

HUMBOLDT COUNTY SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY

JULY 2018

CALIFORNIA STATE BOARD OF EQUALIZATION

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No. 2018/035

July 31, 2018

TO COUNTY ASSESSORS:

**HUMBOLDT COUNTY
SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY**

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

Ms. Wilson 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.

Sincerely,

/s/ David Yeung

David Yeung, Chief
County-Assessed Properties Division
Property Tax Department

DY:dcl
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 Humboldt 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 to the Humboldt County Board of Supervisors, Grand Jury, and Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Mari A. Wilson, Humboldt County Assessor, elected to file her initial response prior to the publication of our survey; it is included in this report following the Appendixes.

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.² 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 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.³ 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 BOE has elected to conduct a supplemental survey for Humboldt County. The supplemental survey includes a review of the recommendations contained in the prior survey report, the assessor's written response to the recommendations, the assessor's current records pertaining to those recommendations, interviews with the assessor and his staff and with officials in other public agencies in the county who provide information relevant to the property tax assessment program. This supplemental survey is made to determine the extent to which the assessor has

¹ Government Code section 15642.

² 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*, available on the BOE's website at <http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf>. 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>

³ 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.

implemented the recommendations contained in the prior survey report and to identify areas where problems still exist.

This supplemental survey examined the assessment practices of the Humboldt County Assessor's Office for the 2016-17 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.

In the April 2014 Humboldt County Assessment Practices Survey report, there were a total of ten recommendations. One was in the area of administration, seven were related to real property assessments, and two were related to personal property and fixture assessments. This report reflects the BOE's findings in its supplemental survey of the Humboldt County Assessor's Office.

EXECUTIVE SUMMARY

As stated in the Scope of Supplemental Assessment Practices Surveys, the BOE has elected to perform a supplemental survey of Humboldt County, addressing only the recommendations from the prior survey and whether the assessor has implemented those recommendations.

In the area of administration, we reviewed the prior recommendation identified in the assessor's staff property and activities program.

In the area of real property assessment, we reviewed the prior recommendations identified in the assessor's change in ownership, new construction, declines in value, timberland production zone property, and taxable possessory interest programs.

In the area of personal property and fixtures, we reviewed the prior recommendations identified in the assessor's audit and business property statement programs.

OVERVIEW OF HUMBOLDT COUNTY

Humboldt County is located in northwestern California, and it encompasses a total area consisting of 3,567.98 square miles of land area and 484.27 square miles of water area. Created May 12, 1853, Humboldt County is bordered by Del Norte and Siskiyou Counties to the north, Trinity County to the east, Mendocino County to the south, and the Pacific Ocean to the west.

As of 2016, Humboldt County had a population of 134,646. There are seven incorporated cities in Humboldt County. Those cities include Arcata, Blue Lake, Eureka, Ferndale, Fortuna, Rio Dell, and Trinidad. The county seat is Eureka.



The Humboldt County local assessment roll ranks 34th of the 58 county assessment rolls in California. The total assessed roll value has increased by an annual average of 2.1 percent over the last five years.⁴

⁴ Statistics provided by California State Board of Equalization Annual Report, Table 7 – Assessed Value of County-Assessed Property Subject to General Property Taxes, 2016-17.

ADMINISTRATION: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following is the recommendation included in our April 2014 Assessment Practices Survey Report that relate to administrative policies and procedures and the assessor's response to the recommendation. After each recommendation, we report the current status of the assessor's effort to implement the recommendation as noted during our supplemental survey fieldwork.

Staff Owned Property

RECOMMENDATION 1: Improve the staff property and activities program by:
(1) expanding the written procedures for the assessment of staff-owned property, and (2) ensuring compliance with procedures as stated in the assessor's Conflict of Interest Code.

(1) Expand the written procedures for the assessment of staff-owned property.

Original Findings:

We found that the assessor's procedures for managing the risks related to the assessment of staff-owned property are brief and should be expanded to provide a more acceptable level of oversight. More specifically, there are no written procedures that require staff-owned property assessments to go through a review and approval process by an upper level staff member prior to the assessment being enrolled. In addition, the assessor's written procedures do not address tracking and documenting staff-owned property activities. Further, the written procedures do not include the consequences for noncompliance of the assessor's staff-owned property procedures.

Original Assessor's Response:

We concur and have implemented this recommendation.

Current Status:

We found that the assessor has implemented this recommendation. The written procedures have been expanded to illustrate the review process for the staff owned property. The new procedures require property owned by staff to be appraised by other than the staff property owner and must be reviewed by a supervisor. The procedures for staff owned property have also been expanded to include consequences for violating the valuation procedures as well as violating the conflict of interest code.

(2) Ensure compliance with procedures as stated in the assessor's Conflict of Interest Code.

Original Findings:

We found that the assessor does not comply with the Conflict of Interest Code stated in the assessor's Employee Procedures Manual. The assessor does not enforce the requirement that staff classified as "extra help" submit a statement of economic/financial interest. In addition, the assessor does not enforce the requirement that "extra help" or contract appraisers sign a statement acknowledging they have read and accept the assessor's conflict of interest policy.

Original Assessor's Response:

We concur and have implemented this recommendation.

Current Status:

We found that the assessor has implemented this recommendation. Although the assessor no longer had any "extra help" employed at the time of this survey, designated employees are now required to annually submit a statement of economic/financial interest form. This is the Statement of Economic Interests (Form 700). A designated employee is defined in the Conflict of Interest section of the assessor's personnel procedures. In addition, the assessor requires that all employees including contract consultants and "extra help" sign a statement acknowledging they have read the Conflict of Interest Code at the time of hiring or contract.

ASSESSMENT OF REAL PROPERTY: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following are the recommendations included in our April 2014 Assessment Practices Survey Report that relate to the assessment of real property and the assessor's response to the recommendations. After each recommendation, we report the current status of the assessor's effort to implement the recommendation as noted during our supplemental survey fieldwork.

Change in Ownership

RECOMMENDATION 2: Improve the change in ownership program by correctly implementing the penalty abatement process in accordance with section 483(b).

Original Findings:

When a property owner fails to file a requested COS within 90 days,⁵ the assessor sends the property owner a notice of penalty form letter, along with an additional COS, to inform the property owner a penalty is being applied to the property due to failure to file the COS. This form instructs the property owner that a penalty has been issued, but if the property owner would like to appeal the penalty, they should contact the Humboldt County Assessment Appeals Board within 60 days of the date of the notice. Another notice of penalty form letter advises the property owner to complete and return the enclosed COS to the Humboldt County Assessor's Office and contact the Humboldt County Assessment Appeals Board within 60 days of the date of the notice. Both of these procedures would be incorrect, since Humboldt County has a resolution in place that gives the assessor the authority to automatically abate the penalties as provided for in section 483(b).

Original Assessor's Response:

We concur and have implemented this recommendation.

Current Status:

We found that the assessor has partially implemented this recommendation. The assessor has amended language on the notification of penalty for failing to provide a BOE-502-AH *Change in Ownership Statement* (COS) that conforms with section 483(b), which correctly states that the assessor may abate the penalties if a COS is completed and returned within 60 days. However, the notice incorrectly includes a reference to the BOE-502-A *Preliminary Change in Ownership Report* (PCOR), which has no penalty

⁵ Effective January 1, 2012, Senate Bill 507 (Stats. 2011, ch. 708) amended section 482(a) to allow property owners 90 days rather than 45 days to return a completed COS when requested by the assessor before penalties are applicable. At the time of our survey and at the time of implementation of the procedure, statute allowed property owners 90 days to return the completed COS before penalties were applicable.

associated with non-filing or incomplete filing. This incorrect language is also stated on the initial notice requesting a COS be filed. Section 480 describes the COS and only when this statement is not filed with the assessor can the penalty authorized by section 482 apply.

By including incorrect language on these notifications the assessor is not providing proper notification as required by statute.

RECOMMENDATION 3: Improve the LEOP program by: (1) timely reassessing all properties owned by a legal entity undergoing a change in control or ownership, and (2) properly implementing the penalty process in accordance with section 482(b).

(1) Timely reassess all properties owned by a legal entity undergoing a change in control or ownership.

Original Findings:

We found several parcels that were not reassessed, even though the assessor was notified of a change in control or ownership for those legal entities through the BOE's LEOP program.

Original Assessor's Response:

We concur. We have recognized the changes in ownership for the entities not previously reassessed. We are updating our written policies and procedures to comply with this recommendation.

Current Status:

We found that the assessor has implemented this recommendation. A review of records shows the assessor's office does a thorough job reviewing Legal Entity Ownership Program (LEOP) reports and reassessing all property interests identified on BOE-100-B filings, as well as additional properties owned by the entity not reported on the form.

(2) Properly implement the penalty process in accordance with section 482(b).

Original Findings:

It is the assessor's current practice not to apply penalties when a legal entity fails to timely file BOE-100-B due to a change in control or ownership in accordance with section 482(b).

Original Assessor's Response:

We concur. We have recognized the changes in ownership for the entities not previously reassessed. We are updating our written policies and procedures to comply with this recommendation.

Current Status:

The assessor has not fully implemented this recommendation. The assessor is now applying Legal Entity Ownership Program (LEOP) penalties, but not in accordance with section 482(b). When a legal entity fails to file timely a BOE-100-B form due to a change in control or ownership, we found examples where the penalty being applied is incorrectly calculated. Records reviewed of LEOP transfers incurring a late filing penalty show that the penalties are not consistently calculated, sometimes using the full tax rate that incorrectly includes special assessments.

Under section 482(b) the penalty for failing to file timely a BOE-100-B form is required to be calculated on the basis of 10 percent of the taxes applicable to the new base year value reflecting the change in control or change in ownership of the real property owned by the corporation, partnership, or legal entity, or 10 percent of the current year's taxes on that property if no change in control or change in ownership occurred. Letters to Assessors (LTA) 80/102 states that the base upon which the 10 percent penalty is calculated should include only charges for the current year's taxes and that this amount is determined by multiplying the current year's tax rate plus appropriate rates for overrides by the current year's assessed value.

By incorrectly calculating penalties, taxpayers may be paying penalties in excess of what is required by statute.

RECOMMENDATION 4: Properly implement the provisions of section 63.1(j) when a certified claim for exclusion is subject to a processing fee.

Original Findings:

Humboldt County has passed and adopted an ordinance allowing the assessor to charge a \$175 processing fee if a transferee fails to return a certified claim for exclusion pursuant to section 63.1(j)(2). However, the assessor's procedures only allow the taxpayer two weeks to respond to the first notice before the second notice is sent. The second notice does not clearly inform the transferee that a one-time processing fee will be charged if the claim for exclusion is received after 60 days from the date of the second notice.

Original Assessor's Response:

We concur and have implemented this recommendation.

Current Status:

The assessor has not implemented this recommendation. The assessor's first and second notice letters have been changed when compared to our last survey, however, the changes made do not meet the requirements of section 63.1(j) when a certified claim for exclusion is subject to a processing fee. Humboldt County has an ordinance allowing the assessor to charge a \$175 processing fee if a transferee fails to return a certified claim for exclusion pursuant to section 63.1(j)(2).

For Proposition 58 claims, the assessor's first and second notices have the incorrect number of days claimants should be given to respond. Although the second notice now correctly includes a notification of the \$175 processing fee.

For Proposition 193 claims, the assessor's first and second notices have the correct number of days claimants should be given to respond, however there is no mention of the processing fee.

We reviewed the assessor's log books for section 63.1 notifications to insure the proper length of time was allowed before the second notices were sent out to property owners for Proposition 58 claims. Even though the first and second notice letters were found to have incorrect time allowances on the notice, the assessor's logs indicate the proper length of time was allowed before the second notices were sent out to property owners.

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).

Section 63.1(j)(2) states 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.

By not notifying the taxpayer of the correct number of days to file the Proposition 58 claim and of the processing fee required for late filed Proposition 193 claims, the assessor is not in compliance with statute.

New Construction

RECOMMENDATION 5: Enroll all assessable new construction as of the completion date and issue appropriate supplemental assessments.

Original Findings:

We found that for new construction with a value of \$2,000 or less, the assessor does not enroll the new construction as of the completion date. Instead, the assessor enrolls completed new construction with a value of \$2,000 or less as of the lien date following the completion date of the new construction. In addition, the assessor does not issue a supplemental assessment for this new construction.

Humboldt County has a low-value resolution passed and adopted by the board of supervisors, which exempts from taxation all real property having a base year value of \$2,000 or less and all personal property having a full value of \$2,000 or less. The ordinance further states that these exemptions provided do not apply to new construction of \$2,000 or less unless the new base year value of the property, including the new construction, is \$2,000 or less. The county's resolution is in compliance with section 155.20(e)(1). In addition, the county has a resolution passed and adopted by the board of supervisors, which allows the cancelling of all supplemental tax bills in Humboldt County that are in the amount of \$9.99 or less. This resolution is in compliance with section 75.55(a). However, the assessor is not following the provisions of the county's resolutions.

Original Assessor's Response:

We are in the process of requesting that the Board of Supervisors adopt an ordinance exempting supplemental assessments of \$2,000 or less. We believe that when this is accomplished we will be in compliance with this recommendation.

Current Status:

We will not be repeating this recommendation. Ordinance 2514 was adopted by the Board of Supervisors on March 11, 2014, relating to Revenue and Taxation Code sections 75.55 and 531.9, which exempts from property taxation supplemental and escape assessments where the cost of assessment and collection exceeds the amount of taxes due. With the adoption of this ordinance the assessor may cancel supplemental or escape assessments on low-valued new construction less than \$2,000.

Declines in Value

RECOMMENDATION 6: Annually review all decline-in-value properties pursuant to section 51(e).

Original Findings:

We found that for properties already in decline-in-value status, the assessor does not consistently perform annual reviews for each of these properties in accordance with section 51(e). We found some properties being reviewed annually, and some properties not being reviewed for several years.

Original Assessor's Response:

We concur and have implemented this recommendation.

Current Status:

The assessor has not implemented this recommendation. 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. Some property records did not have a-decline-in-value status sheet or the-decline-in-value status sheet had not been updated for three or

more years. We also discovered a number of instances where the assessor did not conduct an annual review for several years.

Section 51(e) provides that once the base year value has been adjusted downward to reflect the current market value, the property must be reappraised annually until the current market value exceeds its factored base year value. In Letter To Assessors 96/52, dated August 21, 1996, the BOE provided guidelines clarifying section 51(e).

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.

Timberland Production Zone Property

RECOMMENDATION 7: Periodically send questionnaires to all owners of Timberland Production Zone (TPZ) properties to discover nonexclusive compatible uses.

Original Findings:

We found that the assessor currently has no formal procedures in place, such as field reviews of TPZ properties or sending questionnaires to owners of TPZ properties, to discover nonexclusive compatible uses.

Original Assessor's Response:

We concur and have started the planning process to be able to comply with this recommendation.

Current Status:

This recommendation has been implemented. We found that the assessor has set up a three year cycle to send out a questionnaire to Timberland Production Zone (TPZ) property owners to discover any nonexclusive compatible uses. Humboldt County has 7,162 TPZ properties. The first questionnaire was sent to 1,781 TPZ property owners on December 15, 2014. Income from nonexclusive compatible use such as; grazing, hunting, cell tower sites were reported on returned 2014 questionnaires. The second questionnaire was scheduled to be sent in December of 2017 to roughly the same amount of TPZ property owners.

Taxable Possessory Interests

RECOMMENDATION 8: Improve the assessment of taxable possessory interests by:
(1) using proper methods to develop the income stream to be capitalized when using the direct income approach to value taxable possessory interests, (2) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, (3) reappraising taxable possessory interests with month-to-month tenancies in accordance with section 61(b)(2), (4) obtaining copies of all current lease

agreements or permits for taxable possessory interests, (5) issuing supplemental assessments for taxable possessory interests upon a change in ownership or completion of new construction, (6) exempting from property taxation only qualified taxable possessory interests that are in compliance with section 254, and (7) valuing each individual franchise of a multiple-franchise company when valuing cable or video service taxable possessory interests.

(1) Use proper methods to develop the income stream to be capitalized when using the direct income approach to value taxable possessory interests.

Original Findings:

We found that the assessor does not always use economic (market) rent to develop the income stream to be capitalized when determining the value of the taxable possessory interest. In addition, we found that the assessor does not make a deduction from the gross rent for management and other operating expenses incurred by the public owner.

Original Assessor's Response:

With the assistance of Board staff our possessory interest assessment program was reworked for the 2013 lien date. We had been using methods previously taught in Board of Equalization training, but have changed our methods to reflect current Board of Equalization instruction.

Current Status:

The assessor has implemented this recommendation. The assessor now deducts management and other expenses from the gross rent and develops an income stream using economic rent for capitalization to annually value possessory interests.

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

Original Findings:

We reviewed several taxable possessory interests with stated terms of possession. We 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 values each year.

Original Assessor's Response:

With the assistance of Board staff our possessory interest assessment program was reworked for the 2013 lien date. We had been using methods previously taught in Board of Equalization training, but have changed our methods to reflect current Board of Equalization instruction.

Current Status:

The assessor has implemented this recommendation. We found that the assessor now annually reviews all taxable possessory interests with stated terms of possession. The assessor annually compares the factored base year value to market value using the income approach , and enrolls the lower of the two values.

(3) Reappraise taxable possessory interests with month-to-month tenancies in accordance with section 61(b)(2).

Original Findings:

We found that the assessor reappraises some taxable possessory interests with month-to-month contracts (tenancies) prior to the end of the reasonably anticipated term of possession used by the assessor to initially value the taxable possessory interest. For example, we found instances in which the assessor reappraised the taxable possessory interest on an annual basis, establishing a new base year value each year as if there had been a change in ownership, even though a reasonably anticipated term of possession of five years had been used by the assessor to initially value the taxable possessory interest.

Original Assessor's Response:

With the assistance of Board staff our possessory interest assessment program was reworked for the 2013 lien date. We had been using methods previously taught in Board of Equalization training, but have changed our methods to reflect current Board of Equalization instruction.

Current Status:

The assessor has implemented this recommendation and now reappraises taxable possessory interests (TPIs) with month-to-month tenancies at the end of the anticipated term of possession in accordance with section 61(b)(2). The assessor utilizes the anticipated term of possession to initially value TPIs and annually enrolls either the factored base year value over the reasonably anticipated term of possession or current market value when recognizing a decline in value. For recognizing a decline in value, current market value is calculated based on a current market rent over the full anticipated term of possession.

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

Original Findings:

The assessor does not consistently obtain copies of current leases or permits for taxable possessory interests. The assessor primarily relies on tenant lists, historical information, or information obtained from the public agencies.

Original Assessor's Response:

With the assistance of Board staff our possessory interest assessment program was reworked for the 2013 lien date. We had been using methods previously taught in Board of Equalization training, but have changed our methods to reflect current Board of Equalization instruction.

Current Status:

The assessor has implemented this recommendation and now requests copies of current agreements, or permits for possessory interests. All obtained agreements and permits are retained as part of the property record for possessory interests.

(5) Issue supplemental assessments for taxable possessory interests upon a change in ownership or completion of new construction.

Original Findings:

Upon a change in ownership or completion of new construction involving a taxable possessory interest, the assessor establishes a new base year value. However, we found that the assessor does not issue supplemental assessments based on these events.

Original Assessor's Response:

With the assistance of Board staff our possessory interest assessment program was reworked for the 2013 lien date. We had been using methods previously taught in Board of Equalization training, but have changed our methods to reflect current Board of Equalization instruction.

Current Status:

The assessor has implemented this recommendation and is issuing supplemental assessments for taxable possessory interests upon change in ownership and also for new construction built on land taxed as possessory interests.

(6) Exempt from property taxation only qualified taxable possessory interests that are in compliance with section 254.

Original Findings:

We found that the assessor grants the public school exemption for taxable possessory interests of vending facilities located at public schools without obtaining an affidavit from the concessionaire of the vending facility, as required by section 254.

Original Assessor's Response:

With the assistance of Board staff our possessory interest assessment program was reworked for the 2013 lien date. We had been using methods previously taught in Board of Equalization training, but have changed our methods to reflect current Board of Equalization instruction.

Current Status:

The assessor has implemented this recommendation and has contacted the vending concessionaire for their vending facilities on multiple occasions. The vendor has been provided the opportunity to apply for the public school exemption for vending facilities. Despite the assessor's efforts the concessionaire has not applied for the public school exemption for these possessory interests and the exemption has not been granted.

(7) Value each individual franchise of a multiple-franchise company when valuing cable or video service taxable possessory interests.

Original Findings:

In Humboldt County, there is one cable television company with multiple franchises that provides video services to various areas within the county. The assessor does not value each of these franchises separately. Instead, the assessor determines the present value of the total income from all of the franchises, and then allocates that total value in a proportional manner between all of the franchises. This method of valuation does not take into consideration the terms specified in each individual lease agreement for each of the separate franchises when calculating the income stream to be capitalized.

Original Assessor's Response:

With the assistance of Board staff our possessory interest assessment program was reworked for the 2013 lien date. We had been using methods previously taught in Board of Equalization training, but have changed our methods to reflect current Board of Equalization instruction.

Current Status:

We will not be repeating this recommendation due to statutory changes pertaining to the regulation of cable television franchises.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following are the recommendations included in our April 2014 Assessment Practices Survey Report that relate to the assessment of personal property and fixtures and the assessor's response to the recommendations. After each recommendation, we report the current status of the assessor's effort to implement the recommendation as noted during our supplemental survey fieldwork.

Audit Program

RECOMMENDATION 9: Enroll all escape assessments discovered during an audit.

Original Findings:

We found that the assessor does not enroll low-value escaped assessments found during an audit. It is the assessor's policy not to enroll escape assessments of \$2,000 or less, even though the assessor does not have an ordinance in place giving her this authority.

Original Assessor's Response:

We are in the process of requesting that the Board of Supervisors adopt an ordinance exempting escape assessments of \$2,000 or less. We believe that when this is accomplished we will be in compliance with this recommendation.

Current Status:

We will not be repeating this recommendation. As of March 11, 2014, the Humboldt County Board of Supervisors adopted Ordinance Number 2514 giving the assessor the authority to exempt escape assessments of which the taxes resulting would not exceed the amount allowed by section 531.9 of the Revenue and Taxation Code. At this time, the assessor's low value threshold for exempting escape assessments discovered during an audit is \$2,000. In our review of audits we found that the assessor properly exempts escapes of \$2,000 or less and enrolls escape assessments for amounts greater than \$2,000.

Business Property Statement Program

RECOMMENDATION 10: Accept only properly signed business property statements (BPS).

Original Findings:

Our review found several BPSs that were not signed by a qualified person and the required assessee's written authorization was not on file with the assessor. In addition, one statement lacked a signature.

Original Assessor's Response:

We concur. We are updating our written policies and procedures to comply with this recommendation.

Current Status:

The assessor has implemented this recommendation. The assessor requests and retains written authorizations as required by Rule 172. Furthermore, when statements are submitted unsigned, the assessor returns the statement to the assessee along with a form letter requesting the information needed if time allows. When statements are returned late or not signed properly by May 7, a penalty is applied in accordance with section 463.

APPENDIX A: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

Humboldt County

Chief

David Yeung

Survey Program Director

Diane Yasui Manager, Property Tax

Survey Team Supervisor:

Andrew Austin Supervisor, Property Tax

Survey Team:

Tina Baxter Associate Property Appraiser

Robert Marr Associate Property Appraiser

Alexander Fries Assistant Property Appraiser

Amanda Lopez Assistant Property Appraiser

Dany Lunetta Associate Governmental Program Analyst

APPENDIX B: RELEVANT STATUTES AND REGULATIONS

| Reference | Description |
|---|---|
| <i>Government Code</i> | |
| §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. |
| <i>Revenue and Taxation Code</i> | |
| §75.60 | Allocation for administration. |
| <i>Title 18, California Code of Regulations</i> | |
| 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 survey report, the assessor's response, and the BOE's comments on the assessor's response, if any, constitute the final survey report.

The Humboldt County Assessor's response begins on the next page. The BOE has no comments on the response.



COUNTY ASSESSOR
C O U N T Y O F H U M B O L D T
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EUREKA, CALIFORNIA 95501 PHONE (707) 445-7276
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June 22, 2018

Mr. David Yeung, Chief
County-Assessed Properties Division
Property Tax Department
State Board of Equalization
PO Box 942879
Sacramento, CA 94279-0064

Subject: Humboldt County Supplemental Assessment Practices Survey Report

Dear Mr. Yeung,

Pursuant to Section 15645 of the California Government Code, I am pleased to respond to the State Board of Equalization's 2018 Supplemental Assessment Practices Survey Report of Humboldt County.

We have reviewed your draft and fully agree with your findings. We note that there are only four (4) recommendations, down from 10 previously. We have already implemented most of these recommendations and will continue to work toward resolution as time and resources allow.

We acknowledge the professional and considerate manner in which the Board survey crew conducted themselves while surveying our office. We appreciate their constructive comments and suggestions for improvement regarding our operations.

I would also like to acknowledge the hard work, professionalism, and dedication of the staff of the Humboldt County Assessor's Office. We continue to work together to find more efficient ways to do our work and to provide excellent customer service to the taxpayers of Humboldt County.

Sincerely,

Mari A. Wilson

Mari A. Wilson
Humboldt County Assessor