MADERA COUNTY
SUPPLEMENTAL
ASSESSMENT PRACTICES SURVEY

MARCH 2018

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March 8, 2018

No. 2018/015

TO COUNTY ASSESSORS:

MADERA COUNTY
SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY

A copy of the Madera 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 Gary L. Svanda, Madera 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 Madera County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Mr. Svanda 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,

David Yeung, Chief
Counties-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 Madera 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 Madera 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 Gary L. Svanda, Madera County Assessor, elected to file his 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. 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.

The BOE has elected to conduct a supplemental survey for Madera 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, and interviews with the assessor and his 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 Madera County Assessor's Office for the 2015-16 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.

[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.

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.~~ as of 10/2/2025, please refer to the updated URL on the BOE's website https://boe.ca.gov/proptaxes/assessment-practices-survey-division/scope.htm. In addition, 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

As stated in the Scope and Methodology, the BOE has elected to perform a supplemental survey of Madera 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 recommendations identified in the assessor's staff property and activities program and in the exemptions program.

In the area of real property assessment, we reviewed the prior recommendations identified in the assessor's change in ownership, new construction, taxable possessory interests, and mineral property programs.

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

OVERVIEW OF MADERA COUNTY

Madera County is located at the geographic center of California. Established in 1893, Madera County encompasses a total area of 2,153.3 square miles, which consists of 2,137.1 square miles of land and 16.2 square miles of water. Madera County is bounded on the north by Merced, Mariposa, and Tuolumne Counties, on the east by Mono County, and on the south and west by Fresno County.

As of 2015, Madera County's population was 154,306. Madera County has two incorporated cities: Chowchilla and Madera. The county seat is the city of Madera. A portion of Yosemite National Park is located in Madera County.

For 2015, out of 58 counties, Madera County ranks number 10 in agricultural production within the state. In 2015, Madera County's gross value of all agricultural production was $2,017,446,000, with almonds (nut meats and hulls) being the top commodity at $787,609,000.

Madera County's local assessment roll value ranked 33 among the 58 counties in California counties for the 2015-16 roll year, with a total assessed value of $12,467,956,000.[3]

[3] Statistics provided ~~by California State Board of Equalization Annual Report, Table 7, for year 2015-16.~~ as of 10/2/2025, by the Open Data Portal dataset - *County Assessed Property Values, by Property Class and County (Table 7)*.

ADMINISTRATION: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following are the recommendations included in our November 2012 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.

Staff Property and Activities

RECOMMENDATION 1: Improve the staff property and activities program by: (1) ensuring required staff complete and submit BOE-121, *Statement of Financial Interest*, and the internal *Conflict of Interest Statement*; and (2) expanding and complying with internal review procedures for the assessment of staff-owned property.

(1) Ensure required staff complete and submit BOE-121, *Statement of Financial Interest,* and the internal *Conflict of Interest Statement.*

Original Findings:

We found that the assessor does not comply with the internal procedures for staff filings of conflict of interest statements and statements of financial interests. In response to a request for copies of BOE-121, the statements provided were dated on or after the date of request; statements were provided for all certified staff, but not for any noncertified staff, who were also required to file per the assessor's policies. Additionally, in response to a request for copies of the internal *Conflict of Interest Statement*, the statements provided were dated on or after the date of request; statements were not provided for all staff required to comply.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. The assessor requires all staff, both certified and non-certified, to complete and submit BOE-121, *Statement of Financial Interest*, as well as complete and submit the assessor's internal form, *Conflict of Interest Statement*.

(2) Expand and comply with internal review procedures for the assessment of staff-owned property.

Original Findings:

The assessor's procedures for the review of staff-owned property assessments, as written, are applicable only to annual assessments; the procedures do not address the assessment of completed new construction or newly purchased real and personal property during the assessment year. While the assessor's policy includes thorough review procedures, the assessor does not consistently comply with the policy, and reappraisable events that occur during the year are not reviewed to the standards established in the assessor's policy for annual reviews. We reviewed numerous assessments of staff-owned property and found that the assessor does not consistently comply with internal procedures for the review of assessment of staff-owned property, which include a review by a supervisor and the chief appraiser. We found two annual assessments for staff-owned vessels and two assessments of completed new construction on staff-owned real property lacking compliance with the assessor's internal review procedures.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has partially implemented this part of the recommendation by adding new construction to the internal review procedures, however the procedures still do not address the assessment of newly purchased real and personal property during the assessment year.

Exemptions

Church and Religious Exemptions

RECOMMENDATION 2: Properly administer the religious exemption program by: (1) granting the religious exemption only to real property owned by a religious organization, and (2) applying late-filed penalties for religious exemption claims when appropriate.

(1) Grant the religious exemption only to real property owned by a religious organization.

Original Findings:

We discovered an instance where the assessor granted a religious exemption to a property not owned by a religious organization.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. The assessor grants the religious exemption only to property that is owned and operated by a religious organization meeting the provisions of section 207.

(2) Apply late-filed penalties for religious exemption claims when appropriate.

Original Findings:

We discovered a religious claim that was filed after the February 15 deadline, but penalties were not applied.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. We reviewed several assessment records for properties with religious exemption claim filings. The assessor is now applying late filing penalties when a claim for the religious exemption is filed late.

Welfare Exemption

RECOMMENDATION 3: Improve the welfare exemption program by: (1) granting exemptions only to properties with exempt uses, and (2) granting exemptions only for those years claimed.

(1) Grant exemptions only to properties with exempt uses.

Original Findings:

We found an instance where the assessor granted a 100 percent exemption to a camp that was offered for rent to the general public.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. The assessor grants the welfare exemption only to property owned and operated by a qualifying organization and used exclusively for an exempt activity as provided in section 214.

(2) Grant exemptions only for those years claimed.

Original Findings:

We found an instance where a claimant acquired a property in November 2009 and, subsequently, filed a welfare exemption claim for the 2009-10 roll year. The claimant did not submit a claim for the 2010-11 roll year. The assessor did not grant an exemption for the 2009-10 roll year for which the claimant had originally filed; however, the assessor did grant an exemption for the 2010-11 roll year, even though the claimant had not filed for that roll year. Since the claimant did not file for the 2010-11 roll year, the property was ineligible for exemption.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. We reviewed several properties granted the welfare exemption and found that claims were filed for all years within the survey review period. The assessor is granting the welfare exemption only for those years the claimant submitted a claim form.

REAL PROPERTY ASSESSMENTS: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following are the recommendations included in our November 2012 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 4: Apply penalties for failure to file a COS in accordance with section 482(a).

Original Findings:

Our review of property records indicates that the assessor is not applying penalties when a property owner fails to return a COS as requested by the assessor.

Assessor's Response:

We have implemented this recommendation.

Current Status:

The assessor has implemented this recommendation by no longer sending BOE-502-AH, *Change in Ownership Statement* (COS), when a property owner fails to file BOE-502-A, *Preliminary Change of Ownership Report* (PCOR). Instead, the assessor sends another PCOR along with a cover letter. By sending a PCOR to the property owner rather than a COS, the assessor is not required to apply penalties if the property owner fails to return the PCOR. However, the cover letter sent to the property owner contains incorrect language as it refers to the COS rather than the PCOR and is contrary to current statute.

The assessor's cover letter states, in part:

> Pursuant to Revenue and Taxation Code section 480, you are required to file a Change of Ownership Statement. A Change of Ownership Statement is provided in this mailing. Please complete and return it within thirty days. A return envelope is included for your convenience.

This language indicates that the assessor is sending a COS to the property owner rather than a PCOR. The letter goes on to further state:

> Revenue and Taxation Code section 482 states that a penalty shall be added to the assessment made on the roll if a Change of Ownership Statement is not provided in a timely manner. The penalty is either (1) one hundred dollars ($100), or (2) 10 percent of the taxes applicable to the new base year value, whichever is greater, but not to exceed two thousand five hundred dollars ($2,500).

This language is incorrect, as there are no penalty provisions for failing to file or not timely filling a PCOR, only for failing to file a COS. Further, section 482 was amended and the penalty for failing to file a COS within 90 days from an assessor's written request is either (1) one hundred dollars ($100), or (2) 10 percent of the taxes applicable to the new base year value, whichever is greater, but not to exceed five thousand dollars ($5,000) if the property is eligible for the homeowners' exemption or twenty thousand dollars ($20,000) if the property is not eligible for the homeowners' exemption.

The assessor's current cover letter is incorrect and in conflict with current statutory provisions of section 482(a)(1).

Valuation

RECOMMENDATION 5: Reassess all properties having undergone a change in ownership due to a foreclosure.

Original Findings:

We discovered files involving foreclosed properties that were not reassessed at the time of foreclosure. The assessor's records indicate that these types of transfers are non-reappraisable events according to office policy and are not coded for reappraisal. The property records were updated to reflect the new ownership, but the enrolled value remained the same until the subsequent transfer after the foreclosure. The assessor indicated that this is due to the large number of foreclosures in the county and the quick subsequent sales of such properties. It is the assessor's policy not to revalue changes in ownership due to a foreclosure, since many of these properties were valued for a decline in value at the prior lien date.

Assessor's Response:

We have implemented this recommendation.

Current Status:

The assessor has implemented this recommendation. The assessor identifies transfers involving foreclosures as reappraisable events and codes them for reassessment.

New Construction

RECOMMENDATION 6: Improve the new construction assessment program by: (1) revaluing all construction in progress (CIP) at market value on each lien date, (2) using current cost indicators when using a cost approach to value new construction, and (3) substantiating new construction discounts on swimming pools.

(1) Revalue all construction in progress (CIP) at market value on each lien date.

Original Findings:

Upon our review of new construction activity, we found several files where the assessor correctly enrolled current market value for CIP as of the 2009 lien date; however, the assessor did not revalue the CIP at market value for the subsequent lien date. The parcels in question were not reviewed for any additional construction made subsequent to the 2009 lien date, and no changes were made to the enrolled values except to apply the inflation factor for the 2010 lien date, even though the construction was not complete.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. The assessor revalues all new CIP at its full market value each lien date until the construction is completed.

(2) Use current cost indicators when using a cost approach to value new construction.

Original Findings:

We found the assessor is using incorrect unit costs for residential new construction. In 1996, the assessor conducted an analysis of the unit costs in Assessors' Handbook Section 531, *Residential Building Costs* (AH 531). The purpose of this study was to develop annual lien date factors or time adjustment multipliers for various categories or classifications of residential construction representing the changes between more recently published AH 531s and the 1996 AH 531. These annual factors were entered into the assessment system and used as a multiplier against the 1996 AH 531 cost factors forming the basis for unit cost calculations of residential new construction for subsequent lien dates. The assessor discontinued this study and the calculation of the adjustment factor in 2005. For the past five years the assessor has continued to use the same in-house unit cost factors (without adjustment) established in 2005 when enrolling full value for construction in progress or completed new construction. In our review of county records, we found a range (of unit costs per square foot used by the assessor) from -7.27 percent to 8.26 percent from AH 531 cost per square foot for years 2008, 2009, and 2010.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. The assessor uses the current cost indicators found in Assessors' Handbook Section 531, *Residential Building Costs* (AH 531), when using a cost approach to value residential new construction.

(3) Substantiate new construction discounts on swimming pools.

Original Findings:

The assessor documents the time line of construction in progress and costs for swimming pools. Upon completion, the total estimated cost of the swimming pool is determined and the assessor enrolls 50 percent of this cost as the full market value of the new swimming pool. The assessor has no statistical basis or market study to justify such a reduction in cost when determining the value of new swimming pools.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. The assessor utilizes Assessors' Handbook Section 531.51, *Yard Improvements*, to value swimming pools.

Taxable Possessory Interests

RECOMMENDATION 7: Improve the taxable possessory interests program by: (1) exempting all qualifying low-value taxable possessory interests, (2) reappraising changes in ownership of taxable possessory interests in accordance with section 61(b), (3) not assessing a taxable possessory interest to a public user of public lands, (4) excluding newly created taxable possessory interests established by month-to-month agreements from supplemental assessments in accordance with section 75.5(b), and (5) issuing supplemental assessments upon the renewal or creation of a taxable possessory interest.

(1) Exempt all qualifying low-value taxable possessory interests.

Original Findings:

Even though the county has a number of taxable possessory interests that may qualify for the low-value property exemption, it is the assessor's policy to enroll all taxable possessory interests regardless of their value. The assessor leaves the decision to cancel the resulting tax bill to the tax collector if it is $20 or less.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. The assessor is exempting all qualifying low-value taxable possessory interests.

(2) Reappraise changes in ownership of taxable possessory interests in accordance with section 61(b).

Original Findings:

We found the assessor has not assessed taxable possessory interests of cable television providers for a change in ownership upon the application and issuance of a state franchise by the California Public Utilities Commission.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. The assessor is assessing taxable possessory interests of cable television providers upon the application and issuance of a state franchise by the California Public Utilities Commission.

(3) Do not assess a taxable possessory interest to a public user of public lands.

Original Findings:

In our review of taxable possessory interests in Madera County, we found that the assessor was assessing a taxable possessory interest to a local government entity that was leasing land owned by the United States Forest Service.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. The assessor is no longer assessing a taxable possessory interest to a local government entity that was leasing land owned by the United States Forest Service.

(4) Exclude newly created taxable possessory interests established by month-to-month agreements from supplemental assessments in accordance with section 75.5(b).

Original Findings:

We reviewed a number of taxable possessory interests that were created by month-to-month agreements that had a full cash value of $50,000 or less. In assessing these interests, the assessor assigned a reasonably anticipated term of possession based on historical usage for the particular property type. In addition, upon their creation as a taxable possessory interest, the assessor calculated the assessed value, established a base year and base year value, and issued a supplemental assessment.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. The assessor no longer issues supplemental assessments for taxable possessory interests that were newly created by month-to-month agreements having a full cash value of $50,000 or less in accordance with section 75.5(b).

(5) Issue supplemental assessments upon the renewal or creation of a taxable possessory interest.

Original Findings:

We reviewed a number of taxable possessory interests created by an agreement between the public owner and private user for a stated term of possession. The assessor correctly assessed these taxable possessory interests using the stated term of possession. However, the assessor is not consistently issuing a supplemental assessment upon a renewal or creation of these taxable possessory interests. The assessor is issuing supplemental assessments for some changes in ownership, but not for others.

Assessor's Response:

We have implemented these recommendations.

Current Status:

Implementation of this recommendation could not be fully determined. Available evidence for BOE staff during the survey review period consisted of month-to-month leases, not leases of a stated term. Month-to-month leases are a type of lease where a supplemental assessment would not be issued.

Mineral Property

Petroleum Property

RECOMMENDATION 8: Use reserves indicated by current market data for the valuation of petroleum property.

Original Findings:

The assessor's petroleum valuation worksheets use reserves reported by the taxpayer, rather than reserves as indicated by the assessor's discounted cash flow (DCF) analysis, for calculations regarding new reserves and adjustment for depletion. This procedure is incorrect. The assessor should be using the reserves indicated by the DCF analysis as prescribed by Rule 468(c)(4)(A).

Assessor's Response:

We have implemented this recommendation.

Current Status:

The assessor has not implemented this part of the recommendation. We found that the assessor uses the estimated reserves reported by the taxpayer each year, rather than using the reserves indicated by the assessor's discounted cash flow (DCF) analysis, for calculations regarding new reserves and adjustment for depletion. This procedure is

incorrect. Reserves reported by the taxpayer may have a different economic basis than the assessor's estimated reserves and should not be mixed. The assessor should use reserves indicated by DCF analysis as prescribed by Rule 468(c)(4)(A).

Failure to use this reserve estimate disconnects the value estimate from the current conditions and leads to incorrect adjusted base year value adjustments.

Mining Property

RECOMMENDATION 9: Revise mineral appraisal procedures to properly identify and assess mineral rights value.

Original Findings:

One mining operation that is still active is a granite quarry. Business property statements are regularly filed for this property and the assessor has been processing the statements and issuing assessments. However, notes in the appraisal record dating from 1983 indicate that the appraisal staff was instructed to drop the mineral rights value from the appraisal. Discussions with current assessor's staff could not resolve whether the mineral rights value for this property was ever removed and, if so, whether or not the mineral rights value had been assessed to another parcel created solely for that purpose.

Assessor's Response:

We have implemented this recommendation.

Current Status:

The assessor has implemented this recommendation. The assessor has corrected the procedure to account for production and make the proper adjustments to the base year mineral value.

PERSONAL PROPERTY AND FIXTURES ASSESSMENTS: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following are the recommendations included in our November 2012 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

Audit Quality

RECOMMENDATION 10: Send a *Notice of Enrollment of Escape Assessment* as required by section 534.

Original Findings:

The assessor does not properly notify taxpayers when enrolling an escape assessment and fails to allow the statutorily required minimum of ten days to elapse between notifying the assessee of the proposed escape assessment and the enrollment of the assessment. The only notice taxpayers receive from the assessor related to escape assessments is the *Notice of Proposed Escape Assessment*. An attached addendum to the *Notice of Proposed Escape Assessment* informs the recipient of their right to request a hearing before the assessment appeals board. It further states the appeal application must be filed within 60 days from the date of the proposed escape assessment letter. Subsequently, the property tax bill further states that appeals may be filed between July 2 and November 30. Appeal language specific to the enrollment of escaped assessments is not indicated on the tax bill.

Assessor's Response:

We will submit a request to the Board of Supervisors to adopt an ordinance in accordance with the provisions of Revenue and Taxation Code section 1605(c), thereby negating the need for a second notice and the associated costs of processing and mailing so as to be in compliance with this recommendation.

Current Status:

The assessor has implemented this recommendation. The Madera County Board of Supervisors adopted Resolution No. 2014-207 on December 9, 2014, authorizing the printed tax bill to be notification of enrollment of an escape assessment in accordance with section 1605(c). Thus, the assessor's current procedure is to send the taxpayer a *Notice of Proposed Escape Assessment* at least 10 days prior to enrolling the escape

assessment and then to allow the tax bill to serve as the notice of enrollment of the escape assessment. The tax bill properly displays the correct information regarding the taxpayer's right to file an assessment appeal within 60 days of the mailing date printed on the tax bill or the postmark, whichever is later, as provided by section 534.

Business Equipment Valuation

RECOMMENDATION 11: Improve the valuation of business equipment by: (1) supporting any modifications to cost indices and percent good factors published in AH 581 with market evidence, (2) applying the mobile agricultural percent good factors prescribed in Table 6 of AH 581 as intended, and (3) properly classifying, assessing, and allocating values for service station personal property and fixtures.

(1) Support any modifications to cost indices and percent good factors published in AH 581 with market evidence.

Original Findings:

We found that in many cases, the assessor is modifying the product of the factors published in AH 581 to produce a smoother depreciation curve when valuing older machinery and equipment. The assessor could not provide market evidence to support these modifications.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. The assessor constructs his business equipment valuation tables using Board-prescribed business equipment valuation factor components appropriately.

(2) Apply the mobile agricultural percent good factors prescribed in Table 6 of AH 581 as intended.

Original Findings:

AH 581 includes a separate percent good factor table for mobile agricultural equipment. We observed a number of instances where the assessor applied the mobile agricultural valuation table to other agricultural related personal property. This table is intended for the valuation of self-propelled machinery and related implements. Therefore, the assessor is incorrectly calculating current market value estimates of non-mobile agricultural equipment, including, but not limited to, bins, air compressors, irrigation pipe and risers, welders, and generators.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has implemented this part of the recommendation. We reviewed a number of agricultural related assessment records. The assessor appropriately utilizes the mobile agricultural percent good factors to value only self-propelled machinery and related implements.

(3) Properly classify, assess, and allocate values for service station personal property and fixtures.

Original Findings:

We found the assessor inconsistently classifies service station fixtures. Often, significant service station equipment costs reported on Schedule A of the business property statement (BPS) were not prorated between fixtures and personal property. In other cases, most markedly when fixtures were reported separately, the assessor classified the bulk of the taxable value as fixtures. Fixtures such as tanks, monitoring systems, and fuel dispensers are often reported with personal property, but should be classified and assessed as fixtures. In most cases, fixture items compose the majority of business property assessed to service stations.

Assessor's Response:

We have implemented these recommendations.

Current Status:

The assessor has not implemented this part of the recommendation. We found several examples of service station assessments where the assessor did not reflect a proration of reported machinery and equipment to fixtures. Fixtures such as tanks, monitoring systems, and fuel dispensers are often reported with personal property, but should be classified and assessed as fixtures. In most cases, fixture items compose the majority of business property assessed to service stations.

In Letters To Assessors No. 92/27, 88/40, and 88/24, we provided guidance to assessors to classify real property items such as buried tanks, dispensers, hoists, and air/water stations as fixtures. Classifying those items as personal property is contrary to that advice.

Classification is an important element of the local assessment function for several reasons. Principally, it is important because property tax law requires the assessment roll to show separate values for land, improvements (including fixtures), and personal property. It is also significant because of the assessment differences between real property and personal property. These differences include: (1) only real property receives

special assessments, (2) the tax rate on the unsecured roll is the rate of the prior year's secured roll, (3) personal property is appraised annually at market value, and (4) fixtures are a separate appraisal unit when measuring declines in value.

The assessor's practice of not prorating reported machinery and equipment between fixtures and personal property may result in inaccurate classifications of enrolled service station business property.

Aircraft

Historical Aircraft

RECOMMENDATION 12: Grant the historical aircraft exemption only to individual aircraft owners who provide sufficient documentation for compliance with section 220.5.

Original Findings:

The assessor granted an exemption for an airplane without the owner providing documentation of a willingness to display the aircraft to the public. The owner only provided a copy of an advertisement reporting a static display of an antique aircraft the first Monday of each month, and provided a telephone number.

Assessor's Response:

We have implemented this recommendation.

Current Status:

The assessor has not implemented this recommendation. We found several aircraft being granted the historical aircraft exemption without the owner having provided sufficient documentation of displaying the aircraft to the public. In one example, an individual owner of multiple aircraft was receiving the exemption, even though notification of display of the aircraft was an advertisement in the local paper with the address of display being the owner's personal residence.

In another example, the owner of a historical aircraft was being given the exemption, even though the notification of display provided by the owner was a receipt for an internet advertisement through a local paper stating that the aircraft was on display at the Chowchilla Airport the first Sunday of every month, but the ad failed to provide the location of the aircraft at the airport or the times at which the aircraft would be available for public viewing. Further, the ad wasn't run until March 4, 2015, which would not have allowed the public sufficient notification to be aware of the first three of the 12 monthly viewings of display (January 4, 2015, February 1, 2015, and March 1, 2015).

Section 220.5 provides for an exemption from taxation for aircraft of historical significance. To qualify for this exemption, certain conditions must be met, one of which is that the aircraft must be available for display to the public at least 12 days during the

12-month period immediately preceding the lien date for the year for which the exemption is claimed. Section 220.5(b)(3) provides that when applying for the exemption, the claimant must attach to the application a certificate of attendance from the event coordinator of the event at which the aircraft was displayed.

Assessors' Handbook Section 577, *Assessment of General Aircraft* (AH 577), further explains that the aircraft can be displayed at either:

1) An organized air show.
2) A museum.
3) A special designated area set aside for historical aircraft open to the public.

To qualify as available for display to the public under any situation (other than 1, 2, or 3 previously stated), an individual must document that the aircraft is displayed in such a manner that the general public is aware that public viewing is clearly invited, and that there are reasonable accommodations to allow public viewing of the aircraft. To qualify as available for display also means that there must be a reasonable effort to make the general public aware of the display and there must be reasonable viewing hours. Making an aircraft available by appointment only is not a clear invitation to the general public to view the aircraft. In addition, an owner's homesite lacks reasonable accommodations for public viewing in most instances. The aircraft must be displayed in a place where deliberate public viewing can be accommodated during reasonable viewing hours.

The assessor's granting of this exemption without all of the required documentation is contrary to statute and AH 577.

APPENDIX A: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

Madera County

Chief

David Yeung

Survey Team Director:

Diane Yasui	Manager, Property Tax

Survey Team Supervisor:

Andrew Austin	Supervisor, Property Tax

Survey Team:

James McCarthy	Senior Petroleum and Mining Appraisal Engineer
Cheron Burns	Associate Property Appraiser
Jorge Torres	Assistant Property Appraiser
Jeff Arthur	Associate Property Auditor-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 Madera County Assessor's response begins on the next page. The BOE has no comments on the response.

Madera County Assessor's Office

200 West 4th St.
Madera, California 93637
Phone (559) 675-7710
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GARY L. SVANDA
ASSESSOR

RECEIVED
FEB 13 2018
County-Assessed Properties Division
State Board of Equalization

February 9, 2018

David Yeung, Chief
BOE County- Assessed Properties Division
Property Tax Department
450 N Street
Sacramento, CA 9429-0064

Dear Mr. Yeung,

Pursuant to Government Code Section 15645, please find enclosed my responses to the final draft of the Madera County Supplemental Assessment Practices Survey report dated January 2018.

I would like to thank the survey team for their cooperation, consideration, and professionalism while conducting the survey. I am a first term Assessor and greatly appreciated the opportunity to have the survey team review our operations and suggest helpful changes to our processes that make our operation the most efficient and effective possible.

I am very pleased by the survey team's recognition of our successful performance of major responsibilities. The staff of the Assessor's office deserves recognition for their efforts in providing high quality and efficient service to the public.

My staff has worked diligently to implement the recommendations made in this survey. I am pleased to report that all recommendations are being implemented and our procedures and policies updated to ensure ongoing compliance.

Sincerely,

Gary Svanda
Madera County Assessor

MADERA COUNTY ASSESSOR'S OFFICE

January 2018

Findings & Responses

Recommendation 1:

Improve the staff property and activities program by: **(1)** ensuring required staff complete and submit BOE-121, Statement of Financial Interest, and the internal Conflict of Interest Statement; and **(2)** expanding and complying with internal review procedures for the assessment of staff-owned property.

Assessor's Response:

(1) We have modified our policies to require all staff to complete the internal Conflict of Interest Statement, but only the certified staff are required to complete the BOE- 121 Statement of Financial Interest.

(2) We have modified our policies to include newly purchased real or personal property to require staff notify the Chief of Assessment Services of any purchases or additions to assessable property in Madera County.

Recommendation 4:

Apply penalties for failure to file a COS in accordance with Section 482(a).

Assessor's Response:

We have modified our cover letter sent with a PCOR to remove the reference to Revenue and Taxation Code Section 480 and the penalty in Section 482.

Recommendation 7:

(5) Issue supplemental assessments upon the renewal or creation of a taxable possessory interest.

Assessor's Response:

In accordance with our previous response we have implemented these recommendations. Please see the below PI list and accept our apologies for not

having this information provided for the assessment practices survey team when they were here. The leases are consistent with the time frame that would have been available to the survey team to review had we provided them.

The attached information should satisfy the requirements that we have implemented this recommendation.

Asmt	Item	Lease term	Suppl. Number	Appraisal Date
[redacted]				

Recommendation 8:

Use reserves indicated by current market data for the valuation of petroleum property.

Assessor's Response:

The Assessor's office is currently utilizing a revised discounted cash flow (DCF) analysis which calculates new reserves and adjusts for depletion to estimate the value of Oil & Gas properties in Madera County.

The Updated (DCF) has been reviewed by several industry petroleum engineers (who have appealed our values) and also our own contracted petroleum & mineral engineers, Harold W. Bertolf & Associates, Inc. Both have agreed that our value worksheets now comply & conform to Title 18, California Code of Regulations, Rule 468(c)(4)(A).

We will send a copy of documentation & our value worksheets for 2018 Tax Year as soon as we receive a [redacted] statement from one of our assessees & determine a value & enroll same.

[redacted]

Recommendation 11:

(3) Properly classify, assess, and allocate values for service station personal property and fixtures.

Assessor's Response:

Immediate action was taken to rectify and to follow the recommendation regarding the proration between fixtures and personal property while the BOE's Auditor was here. All assessments with service station coding now have 90% trade fixtures allocation for machinery and equipment. Underground fuel storage tanks have always been classified 100% trade fixtures.

Recommendation 12:

Grant the historical aircraft exemption only to individual aircraft owners who provide sufficient documentation for compliance with section 220.5.

Assessor's Response:

We overlooked this assessment and granted an 80% historical exemption for the 2015 lien date. Since then, it has been corrected. No exemption was given for the 2016 lien date. This specific aircraft was referred to Merced County for the 2017 lien date. We will be more vigilant in our efforts to review the qualifications for aircraft historical exemption before granting it, moving forward.