

# MARIPOSA COUNTY ASSESSMENT PRACTICES SURVEY

**MARCH 2015**

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## CALIFORNIA STATE BOARD OF EQUALIZATION

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STATE BOARD OF EQUALIZATION  
PROPERTY TAX DEPARTMENT  
450 N STREET, SACRAMENTO, CALIFORNIA  
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064  
1-916-274-3350 • FAX 1-916-285-0134  
www.boe.ca.gov

SEN. GEORGE RUNNER (RET.)  
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No. 2015/013

March 10, 2015

TO COUNTY ASSESSORS:

**MARIPOSA COUNTY  
ASSESSMENT PRACTICES SURVEY**

A copy of the Mariposa County 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 each county and city and county 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 Becky Crafts, Mariposa County Assessor/Recorder, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the assessor's response, constitutes the final survey report, which is distributed to the Governor, the Attorney General, and the State Legislature; and the Mariposa 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 August through September 2013. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

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

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee  
Deputy Director  
Property Tax Department

DRK:dcl  
Enclosure

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## **INTRODUCTION**

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest derives from state law that annually guarantees California schools a minimum amount of funding; to the extent that property tax revenues fall short of providing this minimum amount of funding, the State must make up the difference from the general fund.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews the practices and procedures (surveys) of every county assessor's office. This report reflects the BOE's findings in its current survey of the Mariposa County Assessor/Recorder's Office.<sup>1</sup>

The assessor is required to file with the board of supervisors a response that states the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, and the Senate and Assembly; and to the Mariposa 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 Becky Crafts, Mariposa County Assessor/Recorder, elected to file her initial response prior to the publication of our survey; it is included in this report following the Appendixes.

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

## OBJECTIVE

The survey shall "...show the extent to which assessment practices are consistent with or differ from state law and regulations."<sup>2</sup> The primary objective of a survey is to ensure the assessor's compliance with state law governing the administration of local property taxation. This objective serves the three-fold purpose of protecting the state's interest in the property tax dollar, promoting fair treatment of taxpayers, and maintaining the overall integrity and public confidence in the property tax system in California.

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

## SCOPE AND METHODOLOGY

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor.

Pursuant to Revenue and Taxation Code<sup>3</sup> section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team—based on objective standards defined in regulation—that there are no significant assessment problems in the county.

This survey included an assessment sample of the 2012-13 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.<sup>4</sup>

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

<sup>3</sup> Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code and all rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

<sup>4</sup> For a detailed description of the scope of our Assessment Sampling Program, please refer to BOE's website at <http://www.boe.ca.gov/Assessors/pdf/assessmentsamplingprogram.pdf>.

Our survey methodology of the Mariposa County Assessor/Recorder's Office included reviews of the assessor's records, interviews with the assessor and her staff, and contacts with officials in other public agencies in Mariposa 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 Assessment Practices Survey Program document, which is available on the BOE's website at <http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf>.

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 the assessor's budget and staffing, workload, staff property and activities, and assessment appeals.

- 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, decline-in-value assessments, and certain properties subject to special assessment procedures, such as mineral property.

- 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.

## **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.

In the area of administration, the assessor is effectively managing staffing, workload, and assessment appeals programs. However, we made a recommendation for improvement in the staff property and activities program.

In the area of real property assessment, the assessor is effectively managing new construction. However, we made recommendations for improvement in the change in ownership, declines in value, and mineral property programs.

In the area of personal property and fixtures assessment, we made recommendations for improvement in the audit, business property statement, and business equipment valuation programs.

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

The Mariposa County assessment roll meets the requirements for assessment quality as established by section 75.60. Our sample of the 2012-13 assessment roll indicated an average assessment ratio of 99.19 percent, and the sum of the absolute differences from the required assessment level was 2.54 percent. Accordingly, the BOE certifies that Mariposa County is eligible to receive reimbursement of costs associated with administering supplemental assessments.

## **OVERVIEW OF MARIPOSA COUNTY**

Mariposa County is located close to the center of California. The county encompasses a total area of 1,463 square miles, consisting of 1,449 square miles of land area and 14 square miles of water area. Created in 1850, Mariposa County was one of California's original 27 counties. Originally, Mariposa County was California's largest county, covering one-fifth of the state. However, it was later reapportioned 11 times to form other counties. Mariposa County is bordered by Tuolumne County to the north, Madera County to the southeast, and Merced and Stanislaus Counties to the west.



As of 2012, Mariposa County had a population of 17,905. There are no incorporated cities in Mariposa County. The county seat is the town of Mariposa. A portion of Yosemite National Park is located in Mariposa County, as well as portions of the Stanislaus National Forest and the Sierra National Forest.

## FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the Mariposa 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:** Improve the staff property and activities program by expanding the written policies regarding incompatible activities and conflicts of interest. ....7

**RECOMMENDATION 2:** Improve the change in ownership program by correctly implementing the penalty process in accordance with section 482(a).....9

**RECOMMENDATION 3:** Improve the LEOP program by: (1) reassessing all properties owned by legal entities that have undergone a change in control or ownership, and (2) applying appropriate penalties as required by section 482(b). ....9

**RECOMMENDATION 4:** Improve the declines in value program by including all required information on the value change notice in accordance with section 619. ....10

**RECOMMENDATION 5:** Correctly determine the appraisal unit for mining claims. ....11

**RECOMMENDATION 6:** Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469. ....13

**RECOMMENDATION 7:** Improve the BPS program by valuing taxable business property in accordance with section 501 when a taxpayer fails to file a BPS. ....14

**RECOMMENDATION 8:** Improve the business equipment valuation program by: (1) applying service lives to similar property in a uniform manner, and (2) utilizing Board-recommended valuation tables when valuing computer and document processing equipment.....15

## ADMINISTRATION

### **Staff Property and Activities**

The BOE's assessment practices survey includes a review of the assessor's internal controls and safeguards as they apply to staff-owned properties and conflicts of interest. This review is done to ensure there are adequate and effective controls in place to prevent the assessor's staff from being involved in the assessment of property in which they have an ownership interest and to prevent conflicts of interest.<sup>5</sup>

We reviewed the assessor's policies and procedures involving staff-owned property. In addition, we reviewed several staff-owned property record files, and found that all files reviewed were properly documented and that the appropriate levels of review were used. However, we found an area in need of improvement.

**RECOMMENDATION 1:** Improve the staff property and activities program by expanding the written policies regarding incompatible activities and conflicts of interest.

We reviewed the assessor's written policies for incompatible activities and conflicts of interest, and found that the policies do not include a provision stating the consequences for violation of the assessor's policies.

Government Code section 1126(c) provides that the local agency, in this instance the assessor, shall adopt rules governing the application of this section. The rules shall include provisions for notice to the employees of the determination of prohibited activities, of disciplinary action to be taken against employees for engaging in prohibited activities, and for appeal by employees from such determination and from its application to an employee. In addition, section 1365(c) provides that violation of the assessor's policy on conflicts of interest shall be grounds for dismissal of such employee by the assessor.

The assessor's current policies on incompatible activities and conflicts of interest are lacking and, as a result, staff may be unaware of the potential consequences of violating office policy and may not know their rights to appeal such violations, since this information is not provided in the assessor's current policy.

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<sup>5</sup> For a detailed description of the scope of our review of Staff Property and Activities, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/staffproperty\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/staffproperty_general.pdf)

## 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.<sup>6</sup>

We examined several recorded documents and found that the assessor conducts a proper and thorough review of recorded documents experiencing a change in ownership. In addition, we reviewed several property records recently involving a change in ownership and found that the assessor is following proper valuation procedures. However, we found several areas in the change in ownership program that are in need of improvement.

### **Penalties**

When a recorded document is received without a BOE-502-A, *Preliminary Change of Ownership Report* (PCOR), or the PCOR is incomplete, the assessor sends the property owner a PCOR to complete and return to the assessor. If the property owner fails to return the PCOR, no further action is taken and the document is processed without the PCOR. However, if there is a change in ownership involving a manufactured home, the assessor will send the new owner of the manufactured home a BOE-502-AH, *Change in Ownership Statement* (COS). While the assessor maintains a list of the COSs sent, the assessor does not track or monitor the COSs to ensure timely submission, nor does the assessor apply a penalty if the property owner fails to return the COS or return the COS timely.

Mariposa County has not adopted an ordinance pursuant to section 483(b), which would allow the assessor to automatically abate penalties if the assessor received a completed COS within 60 days of the date of the notice of penalty sent to the property owner.

We found an area in need of improvement when applying the penalty process for failure to timely file a COS.

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<sup>6</sup> For a detailed description of the scope of our review of Change in Ownership, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/cio\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/cio_general.pdf).

**RECOMMENDATION 2:** Improve the change in ownership program by correctly implementing the penalty process in accordance with section 482(a).

It is the assessor's current practice not to apply penalties when a property owner of a manufactured home fails to return a requested COS or fails to return the COS timely. In addition, the assessor does not have a tracking system in place to monitor whether the COS is filed timely.

Section 482(a) provides that if a person or legal entity required to file a statement described in section 480 fails to do so within 90 days (45 days prior to January 1, 2012) from the date of a written request by the assessor, a specific penalty is applied. When the property owner fails to return the COS timely, the assessor should notify the property owner of the penalty being applied and inform them of the abatement process as described in section 483(a).

The information contained in a properly completed COS is important because it assists the assessor in making an accurate assessment of a property. The assessor's current practice of not applying penalties to property owners who fail to file a requested COS or fail to file the COS by the deadline is contrary to statute and results in unequal treatment of taxpayers. The assessor should put a tracking system in place to monitor the date a COS is sent and the date the COS is returned in order to determine whether the COS is filed timely.

#### Legal Entity Ownership Program (LEOP)

We reviewed the assessor's LEOP program and found areas in need of improvement.

**RECOMMENDATION 3:** Improve the LEOP program by: (1) reassessing all properties owned by legal entities that have undergone a change in control or ownership, and (2) applying appropriate penalties as required by section 482(b).

#### **Reassess all properties owned by legal entities that have undergone 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 by the BOE's LEOP Division.

Section 64(c)(1) provides that when a person or a legal entity acquires controlling interest of another legal entity by obtaining more than 50 percent of the voting stock or a majority ownership interest in that legal entity, there is a change in ownership of the real property owned by the legal entity being acquired. Section 64(d) provides that a change in ownership occurs when cumulatively more than 50 percent of the original co-owners' interest in the legal entity is transferred through one or more transactions, and the property that was previously excluded under section 62(a) shall be reappraised.

By not reassessing properties owned by legal entities identified as having undergone a change in control or ownership, the assessor may be enrolling incorrect assessments for those properties.

**Apply appropriate penalties as required by section 482(b).**

We found an instance where a penalty was not applied when an entity did not timely file a BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities* (BOE-100-B), even though the assessor had been notified by the BOE's LEOP Division to apply the penalty.

Sections 480.1 and 480.2 require the filing of a signed BOE-100-B whenever a legal entity has undergone a change in control or ownership. At the time of our survey, section 482(b) provided that if a person or legal entity failed to file a BOE-100-B within 90 days of a change in control or ownership or within 90 days of a written request from the BOE, whichever occurred earlier, they were subject to a 10 percent penalty.<sup>7</sup>

The BOE provides the assessor with several reports, as well as copies of BOE-100-Bs, indicating whether a penalty applies. The assessor should review these reports and the BOE-100-Bs to identify entities with late-filings or failures to file and apply penalties accordingly. By failing to apply the required section 482(b) penalty, the assessor is not following statutory requirements and is not treating all taxpayers equitably.

**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.<sup>8</sup>

We reviewed several decline-in-value assessments and found that value determinations were well supported and the property records were appropriately documented. However, we found an area in need of improvement.

**RECOMMENDATION 4:** Improve the declines in value program by including all required information on the value change notice in accordance with section 619.

In Mariposa County, it is the assessor's practice to use the annual tax bill as notice to property owners of decline-in-value properties that have been fully or partially restored to their FBYVs. The county's tax bill includes the current assessed value, information in regards to filing an

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<sup>7</sup> Effective January 1, 2010, Senate Bill 816 (Stats. 2009, ch. 622) amended section 482(b) to provide for the application of a penalty if a person or legal entity failed to file a statement within 45 days of: (1) the date the change in control or the change in ownership occurred, or (2) the date of a written request from the BOE (filing of BOE-100-B), whichever occurred earlier. Prior to January 1, 2010, the penalty was only applicable if the statement was not filed within 45 days of a written request. In addition, effective January 1, 2012, Senate Bill 507 (Stats. 2011, ch. 708) amended the filing requirement from 45 days to 90 days for a legal entity to report a change in control or change in ownership, or to comply with a written request from the BOE, whichever occurred earlier.

<sup>8</sup> For a detailed description of the scope of our review of Declines in Value, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/declinesinvalue\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/declinesinvalue_general.pdf).

assessment appeal, and an explanation of the stipulation process. The tax bill does not, however, include the property's FBV, as required by section 619.

Section 619(a) requires the assessor to inform each assessee of real property on the local secured roll whose property's full value has increased over its full value from the prior year as it shall appear on the completed local roll. Section 619(b) provides that the information given by the assessor to the assessee shall include a notification of hearings by the county board of equalization, which shall include the period during which assessment appeals will be accepted and the place where they may be filed. The information shall also include an explanation of the stipulation procedure set forth in section 1607. Section 619(c) provides that in the case of an increase in a property's full value over the property's full value determined for the prior year in accordance with section 51, the information shall also include the property's FBV.

By not including all required information on the tax bill, which is being used to notify taxpayers of a value change to their assessed values, the assessor is not in compliance with current statute and taxpayers are not being provided with all the information they are entitled to receive.

### **Mineral Property**

By statute and case law, mineral properties are taxable as real property. They are subject to the same laws and appraisal methodology as all real property in the state. However, there are three mineral-specific property tax rules that apply to the assessment of mineral properties. They are Rule 468, *Oil and Gas Producing Properties*, Rule 469, *Mining Properties*, and Rule 473, *Geothermal Properties*. These rules are interpretations of existing statutes and case law with respect to the assessment of mineral properties.<sup>9</sup>

After reviewing the assessor's mineral property program, we have the following recommendation.

**RECOMMENDATION 5:** Correctly determine the appraisal unit for mining claims.

We found that the assessor treats multiple unpatented mining claims which have the same common ownership as one appraisal unit. While common ownership is one consideration for determining whether to group claims into a single appraisal unit, some of the assessor's groupings are not appropriately determined.

According to Assessors' Handbook Section 502, *Advanced Appraisal* (AH 502), there are several factors that should be taken into consideration when determining whether to group separate claims as one appraisal unit. These factors include:

- 1) the functional and economic integration of the parcels;
- 2) the attainment of highest and best use when the parcels are analyzed as a single unit;

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<sup>9</sup> For a detailed description of the scope of our review of Mineral Property, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/mineralprop\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/mineralprop_general.pdf).

- 3) contiguity;
- 4) common ownership; and
- 5) current or prior combined sales of the parcels, such as actual transactions in which the parcels transferred as a unit.

The final decision as to the appraisal unit is a matter of judgment, and no single factor can be considered controlling. While the claims under consideration do not have to meet all five factors to be treated as one appraisal unit, common ownership alone as the determining factor is insufficient.

In addition, we found that claims being grouped as a single appraisal unit may have multiple owners; however, only one of those owners may have a common ownership with other claims. The assessor uses a listing from the Bureau of Land Management (BLM) that is sorted by claim holder name for each claim. Those claim holders with three or more claims are grouped into a single appraisal unit whose total assessed value now exceeds the low-value exemption in the county, where separately one or more of the claims do not exceed the low-value exemption. Claim names are reviewed to ensure each claim is associated with only one account. However, the assessor does not ensure that each claim in the account is contiguous with the other claims or that all owners of a claim have common ownership to all claims. For example, some of these claims are not next to each other and are separated by a significant distance and, thus, would not reasonably operate as a unit. Another example would be where an appraisal unit is made up of claims where an owner may have an interest in one or two of the claims, but not all of the claims in the appraisal unit.

Not determining the proper appraisal unit to be valued may result in incorrect assessments.

## ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

### **Audit Program**

Effective January 1, 2009, county assessors are required to annually audit a significant number of audits as specified in section 469. The significant number of audits required is 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 at least 50 percent of those to be selected from a pool of those taxpayers with the largest assessments.<sup>10</sup>

Rule 192 prescribes the computation establishing minimum required audit production and provides the basis for the audit selection process. According to Letter To Assessors (LTA) No. 2009/049, statute requires the assessor to complete six audits per year. In Mariposa County, the assessor does not have an auditor-appraiser on staff. Consequently, no formal audits have been performed in the past several years.

**RECOMMENDATION 6:** Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

The assessor has failed to conduct the minimum number of audits required under the provisions of section 469. As stated previously, the assessor does not have an auditor-appraiser on staff and no other assessor's staff members meet the requirements to perform audits, with the exception of the assessor, who has the authority to perform audits under section 670(d).

Section 670(d) provides that no employee of the county shall perform the duties or exercise the authority of an auditor-appraiser unless he or she holds a degree with a specialization in accounting from a recognized institution of higher education, or is a licensed accountant in California, or has passed the state or county examination given for the position of accountant or auditor by the testing body, or holds the office of assessor.

In addition to auditor-appraiser certification requirements, minimum standards must be met for a review to be considered a property tax audit. Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures* (AH 504), details the basic framework for a supportable property tax audit and cites generally accepted audit principals set forth by the American Institute of Certified Public Accountants (AICPA). While the assessor's certified appraisal staff often assist business property owners with annual reporting and verify business equipment enrollments, these informal interactions lack the necessary scope to supplant the audit process.

An effective audit program verifies the reporting of business property accounts, from small to large, and helps prevent potential errors or escape assessments. An audit program is an essential component of an equitably administered assessment program. A weak audit program can leave a

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<sup>10</sup> For a detailed description of the scope of our review of Audit, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/auditprogram\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/auditprogram_general.pdf).

business property assessment program with no means of verifying the accuracy of taxpayer reporting or correcting noncompliant reporting practices. Furthermore, experience shows that when audits are not conducted timely, it is more difficult to obtain the records necessary to substantiate accurate reporting the further removed the audit is from the year being audited. Therefore, timeliness of the audit is an important factor in an effective audit program and ultimately a well managed assessment program.

By failing to conduct a significant number of audits in a timely manner, the assessor is not in compliance with section 469 and risks the possibility of allowing taxable property to permanently escape assessment.

### **Business Property Statement Program**

Section 441 requires that each person owning taxable personal property (other than a manufactured home) having an aggregate cost of \$100,000 or more annually file a business property statement (BPS) with the assessor; other persons must file a BPS if requested by the assessor. Property statements form the backbone of the business property assessment program.<sup>11</sup>

We reviewed all major aspects of the assessor's BPS program, including processing procedures, use of Board-prescribed forms, application of penalties, coordination with the real property division, and record storage and retention. In addition, we reviewed several recently processed BPSs. We found that in cases observed, BPSs accepted by the assessor evidenced the proper usage of Board-prescribed forms, were completed in sufficient detail, and were properly signed. Overall, the assessor's BPS processing program is well administered. However, we found an area in need of improvement.

**RECOMMENDATION 7:** Improve the BPS program by valuing taxable business property in accordance with section 501 when a taxpayer fails to file a BPS.

When a completed BPS is submitted late, the assessor correctly calculates the current market value of reported taxable business property owned and controlled by the property owner and applies the statutorily-defined 10 percent penalty assessment. However, in cases where the BPS is not returned, the assessor does not calculate the current market value of the known taxable business property; she simply carries forward the previous year's enrolled value and adds the penalty assessment. For subsequent years in which a property owner fails to file a BPS over consecutive years, the assessor applies the 10 percent penalty to the previous year's enrolled value, which includes the 10 percent penalty for not filing a BPS the previous year. This practice causes the property value to arbitrarily escalate by 10 percent each year thereafter.

Section 441(b) provides that a penalty shall apply if a BPS is not filed by May 7. If an assessee does not file a BPS by May 7, section 501 provides that the assessor shall estimate a value based on available information and promptly assess the property. If a BPS was received the previous year, it is usually reasonable to use the reported cost data as a basis for estimating the current

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<sup>11</sup> For a detailed description of the scope of our review of Business Property Statement, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/businesspropstatement\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/businesspropstatement_general.pdf).

year's value. However, when allowing estimated assessments to continue for several years without new information, the values become increasingly susceptible to error.

The assessor's current methodology, as applied to non-filing accounts, may lead to erroneous value conclusions and may lead to improper application of the late or non-filing penalty provided for in section 463.

### ***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. A value indicator is obtained by multiplying a property's historical cost by an appropriate value factor.<sup>12</sup>

We reviewed the written procedures and standardized valuation policies related to business equipment valuation and found them to be adequately compiled and sufficiently detailed. We also reviewed a number of valuation calculations and found no problems with either fixture allocations or classification determinations between fixtures and personal property upon enrollment. In addition, we reviewed the assessor's valuation tables and a number of processed BPSs. Observed valuation calculations enrolled by the assessor indicate the appropriate application of BOE-recommended valuation tables in most instances. We did, however, find areas in need of improvement.

**RECOMMENDATION 8:** Improve the business equipment valuation program by: (1) applying service lives to similar property in a uniform manner, and (2) utilizing Board-recommended valuation tables when valuing computer and document processing equipment.

#### **Apply service lives to similar property in a uniform manner.**

The assessor generally uses the recommended service lives provided by the California Assessors' Association (CAA). However, we discovered a number of instances where more than one service life was used to value similar taxable equipment owned by the same taxpayer.

The assessor utilizes an enrollment procedure where valuation tables are applied on an individual basis to taxable assets rather than to the classification as a whole. Once a particular service life is designated and applied to a specific asset, it remains associated with the asset until disposal occurs. Although this approach streamlines the reporting process for many business owners, it increases the likelihood of various service lives being applied to similar types of property throughout the years. The result is inconsistent valuation determinations for similar property.

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<sup>12</sup> For a detailed description of the scope of our review of Business Equipment Valuation, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/businessequipval\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/businessequipval_general.pdf).

One core responsibility of any assessor is to ensure uniform treatment of taxable property within their jurisdiction. The assessor's current business equipment valuation procedures may lead to incorrect assessments and unequal treatment of taxpayers.

**Utilize Board-recommended valuation tables when valuing computer and document processing equipment.**

The assessor uses trended valuation tables, which are recommended by the BOE for use in valuing generic commercial equipment, to value both computer equipment and copiers.

Pursuant to section 401.5, the BOE issues valuation factors developed specifically for the valuation of computer hardware and document processing equipment. These valuation factors are published annually and are located in Table 7 and Table 10 of Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581). In addition, section 401.20 provides that values determined by use of the factors contained in Table 7 are rebuttably presumed to be the full cash value for non-production equipment. The utility of this type of high tech equipment is heavily influenced by technological progress. The Board-recommended valuation tables are supported by industry specific market behavior and should be used by all assessors in the interest of consistent valuation determinations among the counties. The assessor's current use of generic commercial valuation tables may lead to incorrect assessments.

## APPENDIX A: STATISTICAL DATA

**Table 1: Assessment Roll**

The following table displays information pertinent to the 2012-13 assessment roll:<sup>13</sup>

	PROPERTY TYPE	ENROLLED VALUE
<b>Secured Roll</b>	Land	\$806,421,677
	Improvements	\$1,148,848,577
	Fixtures	\$6,540,692
	Personal Property	\$34,498,002
	Total Secured	\$1,996,308,948
<b>Unsecured Roll</b>	Land	\$2,860,821
	Improvements	\$7,807,987
	Fixtures	\$5,099,150
	Personal Property	\$25,616,082
	Total Unsecured	\$41,384,040
<b>Exemptions<sup>14</sup></b>		(\$26,949,681)
	<b>Total Assessment Roll</b>	<b>\$2,010,743,307</b>

**Table 2: Change in Assessed Values**

The next table summarizes the change in assessed values over recent years:<sup>15</sup>

ROLL YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2012-13	\$2,010,743,000	-0.2%	1.4%
2011-12	\$2,014,325,000	-1.0%	0.1%
2010-11	\$2,035,579,000	-2.0%	-1.9%
2009-10	\$2,077,548,000	1.8%	-2.4%
2008-09	\$2,040,829,000	6.6%	4.7%

<sup>13</sup> Statistics provided by BOE-822, *Report of Assessed Values By City*, 22 Mariposa County for year 2012.

<sup>14</sup> The value of the Homeowners' Exemption is excluded from the exemptions total.

<sup>15</sup> State Board of Equalization Annual Report, Table 7.

**Table 3: Gross Budget and Staffing**

The assessor's budget has increased from \$862,605 in 2008-09 to \$900,258 in 2012-13.

As of the date of our survey, the assessor had 11 budgeted permanent positions. Those positions consisted of the assessor, assistant assessor, assessment office manager, 3 appraisers, 1 cadastral drafting technician, and 4 assessment recording clerks.<sup>16</sup>

The following table identifies the assessor's budget and staffing over recent years:<sup>17</sup>

BUDGET YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2012-13	\$900,258	-0.5%	11
2011-12	\$904,683	0.2%	11
2010-11	\$903,095	-1.7%	12
2009-10	\$918,609	6.5%	12
2008-09	\$862,605	10.0%	12

**Table 4: Assessment Appeals**

The following table shows the number of assessment appeals filed in recent years:<sup>18</sup>

YEAR	ASSESSMENT APPEALS FILED
2012-13	10
2011-12	7
2010-11	8
2009-10	5
2008-09	3

<sup>16</sup> Information provided by the Mariposa County Assessor/Recorder Organizational Chart as provided by the assessor.

<sup>17</sup> Statistics for the Gross Budget are from the Mariposa County, Schedule 9, *Detail of Financing Sources and Financing Uses Governmental Funds* for years 2008-09 through 2012-13. Years 2008-09 through 2010-11 represent the actual gross budget, while years 2011-12 and 2012-13 represent the adopted gross budget. Statistics for Permanent Staff are from *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

<sup>18</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

**Table 5: Change in Ownership**

The following table shows the total number of reappraisable transfers due to changes in ownership processed in recent years:<sup>19</sup>

YEAR	REAPPRAISABLE TRANSFERS
2012-13	665
2011-12	629
2010-11	475
2009-10	522
2008-09	384

**Table 6: New Construction**

The following table shows the total number of new construction assessments processed in recent years:<sup>20</sup>

YEAR	NEW CONSTRUCTION ASSESSMENTS
2012-13	117
2011-12	121
2010-11	151
2009-10	208
2008-09	251

<sup>19</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

<sup>20</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

**Table 7: Declines In Value**

The following table shows the total number of decline-in-value assessments in recent years.<sup>21</sup>

<b>YEAR</b>	<b>DECLINE-IN-VALUE ASSESSMENTS</b>
2012-13	1,054
2011-12	1,026
2010-11	690
2009-10	518
2008-09	283

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<sup>21</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

## APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

### Mariposa County

*Acting Chief*

Benjamin Tang

*Survey Program Director:*

Mike Harris

Manager, Property Tax

*Survey Team Supervisor:*

Ronald Louie

Supervisor, Property Tax

*Survey Team Leader:*

Tammy Aguiar

Senior Specialist Property Appraiser

*Survey Team:*

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Robert Marr

Associate Property Appraiser

Cheron Burns

Assistant Property Appraiser

Jeffrey Arthur

Associate Property Auditor-Appraiser

Cyrus Haze Ghazam

Tax Auditor

Dany Lunetta

Associate Governmental Program Analyst

Evan Becker

Tax Technician I

## APPENDIX C: RELEVANT STATUTES AND REGULATIONS

Reference	
<i>Government Code</i>	
§15640	<b>Survey by board of county assessment procedures.</b>
§15641	<b>Audit of records; appraisal data not public.</b>
§15642	<b>Research by board employees.</b>
§15643	<b>When surveys to be made.</b>
§15644	<b>Recommendations by board.</b>
§15645	<b>Survey report; final survey report; assessor's report.</b>
§15646	<b>Copies of final survey reports to be filed with local officials.</b>
<i>Revenue and Taxation Code</i>	
§75.60	<b>Allocation for administration.</b>
<i>Title 18, California Code of Regulations</i>	
Rule 370	<b>Random selection of counties for representative sampling.</b>
Rule 371	<b>Significant assessment problems.</b>

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



## Assessor-Recorder

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Assessor (209) 966-2332  
Recorder (209) 966-5719

Dean R. Kinnee,  
Acting Deputy Director  
Property Tax Department  
P.O. Box 942879  
Sacramento, CA 94279-5689

February 3, 2015

**RECEIVED**  
FEB 05 2015  
County-Assessed Properties Division  
State Board of Equalization

Dear Mr. Kinnee:

Pursuant to California Government Code 15645, I am providing our written response to the findings and recommendations contained in the Mariposa County Assessment Practices Survey of the 2012-2013 assessment roll. Please include my response in the final Assessment Practices Survey Report.

I would like to thank the survey crew for their constructive suggestions, comments and professional demeanor during their time at my office. Although I may disagree with some of the recommendations, the overall quality of the assessment roll meets state standards and confirms our commitment to providing the taxpayers with fair and equitable assessments through quality assessment practices.

I also want to thank the staff of the Mariposa County Assessor-Recorder's Office for their dedication, professionalism and commitment to serving the citizens of Mariposa County.

Sincerely,

Becky Crafts,  
Assessor-Recorder

- Recommendation 1: Improve the staff property and activities program by expanding the written policies regarding incompatible activities and conflicts of interest.
- Response: We concur and this procedure has been implemented.
- Recommendation 2: Improve the change in ownership program by correctly implementing the penalty process in accordance with section 482 (a).
- Response: This recommendation does not justify increased administrative cost for very little benefit. It appears our system is working, the State was unable to find an example of a COS not being returned timely.
- Recommendation 3: Improve the LEOP program by: (1) reassessing all properties owned by legal entities that have undergone a change in control or ownership, and (2) applying appropriate penalties as required by section 482(b).
- Response: We concur and this procedure has been implemented.
- Recommendation 4: Improve the declines in value program by including all required information on the value change notice in accordance with section 619.
- Response: We concur. Section 619 is clear, however, our initial written communication to the property owner when their property is revalued under Proposition 8 includes the FBYV and the explanation that in subsequent years the assessed value can remain the same as the Prop 8 value or decrease or increase until such time as the FBYV is restored. To notify each Prop 8 Assessee of their FBYV each year in addition to their property tax bill notification is not feasible within our current time, budgetary and mainframe constraints.
- Recommendation 5: Correctly determine the appraisal unit for mining claims.
- Response: It is our opinion that we have property assessed all mining claims. We will implement separate tax bills for common ownership that is not contiguous.
- Recommendation 6: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.
- Response: We concur.
- Recommendation 7: Improve the BPS program by valuing taxable business property in accordance with section 501 when a taxpayer fails to file a BPS.
- Response: We concur and this procedure has been implemented.
- Recommendation 8: Improve the business equipment valuation program by: (1) applying service lives to similar property in a uniform manner, and (2) utilizing Board-recommended valuation tables when valuing computer and document processing equipment.
- Response: We concur and this procedure has been implemented.