

# **KINGS COUNTY SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY**

**DECEMBER 2017**

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## **CALIFORNIA STATE BOARD OF EQUALIZATION**

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No. 2017/057

December 27, 2017

TO COUNTY ASSESSORS:

**KINGS COUNTY  
SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY**

A copy of the Kings 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 Kristine Lee, Kings County Assessor, Clerk-Recorder, Registrar of Voters, 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 Kings County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this supplemental survey was performed by the BOE's County-Assessed Properties Division during November 2016. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Ms. Lee 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/ Dean R. Kinnee

Dean R. Kinnee  
Deputy Director  
Property Tax Department

DRK: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 Kings County Assessor, Clerk-Recorder's, Registrar of Voters' Office.<sup>1</sup>

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 Kings 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 Kristine Lee, Kings County Assessor, Clerk-Recorder, Registrar of Voters, elected to file her initial response prior to the publication of our survey; it is included in this report following the Appendixes.

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<sup>1</sup> This review covers only the assessment functions of the office.

## **OBJECTIVE**

The survey shall "...show the extent to which assessment practices are consistent with or differ from state law and regulations."<sup>2</sup> 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<sup>3</sup> section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team – based on objective standards defined in regulation – that there are no significant assessment problems in the county.

The BOE has elected to conduct a supplemental survey for Kings County. The supplemental survey includes a review of the recommendations contained in the prior survey report, the assessor's written response to those recommendations, the assessor's current records pertaining to the recommendations, and interviews with the assessor and her staff. This supplemental survey is made to determine the extent to which the assessor has 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 Kings 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.

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<sup>2</sup> Government Code section 15642.

<sup>3</sup> 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.

For a detailed description of the scope of our review of county assessment practices, please refer to the BOE's website at <http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf>. Additional 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**

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

In the area of administration, there were no prior recommendations.

In the area of real property assessment, we reviewed the prior recommendations identified in the assessor's change in ownership and California Land Conservation Act (CLCA) programs. We found the assessor has implemented the recommendation made regarding change in ownership assessment, and has implemented one of the two recommendations made regarding CLCA assessments made in our prior survey.

In the area of personal property and fixtures, we reviewed the prior recommendations identified in the assessor's audit program. We found that the assessor has implemented both recommendations made in our prior survey.

## **OVERVIEW OF KINGS COUNTY**

Kings County is located in a rich agricultural region of California's Central Valley. Established in 1893, Kings County encompasses a total area of 1,391.5 square miles, which consists of 1,389.4 square miles of land and 2.1 square miles of water. Kings County is bounded on the north by Fresno County, on the east by Tulare County, on the south by Kern and San Luis Obispo Counties, and on the west by Monterey County.



As of 2016, Kings County's population was 149,785. Kings County has four incorporated cities: Avenal, Corcoran, Hanford, and Lemoore. The county seat is Hanford. Kings County is home to the Lemoore Naval Air Station, which is one of the county's major employers.

In 2016, Kings County's gross value of all agricultural crops and products was approximately \$2 billion, with milk being the top commodity at \$636,909,000.

Kings County's local assessment roll value ranked 37 among the 58 counties in California counties for the 2016-17 roll year, with a total assessed value of \$9,978,173,000.<sup>4</sup>

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<sup>4</sup> Statistics provided by California State Board of Equalization Annual Report, Table 7.

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

Following are the recommendations included in our September 2013 Assessment Practices Survey Report and the assessor's responses to those 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***

#### Penalties

**RECOMMENDATION 1:** Revise the assessor's procedures and notice of penalty letter to reflect the correct penalty abatement process in accordance with section 483(a).

#### **Original Findings:**

When a property owner fails to file a COS [*Change in Ownership Statement*] within 45 days of a written request by the assessor, a notice of penalty letter is sent to the property owner. The letter notifies the property owner that a specific penalty is being applied as a result of the property owner's failure to file the COS as requested, within 45 days. In addition, the notice of penalty letter tells the property owner that after filing the COS with the assessor, if they feel that the failure to file the COS was due to reasonable cause, the property owner may apply for abatement of the penalty with the assessor's office within 30 days of the date of the notice of penalty letter and return the penalty abatement form to the assessor's office. The assessor's procedures indicate that the property owner has 60 days from the date of the notice of penalty letter to file for an abatement and that the assessor determines if the abatement will be granted. Since Kings County does not have a resolution in place giving the assessor authority to automatically abate the penalties as provided in section 483(b), this practice is incorrect.

#### **Assessor's Response:**

*We agree and will pursue obtaining the required resolution from the Board and revise our letter to reflect the proper appeal process for penalty abatement.*

#### **Current Status:**

The assessor has implemented this recommendation. The county has adopted Resolution No. 13-053, which allows the assessor to automatically abate the penalty provided for in section 482(a) if the assessee files a COS with the assessor no later than 60 days from the date of the notice of penalty pursuant to section 483(b). In addition, the assessor has

revised the notice of penalty letter sent to the taxpayer to correctly inform the taxpayer that the assessor shall abate the penalty if the taxpayer files a COS with the assessor within 60 days from the date of the notice of penalty.

***California Land Conservation Act Property***

**RECOMMENDATION 2:** Improve the valuation of CLCA properties by: (1) valuing compatible commercial use sites utilizing an economic rent, and (2) properly calculating the restricted unit in the determination of the enrolled value for living improvements.

**(1) Value compatible commercial use sites utilizing an economic commercial rent.**

**Original Findings:**

(1) We found that the assessor values compatible commercial use sites using a capitalized agricultural land rent per acre.

**Assessor's Response:**

*(1) We respectfully disagree. Improvements such as dairies & packing sheds are designated as compatible use on CLCA land and are usually a small portion of a larger parcel that is primarily used for crops and other agricultural use. Without the improvements the land's highest and best use would be agricultural and we believe that the appropriate economic rent is also agricultural.*

**Current Status:**

(1) The assessor has not implemented this part of the recommendation. While the assessor has indicated that new procedures are being developed to address this issue going forward, at the time of our survey, the assessor was still incorrectly valuing compatible commercial use sites using a capitalized agricultural land rent per acre.

If a portion of a restricted property is used by the property owner for a permitted compatible use, the appropriate method of valuation is the capitalization of an economic site rent using the open-space capitalization rate. The estimate of the economic site rent can be based on actual rents of comparable commercial sites or by multiplying the estimated market value of comparable commercial land by a market-derived capitalization rate.

When income generated by a permissible compatible use is attributable to the land, it must be capitalized in the manner specified for restricted properties. The assessor's practice of using agricultural land rents instead of typically higher commercial site rents to value the land on which compatible uses are occurring may have resulted in underassessments.

**(2) Properly calculate the restricted unit in the determination of the enrolled value for living improvements.**

**Original Findings:**

(2) In determining the value of restricted property improved with living improvements, we found examples in which the assessor erroneously compared the factored base year value of the land and living improvements to the restricted value of the land and the current market value of the living improvements.

**Assessor's Response:**

*(2) Again, we respectfully disagree. In some years we have recognized that strictly applying the restricted calculation to growing improvements generates a value for that component that far exceeds the market value. We have chosen to apply a market cap in order to insure that the restricted value of growing improvements is fair and reasonable to the property owner.*

**Current Status:**

(2) The assessor has implemented this part of the recommendation. When determining the value of restricted property improved with living improvements, the assessor is correctly comparing the restricted value of the land and living improvements to the factored base year value of the land and living improvements and to the current market value of the land and living improvements, enrolling the lower of the three values.

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

Following are the recommendations included in our September 2013 Assessment Practices Survey Report and the assessor's responses to those 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***

Statute of Limitations

**RECOMMENDATION 3:** Obtain a waiver of the statute of limitations pursuant to section 532.1 when an audit will not be completed timely.

### **Original Finding:**

We reviewed several audits, as well as the assessor's policies and procedures for enforcement of section 532, and found numerous instances where the assessor did not obtain a waiver of the statute of limitations when an audit could not be completed within the statutory period as defined by section 532.

### **Assessor's Response:**

*We will implement this recommendation.*

### **Current Status:**

The assessor has implemented this recommendation. The assessor sends waiver letters to taxpayers in an effort to obtain a waiver of the statute of limitations when an audit might not be completed within the statutory period as defined by section 532.

Audit Quality

**RECOMMENDATION 4:** Send a *Notice of Enrollment of Escape Assessment* as required by section 534.

### **Original Finding:**

The assessor does not properly notify taxpayers when enrolling an escape assessment. The only notice taxpayers receive from the assessor related to escape assessments is the *Notice of Proposed Escape Assessment*. The *Notice of Proposed Escape Assessment* informs the recipient that the escape assessment will be enrolled no sooner than 10 days after the date of the notice. The notice also informs them of their right to file an

assessment appeal within 60 days after they receive a second notice of escape assessment, or the tax bill if they don't receive a second notice. Subsequently, the property tax bill further states that appeals may be filed between July 2 and September 15. Appeal language specific to the enrollment of escaped assessments is not indicated on the tax bill.

**Assessor's Response:**

*We agree and have been working on this. We expect to be able to send the appropriate notice in the near future.*

**Current Status:**

The assessor has implemented this recommendation. The assessor properly notifies taxpayers of an escape assessment by sending a *Notice of Proposed Escape Assessment* to notify the taxpayer of the pending escape assessment, and then no less than 10 days later the assessor sends a *Notice of Enrollment of Escape Assessment* informing the taxpayer of the enrollment of the escape assessment and appeal rights if the taxpayer wishes to file an appeal on the escape assessment.

## **APPENDIX A: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP**

### ***Kings County***

#### ***Chief***

David Yeung

#### ***Survey Team Director:***

Diane Yasui

Manager, Property Tax

#### ***Survey Team Supervisor:***

David Dodson

Supervisor, Property Tax

#### ***Survey Team:***

Isaac Cruz

Senior Specialist Property Auditor-Appraiser

Michael Ash

Associate Property Appraiser

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



**KRISTINE LEE**

**COUNTY OF KINGS**  
**ASSESSOR-CLERK/RECORDER-REGISTRAR OF VOTERS**

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December 1, 2017

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County-Assessed Properties Division  
State Board of Equalization

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

Subject: Kings 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 findings and recommendations contained in the State Board of Equalization's 2017 Supplemental Assessment Practices Survey Report of Kings County.

I have reviewed your draft and fully agree with your findings. There were four prior recommendations, of which three have been fully implemented and we have been found to be in compliance as noted in the Current Status sections of your report. For Recommendation 2, we have implemented the second part of the recommendation by properly calculating the restricted unit in the determination of the enrolled value for living improvements. We are diligently working to fully put into practice the first part of the recommendation, pertaining to valuing compatible commercial use sites with the correct methodology rather than using a capitalized agricultural land rent per acre.

I would like to sincerely thank the Board of Equalization survey team members for the professional, efficient and courteous manner in which they conducted the survey. Our office values the feedback and comments which will prove to ensure we are carrying out our duties in the best manner possible.

I would also like to take this opportunity to acknowledge the hard work and dedications of the staff of the Kings County Assessor's Office and thank them for their commitment to excellence in serving the citizens of Kings County.

Respectfully,

Kristine Lee  
Assessor