions, trades, and businesses pursuant to section 469, (2) developing and maintaining an effective audit tracking schedule, and (3) using a comprehensive audit checklist as a standard component of all audits. 17

RECOMMENDATION 10: Correctly classify machinery and equipment reported on the business property statement. 19

ADMINISTRATION

Workload

Generally, the Assessor is responsible for annually determining the assessed value of all real property and business personal property 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.[4]

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.

RECOMMENDATION 1: Report 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 publication of *A Report on Budget, Personnel, and Appeals Data* for fiscal years 2020-21 and 2022-23 *& Roll Data* for years 2021-22 and 2023-24.

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 that the BOE may require, and shall supply from time to time any other information required by the BOE.

By not reporting statistics to the BOE, the Assessor is not in compliance with current statute.

Exemptions

Article XIII, section 1 of the California Constitution sets forth the general principle that all property is taxable unless otherwise provided. Section 3 of article XIII authorizes exemption of certain types of property from property taxation and section 4 authorizes the Legislature to exempt certain other types of property from property taxation.[5]

Our review of the Assessor's exemptions program focused on the welfare exemption.

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[4] The scope of our review for the budget, staffing, and workload topic is provided on the BOE website. ~~at https://boe.ca.gov/Assessors/pdf/budget-staffing_general.pdf.~~ As of 10/2/2025, please refer to the updated URL https://boe.ca.gov/proptaxes/budget-staffing/.

[5] The scope of our review for the exemptions topic is provided on the BOE website. ~~at https://boe.ca.gov/Assessors/pdf/exemptions_general.pdf.~~ As of 10/2/2025, please refer to the updated URL https://boe.ca.gov/proptaxes/general-exemptions/.

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 is qualified for either an *Organizational Clearance Certificate* (OCC) or a *Supplemental Clearance Certificate* (SCC), while the Assessor is responsible for determining whether the use of a qualifying organization's property is eligible for the welfare exemption.

The Assessor may not grant a welfare exemption on an organization's property unless the organization holds either a valid OCC or SCC. 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 organization.

RECOMMENDATION 2: Conduct field inspections on all first-time filing claims for new locations.

We found examples where first-time filers were granted the welfare exemption even though a field inspection was not conducted.

Section 254.5(b)(1) provides, in part, that the Assessor shall review all claims for the welfare exemption to ascertain whether the property on which the exemption is claimed meets the requirements of section 214. In addition, section 254.5(b)(1)(B) provides that in connection with reviewing welfare exemption claims, the Assessor shall consider, among other matters, whether the property on which the exemption is claimed is used for the actual operation of an exempt activity and does not exceed an amount of property reasonably necessary to accomplish the exempt purpose. Although the Assessor is not required by statute to conduct a field inspection, the requirement of section 254.5(b)(1)(B) can best be accomplished by an onsite physical inspection.

The Assessor's failure to conduct field inspections for welfare exemption claims may result in the granting of an improper exemption and the potential loss of tax revenue.

ASSESSMENT OF REAL PROPERTY

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 69.6 further clarify what is considered a change in ownership and what is excluded from the definition of a 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 the change in ownership.[6]

Penalties

RECOMMENDATION 3: Correctly implement the penalty process in accordance with section 482(a).

The Assessor does not apply penalties when a property owner fails to return a BOE-502-AH, *Change in Ownership Statement* (COS) or fails to return the COS timely. In addition, the Assessor does not have a tracking system in place to monitor whether the COS is filed timely.

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 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).

By failing to apply the required penalty, the Assessor is not in compliance with statutory requirements.

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

[6] The scope of our review for the change in ownership topic is provided on the BOE website. ~~at https://boe.ca.gov/Assessors/pdf/cio_general.pdf.~~ As of 10/2/2025, please refer to the updated URL https://boe.ca.gov/proptaxes/change-in-ownership/.

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 legal entity changes in control under section 64(c)(1) 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) requires the County Assessor to impose 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.

RECOMMENDATION 4: Improve the LEOP program by: (1) reassessing all properties owned by a legal entity undergoing a change in control or ownership, and (2) applying penalties in accordance with section 482(b).

Reassess all properties owned by a legal entity undergoing a change in control.

We found 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 in control or ownership for those legal entities by the BOE's LEOP Section.

Section 64(c)(1) provides that when a legal entity or any other person obtains control through direct or indirect ownership or control of more than 50 percent of the voting stock of any corporation, or obtains a majority ownership interest in any partnership, limited liability company, or other legal entity through the purchase or transfer of corporate stock, partnership, or limited liability company interest, the purchase or transfer of that stock or interest shall be a change of ownership of the real property owned by the legal entity in which the controlling interest was obtained.

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.

Apply penalties in accordance with section 482(b).

We found several instances where penalties were not applied when an entity had failed to file timely a BOE-100-B, even though the Assessor had been notified by the BOE's LEOP section that a penalty applied.

Section 482(b) states that if a legal entity required to file a statement described in sections 480.1 or 480.2 fails to do so within 90 days from the earlier of (1) the date of the change in control or the change in ownership of the legal entity, or (2) the date of a written request by the BOE, a specific penalty will be applied.

The BOE provides the Assessor with several reports, as well as copies of BOE-100-B filings, indicating whether a penalty applies. The Assessor should utilize these reports and the BOE-100-B filings to identify legal entities with late filings, or failures to file, and apply the penalty accordingly.

By failing to apply the required penalty, the Assessor is not in compliance with statutory requirements.

Change in Ownership Exclusion – Parent-Child and Grandparent-Grandchild

Prior to February 16, 2021, section 63.1 generally excludes from the definition of "change in ownership" the purchase or transfer of a principal residence and the first $1 million of other real property between parents and their children. Section 63.1 also excludes qualifying purchases or transfers from grandparents to their grandchildren if qualifying children of the grandparents are deceased as of the date of purchase or transfer.

To enforce the $1 million limit for property of an eligible transferor, other than their principal residence, the BOE maintains a statewide database that lists transfers of such property. 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 out of reporting quarterly transfer information to the BOE, the Assessor must track such transfers internally to be in compliance with section 63.1.

The BOE compiles the information provided by Assessors to generate quarterly reports notifying Assessors of any transferors who have exceeded their $1 million limit. The data the BOE provides Assessors enables them to identify ineligible claims and, if necessary, take corrective action to ensure the $1 million limit isn't exceeded.

However, effective September 30, 2021, Senate Bill 539 (Stats. 2021, Ch. 427) added section 63.2, which generally excludes from the definition of "change in ownership" the purchase or transfer of a principal residence or family farm occurring on and after February 16, 2021 between parents and their children. Section 63.2 also excludes qualifying purchases or transfers occurring on and after February 16, 2021 from grandparents to their grandchildren if qualifying children of the grandparents are deceased as of the date of purchase or transfer.

The transfer of a principal residence (family home) or each legal parcel of a family farm is subject to a value cap that is the sum of the property's factored base year value plus $1 million. Section 2.1(c)(4) of article XIII A of the California Constitution and section 63.2 provides that the $1 million amount is to be adjusted every other year for inflation beginning on February 16, 2023.

In addition to the value limitation on the principal residence or family farm, section 63.2 eliminates the exclusion for other real property other than the principal residence or family farm. Therefore, the BOE will no longer have the need to maintain a statewide database that lists transfers of such property.

RECOMMENDATION 5: Reappraise all properties exceeding the $1 million exclusion provided in section 63.1.

We found several properties listed on the BOE's *Report of Transferors Exceeding $1,000,000,* which the Assessor either failed to reappraise those portions exceeding the $1 million limit or failed to report to the BOE the corrections necessary to resolve the issue.

Prior to February 16, 2021, section 63.1(a)(2) excludes from reassessment the purchase or transfer of the first $1 million of full cash value of all real property, other than a principal residence, of an eligible transferor in the case of a purchase or transfer between parents and their children. Based on quarterly reports submitted by Assessors to the BOE listing approved section 63.1 transfer exclusions, the BOE tracks transferors and the properties transferred for each county in an effort to enforce the $1 million limit. The BOE sends out a *Report of Transferors Exceeding $1,000,000*, which lists the transferor and the properties that have been excluded. Assessors should review this list and report any necessary corrections to the BOE, such as duplicate submissions or errors in the value submitted. For those properties exceeding the limit, the Assessor should determine if a reassessment is valid and coordinate with the taxpayer and any other counties involved to make sure the exclusion is not granted on properties once the $1 million limit has been exceeded. By allowing the exclusion of properties once the $1 million limit has been exceeded, the Assessor is allowing certain properties to be excluded from reassessment that would otherwise be reassessable.

However, as stated previously, effective September 30, 2021, Senate Bill 539 (Stats. 2021, Ch. 427) added section 63.2, which eliminates the exclusion for other real property other than the principal residence or family farm. Therefore, the BOE will no longer have the need to maintain a statewide database that lists transfers of such property.

Change in Ownership Exclusion – Transfer of Base Year Value

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 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.

However, effective September 30, 2021, Senate Bill 539 (Stats. 2021, Ch. 427) added section 69.6, which generally allows any person 55 years of age or older, any severely and permanently disabled person, or a victim of wildfire or natural disaster who resides in property that is eligible for homeowners' exemption or the disabled veteran's exemption to transfer the base year value of a principal residence to a replacement residence on and after April 1, 2021 of any value located

anywhere in California. There is no adjustment to transferred base year value if the replacement property is of equal or lesser value than the original property's market value, however, any amount above the equal or lesser value is added to the transferred value.

In general, a person may claim relief under section 69.6 three times during their lifetime. To prevent improper multiple claims for this relief, section 69.6 requires County Assessors to report to the BOE, on a quarterly basis, any approved 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.

RECOMMENDATION 6: Submit quarterly reports to the BOE pursuant to section 69.5(b)(7).

The Assessor has not submitted to the BOE a quarterly report listing approved section 69.5 base year value transfers for several quarters during calendar years 2020, 2021, and 2022. In addition, the Assessor has not submitted to the BOE a quarterly report listing approved section 69.6 base year value transfers for several quarters during calendar years 2021 and 2022.

Section 69.5(b)(7) provides that the Assessor shall report quarterly to the BOE a list of approved section 69.5 base year value transfers to prevent improper multiple claims for this relief. The Assessor's failure to provide information to the BOE involving base year value claims under section 69.5 may result in the duplication of the exclusion and the potential loss of tax revenue.

Effective April 1, 2021, in general, a person may claim relief under section 69.6 three times during their lifetime. To prevent improper multiple claims for this relief, section 69.6 requires County Assessors to report to the BOE, on a quarterly basis, any approved claims.

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.[7]

[7] The scope of our review for the new construction topic is provided on the BOE website. ~~at https://boe.ca.gov/Assessors/pdf/newconstruction_general.pdf.~~ As of 10/2/2025, please refer to the updated URL https://boe.ca.gov/proptaxes/new-construction/.

RECOMMENDATION 7: Improve the new construction program by: (1) valuing new construction at its fair market value, and (2) classifying wells as land pursuant to Rule 124.

Value new construction at its fair market value.

We found several instances where the Assessor valued construction in progress and completed new construction using the permit value or taxpayer reported value instead of 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 Colusa County. Moreover, these estimates cannot account for variations in construction costs resulting from differences in square footage, construction quality, complexity of proposed projects, revisions to project plans, or entrepreneurial profit. 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.

By valuing new construction using the permit value or taxpayer reported value, the Assessor is not in compliance with statutory requirements and results in inequitable treatment of taxpayers, as well as inaccurate assessments.

Classify wells as land pursuant to Rule 124.

We found several examples where the Assessor classified wells as structural improvements.

Rule 124 requires that oil and water wells be classified as land. By not attributing value to the land for value added by the new construction of water wells, the Assessor is underassessing the land and over assessing the improvements, which may also result in incorrect special 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.[8]

[8] The scope of our review for the declines in value topic is provided on the BOE website. ~~at https://boe.ca.gov/Assessors/pdf/declinesinvalue_general.pdf.~~ As of 10/2/2025, please refer to the updated URL https://boe.ca.gov/proptaxes/declines-in-value/.

RECOMMENDATION 8: Annually review all decline in value properties pursuant to section 51(e).

We found that for properties already in a decline-in-value status, the Assessor does not consistently perform annual reviews for each of these properties in accordance with section 51(e). Although some properties are being reviewed annually, we found examples of properties that had not been reviewed for several years.

Section 51(e) provides that the Assessor is not required to annually appraise 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.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

Audit Program

Prior to January 1, 2019, County Assessors were required to annually conduct a significant number of audits as specified in section 469. The significant number of audits required was 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 50 percent of those to be selected from a pool of those taxpayers with the largest assessments.[9] However, effective January 1, 2019, Senate Bill 1498 (Stats. 2018, Ch. 467) amended section 469 to provide County Assessors flexibility in meeting this annual audit requirement. Thus, beginning with the 2019–20 fiscal year, Assessors may also meet the requirements of section 469 by completing the four-year total of required annual audits within that four-year period. The first four-year period began with the 2019–20 fiscal year and ends with the 2022–23 fiscal year.

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.

RECOMMENDATION 9: Improve the audit program by: (1) performing the minimum number of audits of professions, trades, and businesses pursuant to section 469, (2) developing and maintaining an effective audit tracking schedule, and (3) using a comprehensive audit checklist as a standard component of all audits.

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

We found that the Assessor did not meet the minimum number of total audits required by section 469 for the four-year fiscal period beginning with the 2019-20 fiscal year and ending with the 2022-23 fiscal year. The Assessor completed a total of thirty-four audits for the four-year fiscal period falling short of the required fifty-two audits.

[9] The scope of our review for the audit program topic is provided on the BOE website. ~~at https://boe.ca.gov/Assessors/pdf/auditprogram_general.pdf.~~ As of 10/2/2025, please refer to the updated URL https://boe.ca.gov/proptaxes/audit-program/.

For the 2019-20 to 2022-23 four-year fiscal period, section 469 required the Assessor to audit fifty-two taxpayers, with twenty-six of those audits from the pool of largest business property assessments and twenty-six of the audits from the pool of all other business property owners.

By failing to conduct the minimum number of audits for the four-year fiscal period, the Assessor was not in compliance with section 469 and risked the possibility of allowing taxable property to permanently escape assessment.

Develop and maintain an effective audit tracking schedule.

We found the Assessor does not maintain an effective audit tracking schedule. The schedule used lacks some necessary information to properly administer an audit program, such as whether a waiver of the statute of limitations was requested or executed, the date an audit was assigned to an auditor, and the results of an audit.

An audit tracking schedule provides management with a snapshot of the audit workload and assists in monitoring audit assignments, completions, and results. Furthermore, the audit tracking schedule serves as a useful tool when preparing for future audit workloads and provides management with a tool for verifying compliance with section 469. BOE guidance on tracking the audit workload and developing the audit tracking schedule can be found in Chapter 2 of Assessors' Handbook Section 506, *Property Tax Audits and Audit Program* (AH 506).

Without a proper audit tracking schedule, it is difficult for the Assessor to effectively manage the required annual workload.

Use a comprehensive audit checklist as a standard component of all audits.

We could not determine the scope of the Assessor's audit investigations because an audit checklist was not included in the workpapers. We subsequently found that the Assessor's audit program does not include the use of a comprehensive audit checklist indicating the areas of investigation.

According to Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*, an audit checklist is vital for an audit to be thorough and complete. Audits require certain basic information in the workpapers that support and summarize the audit. An audit should include the following: (1) a table of contents, (2) a summary of findings, (3) an audit checklist, (4) a written narrative summarizing the events and audit process, and (5) other workpapers. An audit checklist can serve to remind auditor-appraisers of the various issues to research and procedures to follow during an audit. It may also provide an outline of topics and pertinent issues to be covered in the audit. In addition, it serves as a useful research tool when preparing for subsequent audits of the same entity.

Without a comprehensive audit checklist, it is difficult for a reviewer to know what topics were covered during the course of the audit and whether the findings are sufficiently supported.

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. Under this methodology, value for taxation purposes is established by multiplying a property's historical cost by an appropriate valuation factor.[10]

RECOMMENDATION 10: Correctly classify machinery and equipment reported on the business property statement.

We found that the Assessor does not allocate machinery and equipment costs between personal property and fixtures on the assessment roll. The Assessor does not allocate a percentage of machinery and equipment to fixtures when acquisition costs are reported in bulk and does not have a standardized fixture allocation table.

Classification is an important element of the local assessment function for several reasons. Principally, it is important because property tax law requires the assessment roll to show separate values for land, improvements (including fixtures), and personal property. It is also significant because of the assessment differences between real property and personal property. Special assessments are levied only on real property, which includes fixtures, and personal property is appraised annually at market value, while fixtures are subject to article XIII A of the California Constitution and considered a separate appraisal unit when measuring declines in value.

The Assessor should make a concerted effort to prorate machinery and equipment costs reported on Schedule A of the business property statement between personal property and fixtures, particularly when enrolling taxable property related to industries that are likely to mix fixtures and personal property in reported cost data. The Assessor's current practice may lead to inaccurate allocations between fixtures and personal property in specific industry settings and cause incorrect assessments.

[10] The scope of our review for the business equipment valuation topic is provided on the BOE website. ~~at https://boe.ca.gov/Assessors/pdf/businessequipval_general.pdf.~~ As of 10/2/2025, please refer to the updated URL https://boe.ca.gov/proptaxes/business-equipment-valuation/.

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following table displays pertinent information from the 2023-24 assessment roll.[11]

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	$1,773,092,945
	Improvements	$1,939,759,252
	Fixtures	$152,002,963
	Personal Property	$142,450,287
	Total Secured	$4,007,305,447
Unsecured Roll	Land	$3,982,110
	Improvements	$52,269,740
	Fixtures	$74,159,741
	Personal Property	$250,751,320
	Total Unsecured	$381,162,911
Exemptions[12]		($86,099,428)
	Total Assessment Roll	$4,302,368,930

Table 2: Change in Assessed Values

The following table summarizes the change in assessed values over recent years:[13]

ROLL YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2023-24	$4,302,369,000	6.3%	6.7%
2022-23	$4,048,350,000	5.1%	7.5%
2021-22	$3,850,160,000	5.5%	4.1%
2020-21	$3,649,207,000	4.4%	5.7%
2019-20	$3,493,994,000	6.8%	6.1%

[11] Statistics provided by BOE-822, *Report of Assessed Values by City,* County 06 Colusa for year 2023.
[12] The value of the Homeowners' Exemption is excluded from the exemptions total.
[13] Statistics provided by the BOE Open Data Portal dataset - *County Property Values, by Property Class and County (Table 7)*.

Table 3: Gross Budget and Staffing

The Assessor's budget has decreased from $1,336,646 in fiscal year 2018-19 to $663,765 in fiscal year 2021-22.

For fiscal year 2021-22, the Assessor had 10 budgeted permanent positions. These positions consist of the Assessor, Assistant Assessor, 3 real property appraisers, 1 business property auditor-appraiser, and 4 other technical/professionals.[14]

The following table identifies the Assessor's budget and staffing over recent fiscal years:[15]

FISCAL YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2022-23	0	0	0
2021-22	$663,765	(9.4%)	10
2020-21	$732,433	(45.6%)	10
2019-20	$1,346,477	0.7 %	10
2018-19	$1,336,646	1.5 %	10

Table 4: Assessment Appeals

The following table shows the number of assessment appeals filed in recent fiscal years:[16]

FISCAL YEAR	ASSESSMENT APPEALS FILED
2022-23	0
2021-22	0
2020-21	0
2019-20	2
2018-19	3

[14] Statistics provided by the BOE Open Data Portal dataset – *Budgeted Permanent Positions*.
[15] Statistics provided by the Assessor and BOE Open Data Portal datasets – *Gross and Net Budget* and *Budgeted Permanent Positions*.
[16] Statistics provided by the BOE Open Data Portal dataset – *Distribution of Assessment Appeals by Property Types*.

Table 5: Exemptions – Welfare

The following table shows welfare exemption data for recent roll years:[17]

ROLL YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2023-24	81	$69,399,651
2022-23	75	$64,552,196
2021-22	77	$60,281,747
2020-21	76	$59,869,118
2019-20	86	$60,177,841

Table 6: Change in Ownership

The following table shows the total number of transfer documents received and the total number of reappraisable transfers due to changes in ownership processed in recent roll years:[18]

ROLL YEAR	TOTAL TRANSFER DOCUMENTS RECEIVED	REAPPRAISABLE TRANSFERS
2023-24	0	0
2022-23	0	576
2021-22	0	559
2020-21	7,422	5,583
2019-20	8,241	6,532

[17] Statistics provided by BOE-802, *Report on Exemptions*.
[18] Statistics provided by the Assessor and BOE Open Data Portal dataset – *Real Property Workload Data, Transfers*.

Table 7: New Construction

The following table shows the total number of building permits received and the total number of new construction assessments processed in recent roll years:[19]

ROLL YEAR	TOTAL BUILDING PERMITS RECEIVED	NEW CONSTRUCTION ASSESSMENTS
2023-24	0	0
2022-23	0	0
2021-22	0	0
2020-21	962	193
2019-20	1,035	172

Table 8: Declines In Value

The following table shows the total number of decline-in-value assessments in recent roll years:[20]

ROLL YEAR	DECLINE-IN-VALUE ASSESSMENTS
2023-24	0
2022-23	399
2021-22	536
2020-21	781
2019-20	726

[19] Statistics provided by the BOE Open Data Portal dataset – *Real Property Workload Data, New Construction*.
[20] Statistics provided by the Assessor and BOE Open Data Portal dataset – *Real Property Workload Data, Proposition 8*.

Table 9: Audits

The following table shows the minimum number of audits required to be conducted and the total number of audits completed in recent fiscal years.[21]

MINIMUM NUMBER OF AUDITS REQUIRED[22]	2022–23	2021–22	2020–21	2019–20	2018–19
Largest Assessments					7
All Other Taxpayers					6
Total Required					13
NUMBER OF AUDITS COMPLETED					
Total Audits Completed	6	15	5	16	13
Largest Assessments	2	5	3	4	1
Over/(Under) Required					(6)
All Other Taxpayers	3	2	2	12	12
Over/(Under) Required					6
CCCASE AUDITS					
Prepared for other county Assessors	0	0	0	0	0

[21] Statistics provided by the BOE Open Data Portal dataset – *Business Property Workload Data, Audits*.
[22] See Letter to Assessors (LTA) No. 2009/049, *Significant Number of Business Property Audits*, for the minimum number of annual audits required pursuant to the provisions of section 469 for year 2018-19. Effective January 1, 2019, section 469 was amended to give Assessors more flexibility in completing the number of audits by allowing for the four-year total of required annual audits to be completed within a four-year period of time, rather than annually, beginning with the 2019-20 fiscal year. For more information on the amendments to section 469, see LTA No. 2018/067.

APPENDIX B: ASSESSMENT PRACTICES SURVEY DIVISION / PROPERTY TAX DEPARTMENT SURVEY GROUP

Colusa County

Chief

Holly Cooper

Survey Program Director:

Gary Coates	Principal Property Appraiser

Survey Team Supervisor:

Alexander B. Fries	Supervising Property Appraiser

Survey Team:

Jeff Arthur	Senior Specialist Property Auditor Appraiser
Artemis Oestreich	Senior Specialist Property Appraiser
Nicole Grady	Associate Property Appraiser
Kat Santora	Associate Property Appraiser
Lydia Vannarattanarat	Assistant Property Auditor Appraiser
Virginia Casarez	Assistant Property Appraiser
Greg Dela Cruz	Associate Governmental Program Analyst

APPENDIX C: RELEVANT STATUTES AND REGULATIONS

Reference	Description
Government Code	
§15640	**Survey by board of county assessment procedures.**
§15641	**Audit of records, appraisal data not public.**
§15642	**Research by board employees.**
§15643	**When surveys to be made.**
§15644	**Recommendations by board.**
§15645	**Survey report, final survey report, Assessor's report.**
§15646	**Copies of final survey reports to be filed with local officials.**
Revenue and Taxation Code	
§75.60	**Allocation for administration.**
Title 18, California Code of Regulations	
Rule 371	**Significant assessment problems.**

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 Colusa County Assessor's response begins on the next page.

Section 15645 also allows the Board to include in the report comments regarding the Assessor's response. Our comments follow the Assessor's response.

Arnold Gross Jr.
Assessor
COUNTY OF COLUSA
547 Market Street, Suite 101
Colusa, CA 95932
Phone (530) 458-0450

Attn: Mr. David Yeung Deputy Director

Property Tax Department

State Board of Equalization

P.O. Box 942879 Sacramento, CA. 94279-0064

Dear Mr. Yeung

Pursuant to 15645 of the California Government Code, Please find my responses to the recommendations made by the State Board of Equalization Assessment Practices Report for November 2024.

I would like to express my appreciation to the Survey Team for the Professionalism extended to my staff during the survey Process.

You will find I concur with most of the recommendations and even though we are short staffed in the office with budget cuts we are working hard to improve in these areas. There are a couple of recommendations we disagree with or slightly disagree with but we always appreciate constructive comments for improving our office practices and procedures.

I want to take the opportunity to thank my staff for their hard work as they are doing a great job despite our office not being fully staffed. Their commitment to excellence with both the technical and customer service areas are greatly appreciated.

Sincerely,

Arnold Gross Jr.

Colusa County Assessor

Colusa County Assessment Practices Survey: Responses

Recommendation 1 : Report statistics as requested by the BOE pursuant to section 407.

Response : We concur. Do to staff retiring and shortages, we are working with current staff members to ensure proper reporting.

Recommendation 2. : Conduct field inspections on all first time filing claims for new locations.

Response: We concur. Do to staffing shortages we have not been able to perform inspections for all claims. We are working to improve in this area.

Recommendation 3 : Correctly implement the penalty process in accordance with section 482 a

Response: We concur. We implemented a tracking system in 2023 and are working with the Auditor Controllers Office to apply penalties as required.

Recommendation 4: Improve LEOP program by: 1 reassessing all properties owned by a legal entity undergoing a change in control or ownership, and 2 applying penalties in accordance with section 482 b.

Response: We concur. Due to Staff Shortages we are working to cross train in this area to improve.

Recommendation 5 : Reappraise all properties exceeding the 1 million exclusion provided in section 63.1

Response: We concur. Due to Staff Shortages we are working to cross train in this area to improve.

Recommendation 6 : Submit quarterly reports to the BOE pursuant to section 69.5 b 7

Response: We concur. Due to Staff Shortages and the additional workload and reporting requirements of Proposition 19 we are working to train staff and improve in this area.

Recommendation 7 : Improve the New construction Program by: 1 valuing new construction at its fair market value, and 2 classifying wells as land pursuant to Rule 124.

Response: With Colusa being a small County and few sales to do a matched pair analysis, most new construction is valued using the cost approach.

We concur with valuing wells as land and it is being implemented.

Recommendation 8: Annually review all decline in value properties to section 51 e.

Response: We partially agree with this recommendation. Colusa reviews decline in value properties; however, due to staffing shortages and Covid, values were held flat for one year. Other unique properties are valued as time permits, and with staffing and budget issues, some properties are analyzed every couple of years since those types of properties are specialized and more time intensive.

Recommendation 9: Improve Audit program by: 1 performing the minimum number of Audits of professions, trades, and businesses pursuant to section 469, 2 developing and maintaining an effective audit tracking schedule, and 3 using a comprehensive audit checklist as a standard component of all audits.

Response: We disagree with this recommendation. We feel that we have performed the minimum number of audits and that our tracking is acceptable. Our reporting was the issue; however, the audits did in fact take place.

Recommendation 10: Correctly classify machinery and equipment reported on the business property statement.

Response: We concur and will implement this recommendation.

BOE'S COMMENTS TO ASSESSOR'S RESPONSE

Recommendation 9, Part 1: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

Assessor's Response:

We disagree with this recommendation. We feel that we have performed the minimum number of audits and that our tracking is acceptable. Our reporting was the issue; however, the audits did in fact take place.

BOE's Comments to Assessor's Response on Recommendation 9, Part 1:

The corrected number of audits reported by the Assessor are reflected in Table 9 of the Appendix. The updated reporting shows only forty-two audits were performed for the 2019-20 to 2022-23 four-year fiscal period when section 469 required the Assessor to audit fifty-two taxpayers, with twenty-six of those audits from the pool of largest business property assessments and twenty-six of the audits from the pool of all other business property owners. Therefore, our initial recommendation stands.