LOS ANGELES COUNTY ASSESSMENT PRACTICES SURVEY

SEPTEMBER 2022

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September 20, 2022

TO COUNTY ASSESSORS:

LOS ANGELES COUNTY
ASSESSMENT PRACTICES SURVEY

No. 2022/041

A copy of the Los Angeles 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 Jeffrey Prang, Los Angeles 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 Los Angeles County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from September through November 2021. The report does not reflect changes implemented by the Assessor after the fieldwork was completed.

Mr. Prang and his 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: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 Los Angeles 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 Los Angeles 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 Jeffrey Prang, Los Angeles County Assessor, elected to file his 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 included an assessment sample of the 2020-21 assessment roll to determine the average level (ratio) of assessment for all properties and the disparity among assessments within the sample. The ideal assessment ratio is 100 percent, and the minimum acceptable ratio is 95 percent. Disparity among assessments is measured by the sum of absolute differences found in the sample; the ideal sum of absolute differences is 0 percent and the maximum acceptable number is 7.5 percent. If the assessment roll meets the minimum standards for ratio and disparity, the county is eligible to continue to recover the administrative cost of processing supplemental assessments.[3]

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[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.

[3] For a detailed description of the scope of this program, ~~please refer to the document entitled *Assessment Sampling Program,* which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/assessmentsamplingprogram.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/sampling.htm.

Our survey methodology of the Los Angeles County Assessor's Office included reviews of the Assessor's records, interviews with the Assessor and his staff, and contacts with officials in other public agencies in Los Angeles 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 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://www.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 https://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 Los Angeles County Assessor's Office for the 2020-21 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 the workload, assessment appeals, 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, declines in value, and certain properties subject to special assessment procedures, such as mineral property. In the area of real property assessment, the Assessor has effective programs for mineral property. However, 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 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.

The Los Angeles County assessment roll meets the requirements for assessment quality as established by section 75.60. Our sample of the 2020-21 assessment roll indicated an average assessment ratio of 99.87 percent, and the sum of the absolute differences from the required assessment level was 0.55 percent. Accordingly, the BOE certifies that Los Angeles County is eligible to receive reimbursement of costs associated with administering supplemental assessments.

OVERVIEW OF LOS ANGELES COUNTY

Los Angeles County is located in southern California and is one of California's original 27 counties created in 1850. The county encompasses a total area of 4,750.94 square miles, consisting of 4,057.88 square miles of land area and 693.06 square miles of water area. Los Angeles County is bordered by Kern County to the north, San Bernardino County to the east, Orange County to the south, and Ventura County and the Pacific Ocean to the west. Los Angeles County includes San Clemente Island and Santa Catalina Island, which are part of the Channel Islands archipelago off the Pacific Coast.

As of 2020, Los Angeles County had an estimated population of 10,014,009. There are 88 incorporated cities within Los Angeles County. The county seat is the city of Los Angeles.

The Los Angeles County local assessment roll ranks 1st in value of the 58 county assessment rolls in California.[4]

[4] Statistics provided ~~by BOE's Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, for year 2020-21.~~ as of 10/2/2025, by the BOE Open Data Portal dataset - *County Assessed Property Values, by Property Class and County (Table 7)*, for year 2021-22.

FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the Los Angeles 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: Properly maintain a public transfer list by: (1) including all required information on the two-year transfer list pursuant to section 408.1(c), and (2) revising the fee for public inspection of the two-year transfer list to an amount in accordance with section 408.1(d). 8

RECOMMENDATION 2: Improve the LEOP program by: (1) reassessing all properties owned by a legal entity undergoing a change in control or ownership, and (2) properly applying penalties in accordance with section 482(b). 10

RECOMMENDATION 3: Improve the new construction program by: (1) enrolling construction in progress at its fair market value on each lien date, (2) enrolling all assessable new construction, (3) obtaining and documenting all building permits, and (4) obtaining required information prior to granting new construction exclusions.....11

RECOMMENDATION 4: Improve the declines in value program by including the value of excluded new construction in the full cash value estimate of a decline-in-value property. 13

RECOMMENDATION 5: Enroll all escape assessments and over assessments discovered during an audit. 14

RECOMMENDATION 6: Apply the mobile agricultural equipment percent good factors prescribed in Table 6 of Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581), as intended. 15

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 69.5 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.[5]

Transfer Lists

The Assessor is required to maintain a list of transfers of any interest in property, other than undivided interests, within the county, which have occurred within the preceding two-year period.[6] The list is required to be divided into geographical areas, updated quarterly, and to be open to inspection by any person.

RECOMMENDATION 1: Properly maintain a public transfer list by:
(1) including all required information on the two-year transfer list pursuant to section 408.1(c), and
(2) revising the fee for public inspection of the two-year transfer list to an amount in accordance with section 408.1(d).

Include all required information on the two-year transfer list pursuant to section 408.1(c).

The Assessor's two-year transfer list contains the Assessor's Parcel Number (APN), address of the property, date of transfer, date of recording, recording reference number, and the consideration paid for the property. In addition, the list includes the transferee or the transferor, but not both, even though it is a requirement under the provisions of section 408.1(c) to include both.

Section 408.1(c) sets forth the specific items of information that must be included on the two-year transfer list, which includes the APN, address of the sales property, date of the transfer, date of the recording and transfer number, and the names of the transferors and transferees, if available.

By not including all required items on the transfer list, the public does not have access to all information that is required by statute to be made available.

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[5] For a detailed description of the scope of our review of this topic, ~~please refer to the document entitled *Change in Ownership*, which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/cio_general.pdf.~~ as of 10/2/2025, please refer to the updated URL on the BOE's website https://boe.ca.gov/proptaxes/change-in-ownership/.

[6] The transfer list is not required to be maintained by any county with a population of under 50,000 people, as determined by the 1970 federal decennial census.

Revise the fee for public inspection of the two-year transfer list to an amount in accordance with section 408.1(d).

According to the Assessor, the two-year transfer list is not available to the public at the public counter. The list is only made available to the public upon request and payment of a $50 fee.

Section 408.1(d) provides that the list shall be open to inspection by any person and the Assessor may require the payment of a nonrefundable fee equal to an amount which would reimburse local agencies for their actual administrative costs incurred in such inspections or ten dollars ($10), whichever is the lesser amount.

By collecting a fee in excess of the maximum fee allowed, the Assessor is charging the public more than what is allowed in statute and may be making it unaffordable for some members of the public to obtain information they are entitled to receive.

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

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

We found several 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 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 in 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.

Properly 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 the 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.

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]

RECOMMENDATION 3: Improve the new construction program by: (1) enrolling construction in progress at its fair market value on each lien date, (2) enrolling all assessable new construction, (3) obtaining and documenting all building permits, and (4) obtaining required information prior to granting new construction exclusions.

Enroll construction in progress at its fair market value on each lien date.

We found several instances where the Assessor did not determine the fair market value of construction in progress on each lien date as required by section 71. We found some examples where the Assessor's computer system automatically applied the annual inflation factor to the construction in progress value from the prior roll year and other examples where the Assessor did not enroll any value for construction in progress as of the lien date, even though there was evidence from the permit issuing agency that the structure was partially complete as of the lien date.

Section 71 requires the Assessor to enroll construction in progress at its fair market value. The Assessor must determine the completion status of new construction on each lien date and attribute a value based upon the percent complete. On subsequent lien dates, if the new construction is still incomplete, the Assessor must enroll the construction in progress at its fair market value. This process continues until the new construction is complete, at which time the new construction is assessed at its fair market value and a base year value is assigned. Section 71 further provides that new construction in progress does not acquire a base year value on each lien date. Thus, only after the new construction is complete and a base year value assigned is it subject to the annual inflation factor.

The Assessor's failure to assess construction in progress at fair market value on the lien date is contrary to statutory provisions and may allow construction in progress to escape assessment, causing a loss in revenue and inaccurate assessments. In addition, improperly applying the annual inflation factor to construction in progress is contrary to statutory provisions and may cause overassessments.

[7] For a detailed description of the scope of our review of this topic, ~~please refer to the document entitled *New Construction,* which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/newconstruction_general.pdf.~~ as of 10/2/2025, please refer to the updated URL on the BOE's website https://boe.ca.gov/proptaxes/new-construction/.

Enroll all assessable new construction.

We found several examples where the Assessor determined that the new construction being added was of an insignificant value and, therefore, did not add any value for the new construction, even though the new construction was considered to be assessable.

While the Los Angeles County Board of Supervisors has adopted a low-value ordinance that exempts real and personal property having a market value of $2,000 or less, section 155.20(e) provides that a county board of supervisors does not have the authority to exempt new construction from property taxation, unless the new total base year value of the property, including the new construction, is $10,000 or less. Therefore, when part of a larger structure, low-value new construction must be valued and enrolled.

The Assessor's practice of not enrolling all assessable new construction may result in escaped assessments of certain low-value projects and cause unequal treatment of taxpayers.

Obtain and document all assessable building permits.

We found that the Assessor does not receive copies of permits issued by the Los Angeles County Department of Environmental Health. This agency issues permits for underground storage tanks, water wells, and septic systems. In addition, we also found several instances where the Assessor did not file the building permit for solar installation in the property record file or document the building record to show the solar installation was completed.

Section 72 requires county or city agencies to furnish copies of building permits to the Assessor. To ensure the Assessor discovers all qualifying new construction, a copy of every approved building permit must be received and documented in the property's building record. In addition, well and septic system permits can sometimes indicate further development and assist the Assessor in discovering new construction that might otherwise go undetected.

By not obtaining and documenting all assessable building permits, the Assessor may be missing potential new construction, which may result in escape assessments.

Obtain required information prior to granting new construction exclusions.

We found examples where the Assessor had granted exclusions from assessment for new construction of seismic retrofitting components without first requiring the property owner to provide the necessary documentation as required by section 74.5(d). Currently, when the Assessor receives a building permit for the addition of seismic retrofitting components to an existing building or structure, they close out the permit as nonassessable new construction.

Section 74.5 provides for a new construction exclusion for the addition of any seismic retrofitting components to existing buildings and structures. In order to receive this new construction exclusion, the property owner must notify the County Assessor prior to, or within 30 days of, completion of the project. Additionally, all documents needed to support the claim must be filed no later than six months after completion of the project. It is the responsibility of the property owner, contractor, engineer, or architect to certify to the building department which portions of the project are for seismic retrofitting components. Upon completion of the project,

the building department is to report to the County Assessor the costs of those portions of the project designated for seismic retrofitting components. Section 74.5(d) requires that the BOE prescribe the manner and form for claiming the exclusion. The property owner must file BOE-64, *Claim For Seismic Safety Construction Exclusion From Assessment*, along with any necessary supporting documentation, in order to qualify for the exclusion.

The Assessor's practice of excluding seismic retrofitting components without collecting supporting documentation with the claim form is not in compliance with statute and may result in the Assessor excluding new construction assessments that would otherwise be assessable.

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]

RECOMMENDATION 4: Improve the declines in value program by including the value of excluded new construction in the full cash value estimate of a decline-in-value property.

We found that when analyzing a property for a decline in value, the Assessor is not considering the value of excluded new construction in the full cash value estimate. For example, we found properties containing excluded solar new construction assessments that the Assessor did not value as part of the full cash value estimate to be compared to the property's FBYV.

Section 51 provides that the Assessor is to annually enroll the lower of a property's FBYV or its full cash value as of the lien date. Section 110 provides that "full cash value" is the amount of cash or its equivalent that a property would bring if exposed for sale on the open market. Letter To Assessors No. 2009/024 provides that when a property with excluded new construction sells, the excluded new construction becomes assessable, along with everything else on the property. Since an estimate of full cash value for decline in value purposes is made as if the property was exposed for sale, the full cash value should not be reduced by the value of any excluded new construction.

By not considering all the components of the property when determining the full cash value estimate, the Assessor may be underestimating the current market value of the property, causing incorrect assessments to be enrolled.

[8] For a detailed description of the scope of our review of this topic, ~~please refer to the document entitled *Declines in Value,* which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/declinesinvalue_general.pdf.~~ as of 10/2/2025, please refer to the updated URL on the BOE's website https://boe.ca.gov/proptaxes/declines-in-value/.

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 5: Enroll all escape assessments and over assessments discovered during an audit.

We found examples where the Assessor did not enroll escape assessments or over assessments discovered during an audit that the Assessor deemed to be of immaterial or low-value, even though the Assessor does not have a low-value ordinance in place for escape assessments.

Section 531.9 allows a county board of supervisors to adopt an ordinance to prohibit the Assessor from making an escape assessment of an appraisal unit where the assessment would result in an amount of taxes due which is less than the cost of assessing and collecting the tax; however, Los Angeles County does not have such an ordinance in place.

Section 531 specifically states, "If any property belonging on the local roll has escaped assessment, the Assessor shall assess the property on discovery at its value on the lien date for the year for which it escaped assessment." Furthermore, section 469 provides that if the result of an audit discloses property subject to an escape assessment, the assessee is entitled to appeal the assessment of all property at the location of the trade, profession, or business.

[9] For a detailed description of the scope of our review of this topic, ~~please refer to the document entitled *Audit Program,* which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/auditprogram_general.pdf.~~ as of 10/2/2025, please refer to the updated URL on the BOE's website https://boe.ca.gov/proptaxes/audit-program/.

Additionally, section 469(d)(4) states, "If the audit for any particular tax year discloses that the property of the taxpayer was incorrectly valued or misclassified for any cause, to the extent that this error caused the property to be assessed at a higher value than the Assessor would have entered on the roll had the incorrect valuation or misclassification not occurred, then the Assessor shall notify the taxpayer of the amount of the excess valuation or misclassification, and the fact that a claim for cancellation or refund may be filed with the county as provided in Sections 4986 and 5096."

The Assessor's failure to enroll escape assessments makes it difficult for the assessee to exercise their right to file an appeal. The current arbitrary minimum audit enrollment policy conflicts with the Assessor's obligation to assess all property subject to taxation.

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 6: Apply the mobile agricultural equipment percent good factors prescribed in Table 6 of Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581), as intended.

We found several instances where the Assessor applied mobile agricultural equipment percent good factor tables to other non-mobile related personal property.

The Board-prescribed percent good factors published in Table 6 of AH 581 are intended for the valuation of self-propelled machinery and related implements. Therefore, when the Assessor applies the percent good factor tables to other non-mobile agricultural equipment, including bins, air compressors, irrigation pipe, portable pumps, welders, and generators, the resulting value conclusion will likely be inaccurate. The mobile equipment percent good factors indicated in AH 581 are based upon an exclusive set of market parameters.

Improper application of the percent good factors found within Table 6 may lead to inaccurate value conclusions.

[10] For a detailed description of the scope of our review of this topic, ~~please refer to the document entitled *Business Equipment Valuation,* which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/businessequipval_general.pdf.~~ as of 10/2/2025, please refer to the updated URL on the BOE's website https://boe.ca.gov/proptaxes/business-equipment-valuation/.

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following table displays pertinent information from the 2020-21 assessment roll.[11]

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	$917,570,932,614
	Improvements	$760,266,344,658
	Fixtures	$11,979,324,338
	Personal Property	$8,923,461,763
	Total Secured	$1,698,740,063,373
Unsecured Roll	Land	$0
	Improvements	$0
	Fixtures	$19,559,128,642
	Personal Property	$47,457,741,154
	Total Unsecured	$67,016,869,796
Exemptions[12]		($58,372,335,792)
	Total Assessment Roll	$1,707,384,597,377

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
2020-21	$1,707,384,597,000	5.9%	5.0%
2019-20	$1,611,712,560,000	6.2%	6.1%
2018-19	$1,517,393,968,000	6.6%	6.5%
2017-18	$1,423,739,719,000	6.0%	6.3%
2016-17	$1,343,256,796,000	5.5%	5.5%

[11] Statistics provided by BOE-822, *Report of Assessed Values By City,* County 19 Los Angeles, for year 2020.

[12] The value of the Homeowners' Exemption is excluded from the exemptions total.

[13] Statistics provided ~~by the BOE's Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, for years 2016-17 through 2020-21.~~ as of 10/2/2025, by the BOE Open Data Portal dataset - *County Assessed Property Values, by Property Class and County (Table 7)*.

Table 3: Gross Budget and Staffing

The Assessor's budget has grown from $173,846,641 in 2015-16 to $236,853,312 in 2019-20.

As of the date of our survey, the Assessor had 1,398 budgeted permanent positions. This included the Assessor, Assistant Assessor, 98 managers, 350 real property appraisers, 210 business property auditor-appraisers, 37 drafting/mapping technicians, 90 computer analysts, 38 technical/professionals, and 573 support staff.[14]

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

FISCAL YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2019-20	$236,853,312	3.3%	1,398
2018-19	$229,321,872	11.5%	1,428
2017-18	$205,718,182	8.6%	1,439
2016-17	$189,481,846	9.0%	1,439
2015-16	$173,846,641	2.5%	1,443

Table 4: Assessment Appeals

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

FISCAL YEAR	ASSESSMENT APPEALS FILED
2019-20	18,335
2018-19	17,240
2017-18	18,440
2016-17	30,460
2015-16	34,989

[14] Statistics provided ~~by *A Report on Budget, Personnel, and Appeals Data* for year 2019-20 *& Roll Data* for year 2020-21.~~ as of 10/2/2025, by the BOE Open Data Portal dataset - *Budgeted Permanent Positions*.

[15] Statistics provided ~~by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices 2015-16* and *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2019-20 *& Roll Data* for years 2017-18 through 2020-21.~~ as of 10/2/2025, by the BOE Open Data Portal dataset - *Gross and Net Budget* and *Budgeted Permanent Positions*.

[16] Statistics provided ~~by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices 2015-16* and *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2019-20 *& Roll Data* for years 2017-18 through 2020-21.~~ as of 10/2/2025, 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
2020-21	6,757	$44,133,955,403
2019-20	6,853	$41,659,585,883
2018-19	7,865	$39,840,078,220
2017-18	5,724	$37,341,549,871
2016-17	8,161	$36,192,905,995

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
2020-21	340,203	128,181
2019-20	340,497	123,304
2018-19	376,690	138,874
2017-18	390,663	136,450
2016-17	368,892	136,500

[17] Statistics provided by BOE-802, *Report on Exemptions*, for years 2016-17 through 2020-21.

[18] Statistics provided ~~by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices 2015-16* and *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2019-20 *& Roll Data* for years 2017-18 through 2020-21.~~ as of 10/2/2025, by the 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
2020-21	207,763	106,457
2019-20	246,082	99,712
2018-19	260,036	101,978
2017-18	276,407	107,011
2016-17	263,237	94,552

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
2020-21	64,744
2019-20	74,916
2018-19	95,200
2017-18	125,539
2016-17	157,629

[19] Statistics provided ~~by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices 2015-16* and *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2019-20 *& Roll Data* for years 2017-18 through 2020-21.~~ as of 10/2/2025, by the BOE Open Data Portal dataset - *Real Property Workload Data, New Construction*.

[20] Statistics provided ~~by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices 2015-16* and *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2019-20 *& Roll Data* for years 2017-18 through 2020-21.~~ as of 10/2/2025, by the 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]	2019-20	2018-19	2017-18	2016-17	2015-16
Largest Assessments		843	843	843	843
All Other Taxpayers		843	843	843	843
Total Required		**1,686**	**1,686**	**1,686**	**1,686**
NUMBER OF AUDITS COMPLETED					
Total Audits Completed	**1701**	**1,694**	**1,737**	**1,746**	**1,731**
Largest Assessments	835	845	853	860	848
Over/(Under) Required		**2**	**10**	**17**	**5**
All Other Taxpayers	866	849	884	886	883
Over/(Under) Required		**6**	**41**	**43**	**40**
CCCASE AUDITS					
Prepared for other County Assessors	74	0	103	82	64

[21] Statistics provided ~~by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices 2015-16* and *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2019-20 *& Roll Data* for years 2017-18 through 2020-21.~~ as of 10/2/2025, 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 years 2015-16 through 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: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

Los Angeles County

Chief

Patricia Lumsden

Survey Program Director:

Holly Cooper	Principal Property Appraiser

Survey Team Leader:

Tina Salazar	Senior Specialist Property Appraiser

Survey Team:

James McCarthy	Senior Petroleum and Mining Appraisal Engineer
Jeffrey Arthur	Senior Specialist Property Auditor Appraiser
Alexander B. Fries	Senior Specialist Property Auditor Appraiser
Jennifer Prince	Associate Property Appraiser
Laura Ruiz	Associate Property Appraiser
Dany Lunetta	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 survey report, the Assessor's response, and the BOE's comments regarding the Assessor's response, if any, constitute the final survey report.

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

JEFFREY PRANG
ASSESSOR
COUNTY OF LOS ANGELES
500 WEST TEMPLE STREET, ROOM 320
LOS ANGELES, CALIFORNIA 90012-2770
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(213) 974-3101

ASSESSOR Los Angeles County
Valuing People and Property

August 11, 2022

Mr. David Yeung, Chief
County-Assessed Properties Division
State Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0062

Dear Mr. Yeung:

2021-2022 ASSESSMENT PRACTICES SURVEY

Pursuant to Section 15645 of California Government Code, I have attached a response to the State Board of Equalization's 2022 Supplemental Assessment Practices Survey Report for Los Angeles County.

The periodic survey of assessors' assessment practices is an invaluable, useful and constructive tool. I very much appreciate the effort, professionalism, and courtesy of the State Board of Equalization staff while performing the sampling program, the practice surveys, and the preparation of the report.

Los Angeles County agrees with most of the recommendations outlined in the Board's survey report (Confidential Post Conference Draft) and will work to implement the necessary changes.

I wish to commend my staff whose professionalism and dedication was demonstrated in the sample.

Sincerely,

JEFFREY PRANG
Assessor

JP:MH:ac

Attachment

RECOMMENDATION 1: Properly maintain a public transfer list by:
(1) including all required information on the two-year transfer list pursuant to section 408.1(c), and
(2) revising the fee for public inspection of the two-year transfer list to an amount in accordance with section 408.1(d).

(1) Include all required information on the two-year transfer list pursuant to section 408.1(c).

(2) Revise the fee for public inspection of the two-year transfer list to an amount in accordancewith section 408.1(d).

(1) Agreed. Going forward the two-year transfer list will be provided to taxpayers in a digital format either on CD, flash drive, or online as a download (Dropbox type of service).

(2) The data will be provided at a minimal price for CD or flash drive, or free for download. This service should be provided as well on the public facing website. Ideally, this will allow constituents to avoid travel to the Assessor's Offices and gives constituents access to the two transfer list any time including holidays and weekends.

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

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

(2) Properly apply penalties in accordance with section 482(b).

(1) Agree, starting in 2020, the Ownership Services LEOP team initiated a new tracking system to ensure that all the reassessable CIC/CIO BOE-100B filings reported by the BOE are reviewed and updated for assessment purposes. Ownership Supervisors in the Legal Entity Unit receive monthly reports of Entities Indicating a Change in Control or Change in Ownership in an electronic format and assign them to designated Specialists to make the necessary ownership updates. The supervisors ensure that all the assigned BOE filings are reviewed and completed.

Applicable to specific properties identified by the BOE as having not been reviewed or reassessed: the BOE-100B filings for the AINs mentioned were in the BOE May 2018 Report that was sent to the Assessor's Office, Legal Services section in a CD. At that time, the Legal Services was providing hardcopy files of BOE filing to Ownership for updates. We are not sure what tracking system the supervisor had at that time. Somehow, the hardcopy files of these properties were not reviewed and updated for assessment purposes.

(2) We disagree that the Los Angeles County Assessor has failed to impose the penalties because the penalty had not been imposed as of the date of the auditor's review. There is no statute of limitations on the imposition of the LEOP penalty. The LEOP penalties may be added to the unsecured roll at a future date, or will be added to the 2022 secured roll where applicable.

Applicable to [redacted]: after a review of the BOE-100 form for "[redacted]", it was found that the property was not owned or assessed to that legal entity per Assessor records. The "[redacted]" appears to be a lessee of the property as stated in the BOE-100 form (page 16 – "Please list property leased by acquired legal entity and entities under its control"), so a LEOP penalty will not be imposed on the landlord unless it can be established that the lessee has a long-term lease on the property and they are the beneficial owners for property tax purposes.

RECOMMENDATION 3: Improve the new construction program by: (1) enrolling construction in progress at its fair market value on each lien date, (2) enrolling all assessable new construction, (3) obtaining and documenting all building permits, and (4) obtaining required information prior to granting new construction exclusions.

(1) Enroll construction in progress at its fair market value on each lien date.
(2) Enroll all assessable new construction.
(3) Obtain and document all assessable building permits.
(4) Obtain required information prior to granting new construction exclusions.

(1) We agree with the recommendation. Due to delays and backlogs caused by the pandemic, some of our outstanding partially complete values have not yet been followed up. Also, our replacement computer system (AMP) is still in transition with additional utility still being developed. With the planned deployment of the latest phase (IV), all legacy processing will be eliminated, preventing partially completed values that were enrolled for a lien date from automatically trending to the next lien date; this will allow appraisers to manually review and enroll the fair market value of partially complete new construction for subsequent Lien Dates.

(2) We agree with the recommendation. We will work with our Legal Services staff to review Section 155.20(3) of the R&T and ensure that we are in compliance with the conditions for minimum value thresholds.

(3) We agree with the recommendation. Efforts will be made to collect and forward all appropriate permits, including those for seismic and solar installations, to appraisal staff to document on our building records.

(4) We agree with the recommendation. Efforts will be made to collect and forward all permits pertaining to seismic and solar installations to appraisal staff to document the value of the installation and enroll the value if no exclusion is applied. Forms such as the BOE-64 will also be collected and made available on our system of record for appraisal staff to review. Future Cost Manuals will include appropriate costs for seismic retrofitting and solar panel added new construction.

RECOMMENDATION 4: Improve the declines in value program by including the value of excluded new construction in the full cash value estimate of a decline-in-value property.

We agree with this section recommendation. The "excluded new construction" referenced in the recommendation is comprised of solar and seismic exclusions. Both solar and seismic approved exclusions are currently not coded in our computer systems (PDB). This makes these properties with excluded new construction difficult to identify when a property is under review for Decline in Value (DIV). We cannot add a new identifying digit to either the "Use Code" or "Design Type"

without over-riding another important identifier like "Mills Act" or "ADU". An AMP solution should be explored. This would require a data bridge to DIV database and legacy program. AMP currently has a field for "New Construction Exclusion Date".

No seismic or solar permits should ever be included in the Assessor's discard list. All permits without associated claims for exclusion should be costed and enrolled. Some of these may be corrected later should a claim be filed after enrollment. Seismic and solar costs will be added to the Assessor's annual cost manuals.

RECOMMENDATION 5: Enroll all escape assessments and over assessments discovered during an audit.

We concur. We will work towards coming into compliance enrolling all escape assessments and over assessments discovered during an audit that exceed 1% of the audited value of the taxpayer's trade fixtures and tangible personal property for the year under audit.

RECOMMENDATION 6: Apply the mobile agricultural equipment percent good factors prescribed in Table 6 of Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581), as intended.

We concur. We will strive to do a more accurate review of the schedules provided by the taxpayer to ensure assets are properly categorized and assessed.