

NEVADA COUNTY SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY

OCTOBER 2021

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October 14, 2021

TO COUNTY ASSESSORS:

**NEVADA COUNTY
SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY**

No. 2021/046

A copy of the Nevada County Supplemental Assessment Practices Survey Report is enclosed for your information. The State Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in specified counties to determine that the practices and procedures used by the County Assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Sue Horne, Nevada 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 Nevada County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

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

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

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
Property Tax Department

DY:dcl
Enclosure

TABLE OF CONTENTS

INTRODUCTION..... 1

OBJECTIVE 2

SCOPE AND METHODOLOGY 2

EXECUTIVE SUMMARY 4

OVERVIEW OF NEVADA COUNTY..... 5

ADMINISTRATION: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS..... 6

 EXEMPTIONS 6

ASSESSMENT OF REAL PROPERTY: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS..... 9

 CHANGE IN OWNERSHIP 9

 NEW CONSTRUCTION 9

 TAXABLE POSSESSORY INTERESTS 11

 MINERAL PROPERTY 12

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS 14

 MANUFACTURED HOMES 14

 VESSELS..... 17

APPENDIX A: STATISTICAL DATA 19

 TABLE 1: ASSESSMENT ROLL 19

 TABLE 2: CHANGE IN ASSESSED VALUES 19

 TABLE 3: GROSS BUDGET AND STAFFING 20

 TABLE 4: ASSESSMENT APPEALS 20

 TABLE 5: EXEMPTIONS – WELFARE 21

 TABLE 6: CHANGE IN OWNERSHIP 21

 TABLE 7: NEW CONSTRUCTION 22

 TABLE 8: DECLINES IN VALUE 22

 TABLE 9: AUDITS..... 23

APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP 24

ASSESSOR'S RESPONSE TO BOE'S FINDINGS 25

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 Nevada 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 Nevada 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 Sue Horne, Nevada County Assessor, elected to file her initial response prior to the publication of our survey; it is included in this report following the Appendixes.

OBJECTIVE

The survey shall "...show the extent to which assessment practices are consistent with or differ from state law and regulations."¹ The primary objective of a survey is to ensure the Assessor's compliance with state law governing the administration of local property taxation. 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 Code² 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 Nevada 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 her staff. This supplemental survey is made to determine the extent to which the Assessor has implemented the recommendations contained in the prior survey report and to identify areas where problems still exist.

This supplemental survey examined the assessment practices of the Nevada County Assessor's Office for the 2019-20 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.

Our survey methodology of the Nevada County Assessor'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 Nevada County who provided information relevant to the property tax assessment program.

For a detailed description of the scope of our review of county assessment practices, please refer to the document entitled *Scope of Assessment Practices Surveys*, which is available on the BOE's website at <http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf>. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

EXECUTIVE SUMMARY

The BOE has elected to perform a supplemental survey of the Nevada County Assessor's Office, addressing only the recommendations from the prior survey and whether the Assessor has implemented those recommendations. In the 2016 Nevada County Assessment Practices Survey report, there were a total of nine recommendations.

In the area of administration, which affect both the real property and business property assessment programs, we reviewed one prior recommendation identified in the Assessor's exemptions program. The Assessor has implemented the recommendation related to the exemptions program.

In the area of real property assessment, we reviewed four prior recommendations identified in the Assessor's change in ownership, new construction, taxable possessory interests, and mineral property programs. The Assessor has implemented the recommendations related to the change in ownership program and the taxable possessory interests program, and has partially implemented the recommendations related to the mineral property programs. However, the Assessor has not implemented the recommendation related to new construction.

In the area of personal property and fixtures, we reviewed four prior recommendations identified in the Assessor's manufactured homes and vessels programs. The Assessor has implemented one of the two recommendations related to the manufactured homes program. In addition, the Assessor has implemented one of the two recommendations related to the vessels program.

OVERVIEW OF NEVADA COUNTY

Nevada County is located northeast of Sacramento and nestled in the Sierra Foothills Region. The county encompasses a total area of 973.8 square miles, consisting of 957.77 square miles of land area and 16.03 square miles of water area. Created in 1851, Nevada County is bounded on the north by Sierra County, on the west by Yuba County, on the south by Placer County, and on the east by the state of Nevada.



As of 2019, Nevada County had an estimated population of 99,755. There are three incorporated cities in Nevada County: Grass Valley, Nevada City, and Truckee. The county seat is Nevada City.

The Nevada County local assessment roll ranks 31st in value of the 58 county assessment rolls in California.³

³ Statistics provided by the BOE's Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, for year 2019-20.

ADMINISTRATION: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following is the recommendation included in our November 2016 Assessment Practices Survey Report that relates to administrative policies and procedures, and the Assessor's response to the recommendation. After each recommendation, we report the current status of the Assessor's effort to implement the recommendation, as noted during our supplemental survey fieldwork.

Exemptions

RECOMMENDATION 1: Improve the welfare exemption program by:
(1) conducting field inspections on all first-time filings for new locations, (2) properly notifying claimants when a portion of the property is denied the welfare exemption, (3) rejecting annual claim forms filed prior to lien date, and (4) applying the appropriate late-filing provision when annual claims are filed after February 15.

(1) Conduct field inspections on all first-time filings for new locations.

Original Findings:

In Nevada County, several first-time filers were granted the welfare exemption even though a field inspection was not conducted.

Original Assessor's Response:

We concur and have already implemented this recommendation. Field inspections are conducted on all current first-time filings and for new construction as of lien date. We are conducting field inspections on previous first-time filings where field inspections were missed. Field Inspection Reports are maintained in each claimant's file.

Current Status:

We found that the Assessor has implemented this recommendation. We reviewed several new welfare exemption claims and found that staff properly conducted field inspections on all of these first-time filing claims.

(2) Properly notify claimants when a portion of the property is denied the welfare exemption.

Original Findings:

During our review, we found that the assessor does not notify claimants when an exemption claim is partially denied. The assessor mails partial denial notices only when there is a change in

use or when the first-time claim is a partial exemption, but not when a claim is filed late or when the portion of the property receiving the exemption has not changed from the prior year. For example, if a property received an 85 percent exemption for 2013, and then received the same percentage in 2014, a notification is not sent in 2014 to notify the claimant that a portion of the property is still denied the welfare exemption.

Original Assessor's Response:

We concur and have already implemented this recommendation. We annually notify by letter claimants who do not receive 100% exemption. The letter notifies the claimant they may seek a refund of property taxes paid by filing a claim for refund with the county board of supervisors.

Current Status:

We found that the Assessor has implemented this recommendation. We reviewed several partially denied welfare exemption claims that were filed within our review period. All claims reviewed included letters notifying the claimant of the partial exemption findings.

(3) Reject annual claim forms filed prior to lien date.

Original Findings:

The assessor has been accepting annual claim forms received prior to the lien date; claim forms for the 2014 lien date were accepted in December of 2013.

Original Assessor's Response:

We concur and have already implemented this recommendation. Annual claim forms are mailed December 31 just prior to lien date to ensure that claim forms are not signed and received prior to lien date. If claim forms are received and/or signed before lien date, the claim form is returned to the claimant and a new submittal is requested.

Current Status:

We found that the Assessor has implemented this recommendation. In our review of the annual claim forms submitted to the Assessor, we found no claims accepted and/or signed prior to the lien date. In addition, we confirmed with the Assessor's staff that no claims were received prior to the lien date.

(4) Apply the appropriate late-filing provision when annual claims are filed after February 15.

Original Findings:

The assessor is correctly applying the late-filing exemption proration, but the \$250 maximum on the amount of taxes per claimant to be collected is incorrectly applied. There are cases where more than \$250 in taxes has been collected.

Original Assessor's Response:

We concur and have taken appropriate action on the two properties that were previously over penalized. Refunds have been issued through the Auditor's office to the affected taxpayers. Current late filing penalties that exceed \$250 are processed by preparing a roll correction refund calculated using the current tax rate for the claimant's tax area.

Current Status:

We found that the Assessor has implemented this recommendation. We reviewed several files with penalties applied for late-filed claims and found that the Assessor is in compliance with section 270(b), which limits the total tax penalty to \$250.

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

Following are the recommendations included in our November 2016 Assessment Practices Survey Report that relate to the assessment of real property, and the Assessor's response to the recommendations. After each recommendation, we report the current status of the Assessor's effort to implement the recommendation, as noted during our supplemental survey fieldwork.

Change in Ownership

RECOMMENDATION 2: Request the board of supervisors to revise Resolution No. 84-55 to conform to section 482.

Original Findings:

Nevada County Resolution No. 84-55 is outdated. This resolution allows for the abatement of the penalty provided for in section 482(a) if the assessee files the change in ownership statement with the assessor no later than 60 days after the date on which the assessee was notified of the penalty. However, the resolution provides that a penalty attaches under section 482 when there is a failure to file a change of ownership statement within 45 days from the date that a written request is submitted by the assessor. The reference to section 482 does not reflect the time-period allowed under current law.

Original Assessor's Response:

We concur and this request will go before the Board of Supervisors in November 2016 for their approval.

Current Status:

We found that the Assessor has implemented this recommendation. The Board of Supervisors of Nevada County passed and adopted a new resolution on November 15, 2016, that conforms to the provisions found in sections 482 and 483(b).

New Construction

RECOMMENDATION 3: Properly include solar equipment when determining full cash value for decline in value purposes

Original Findings:

During our review, we found instances where excluded new construction was omitted from the property records and the potential value of the excluded items was not considered in determining the current fair market value for decline in value purposes. We found that the assessor keeps

excluded solar system new construction information in a binder and does not note its existence on the property file or in the assessment system. In addition, we found that the mass appraisal system used for enrolling values for property that has suffered from a decline in value has no property characteristic field in which to enter the existence of the solar system for either the subject property or for the comparable sales.

Original Assessor's Response:

We concur and have already implemented the recommendation. The computerized property record file now includes a solar system data field to enable the tracking of the existence of a solar system on a property and to alert the appraiser to consider the current fair market value for decline in value or subsequent reassessment purposes. Value data on the solar system is also maintained in the physical property record file.

Current Status:

We found that the Assessor has not implemented this recommendation. According to the Assessor, excluded new construction is no longer omitted from the property records and that excluded newly constructed active solar energy system information is kept in the property record file or in the assessment system for future use in valuations and for declines-in-value purposes. However, our review found that the data in the files is incomplete and is not consistently being utilized in the valuation process. In addition, we found that the Assessor's mass appraisal system used for valuing properties that may have suffered a decline in value does not have a property characteristics field to enter the existence of an active solar energy system for either the property being reviewed or for the properties being utilized as comparable sales.

Section 75.10 provides that the Assessor must appraise new construction at its full cash value on the date the new construction is completed. However, under section 70(c) and sections 73 through 74.7, certain types of new construction may be excluded from assessment. Section 110 provides in pertinent part that "full cash value" is the amount of cash, or its equivalent, that property would bring if exposed for sale in the open market under conditions in which neither buyer nor seller could take advantage of the exigencies of the other. Even though certain additions to existing buildings, such as some active solar energy systems, may be excluded from the definition of "new construction," such exclusions do not extend to a subsequent reassessment prompted by a change in ownership of the real property. When a property with excluded new construction sells, the previously excluded new construction becomes assessable. Since an estimate of full cash value for decline-in-value purposes is made as if the property was exposed for sale, the full cash value should not be reduced by the value of any excluded new construction.

Assessors' Handbook Section 501, *Basic Appraisal*, provides that there are seven steps in the appraisal process. Step number one in the process is the definition of the appraisal problem. The first step in defining the appraisal problem is to identify the property to be appraised. Property identification requires a complete inventory of the identified property. Unless the Assessor conducts a site inspection each time a valuation is necessary, the Assessor must rely on an accurate description and inventory of the property being reflected in the property records. Thus, it is critical that the Assessor's property records be current and well documented. Property identification is also used as a basis for subsequent steps in the appraisal process, including, but

not limited to, the compilation of recent sales of comparable properties for use in the comparative sales approach to value.

Having incomplete data in the property record files of those properties that contain active solar energy equipment improvements not only cause valuation problems for declines-in-value reviews, but also valuation problems on transfers due to changes in ownership with or without a sale price. Moreover, appraisers, when analyzing sales data, will encounter difficulties in identifying whether properties with active solar energy equipment sell for an amount different from those comparable properties selling without active solar energy equipment. The Assessor's practice of not recognizing and including all property attributes when estimating the full cash value of a property may result in incorrect assessments.

Taxable Possessory Interests

RECOMMENDATION 4: Continue efforts to update and improve the taxable possessory interest assessment program.

Original Findings:

- **Obtain copies of leases for all taxable possessory interests.** The prior assessor did not consistently obtain copies of current leases for taxable possessory interests. Consequently, some assessment decisions are based on historical information or summary lease information obtained from public agencies.
- **Include a property tax component only where applicable when developing the capitalization rate.** We found instances where a 1 percent property tax component was included in the capitalization rate when using the direct method of the income approach to value taxable possessory interests, even though the tenant (lessee) was responsible for paying the property taxes.
- **Use the stated term of possession as the reasonably anticipated term of possession in accordance with Rule 21 when valuing taxable possessory interests.** We found that in some instances the assessor has continued the prior assessor's practice of using the anticipated term of possession rather than the stated term of possession.
- **Revalue taxable possessory interests at the end of their reasonably anticipated term of possession.** We found instances where the taxable possessory interest was not revalued at the end of the anticipated term of possession used by the assessor in establishing the base year value.

Original Assessor's Response:

We concur and have already taken steps to implement the recommendation. We are obtaining lease agreements with changes in ownership and when base terms expire. We presently develop the capitalization rate correctly per Rule 8(f) and AH 510. We are presently using terms stated on leases and working to correct accounts as base terms expire or have a change in ownership. We have developed a tracking system to review all the taxable possessory interests for both

declines in value and base term expiration annually. We continue to update and make steady progress toward improving our taxable possessory interest assessments as resources and time permit.

Current Status:

We found that the Assessor has implemented all of the four bulleted items of this recommendation.

- Our review found that the Assessor is consistently sending out letters to the various government agencies in Nevada County requesting the completion of BOE-502-P, *Possessory Interests Annual Usage Report*. The Assessor also obtains current leases and permits in order to properly establish base year values for taxable possessory interests.
- Our review also found that the Assessor is no longer including a 1 percent property tax component when the tenant (lessee) is responsible for paying the property taxes.
- In addition, we found that when valuing taxable possessory interests, the Assessor correctly uses the stated term of possession as the reasonably anticipated term of possession in accordance with Rule 21.
- Further, our review found that the Assessor is properly revaluing taxable possessory interests at the end of their anticipated terms of possession used by the Assessor when establishing the base year values. The Assessor has established a tracking system to flag taxable possessory interests at the end of their terms of possession, so as to either properly terminate the taxable possessory interest, or reassess and establish new base year values for those taxable possessory interests that are extended or renewed.

Mineral Property

RECOMMENDATION 5: Improve the mineral property program by: (1) measuring declines in value for mineral properties using the entire appraisal unit as required by Rule 469 and (2) recognizing changes to proved reserves for reasons other than depletion.

Original Findings:

(1) Measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469.

The assessor treats fixture values separately from other values associated with mineral property when measuring declines in value.

Original Assessor's Response:

We concur with the recommendation and have already made steps to implement corrections. A procedure has been put into place to assess our mineral properties using the entire appraisal unit.

Current Status:

We found that the Assessor has not implemented this portion of the recommendation. We reviewed several files and found that from the worksheets reviewed, it appears that the Assessor is not including the adjusted base year value of the fixtures with the adjusted base year value of the mineral property to compare to the current market value of mineral, equipment, and fixtures. Additionally, the Assessor is improperly treating some of the fixtures as personal property and incorrectly enrolling them at current market value.

In accordance with article XIII A, all real property receives a base year value and, on each lien date, the taxable value of the real property unit is the lesser of its adjusted base year value or current market value. Section 105 defines fixtures as a type of improvement and, hence, as real property.

For most properties, fixtures are treated as a separate appraisal unit for the purpose of determining a decline in value. Mineral properties, however, are treated differently. Rule 469(e)(2)(C) specifically defines the appraisal unit of a mineral property to include land, improvements including fixtures, and reserves. The Assessor should use this unit for the purpose of measuring a possible decline in value.

Failure to properly determine the decline in value of a mineral property using the entire mineral property appraisal unit could result in an underassessment of the fixtures and equipment or an overassessment of the mineral rights.

(2) Recognize changes to proved reserves for reasons other than depletion.**Original Findings:**

The assessor did not make adjustments for decreases in reserves for reasons other than depletion.

Original Assessor's Response:

We concur with the recommendation and have already made steps to implement corrections. Additional changes affecting the proved reserves other than depletion are now recognized and annual adjustments are being made to the base year value.

Current Status:

We were unable to determine whether the Assessor has implemented this portion of the recommendation. The evidence reviewed during the review period did not include mineral properties experiencing a change in reserves that was not related to depletion and, thus, we were unable to determine if the Assessor has corrected this practice of not making adjustments for decreases in reserves for reasons other than depletion.

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

Following are the recommendations included in our November 2016 Assessment Practices Survey Report that relate to the assessment of personal property and fixtures, and the Assessor's response to the recommendations. After each recommendation, we report the current status of the Assessor's effort to implement the recommendation, as noted during our supplemental survey fieldwork.

Manufactured Homes

RECOMMENDATION 6: Improve the manufactured home assessment program by:
(1) periodically reviewing all manufactured homes for declines in value and (2) annually reviewing all manufactured homes in decline-in-value status pursuant to section 51(e).

(1) Periodically review all manufactured homes for declines in value.

Original Findings:

We found the assessor does not review all manufactured homes for declines in value. The assessor uses National Automobile Dealers Association, *Manufactured Housing Cost Guide* (NADA), to initially value manufactured homes when there is a change in ownership. Manufactured homes that experienced a change in ownership prior to 2010 were reviewed and placed in a decline-in-value status. However, values enrolled for manufactured homes that experienced a change in ownership in 2010 or later have been factored by the California Consumer Price Index annual inflation factor and have not since been reviewed for a decline in value.

Original Assessor's Response:

We concur and will implement this recommendation as staff resources and time permit.

Current Status:

We found that the Assessor has not implemented this portion of the recommendation. We reviewed several enrolled values for manufactured homes that experienced a change in ownership in 2015 and later and found they have been factored by the annual inflation factor and have not since been reviewed for a possible decline in value.

Section 5813 provides that the taxable value of a manufactured home shall be the lesser of its factored base year value or its full cash value as of the lien date, considering reductions in value due to damage, destruction, depreciation, obsolescence, or other factors causing a decline in value. Periodic review of manufactured homes ensures declines in value are recognized and properties are properly valued. Manufactured homes typically decline in value each year.

Therefore, the Assessor should develop a program to periodically review the assessments of manufactured homes to ensure declines in value are recognized accurately and consistently.

By not reviewing all manufactured homes for possible declines in value, the Assessor may cause incorrect assessments to be enrolled and taxpayers to be treated inequitably.

(2) Annually review all manufactured homes in decline-in-value status pursuant to section 51(e).

Original Findings:

For properties already in a decline-in-value status, we found the assessor does not perform an annual review for each of these properties in accordance with section 51(e).

Original Assessor's Response:

We concur and will implement this recommendation as staff resources and time permit.

Current Status:

We found that the Assessor has not implemented this portion of the recommendation. For properties already in a decline-in-value status, we found that the Assessor does not perform an annual review for each of these properties in accordance with section 51(e). We found several manufactured homes enrolled in a decline-in-value status that have not been reviewed and have enrolled values that have remained unchanged for several years.

Section 51(e) provides that the Assessor is not required to annually reappraise all assessable property to determine if the property qualifies for a decline-in-value reduction. However, for each lien date after the first lien date for which the taxable value of the property is reduced, the value of that property must be annually reappraised at its full cash value until its full cash value exceeds its factored base year value.

By not annually reviewing all properties in decline-in-value status, the Assessor is not in compliance with statute and may be enrolling incorrect assessments for the lien date.

RECOMMENDATION 7: Improve the manufactured home assessment program by:
(1) reassessing the ownership interest in a resident-owned mobilehome park upon a change in ownership and (2) properly valuing manufactured homes upon a change in ownership

(1) Reassess the ownership interest in a resident-owned mobilehome park upon a change in ownership.

Original Findings:

We found the assessor does not reassess the transfers of individual interests when a manufactured home in a ROP changes ownership. In Nevada County, when manufactured homes are sold in a ROP, individual interests in the park are not always sold with the home. Potential

purchasers are not obligated to purchase an interest in the park along with the home they are buying, but have the option of acquiring only the home. If the buyer is interested in also acquiring an interest in the park, shares may be purchased at the time of sale or at a later date. Upon the change in ownership of a manufactured home in a ROP, the assessor values the manufactured home and accessories, but does not reassess any interest in the park that is part of the purchase transaction for the manufactured home.

Original Assessor's Response:

We concur and have taken steps to implement this recommendation by determining ownership interests upon a change in ownership in the single resident-owned mobile home park in the county.

Current Status:

We found that the Assessor has implemented this portion of the recommendation. Upon a change in ownership of a manufactured home located in a resident-owned park (ROP), the Assessor reassesses the manufactured home and accessories, as well as the ownership interest in the park if it was purchased at the time of sale or purchased at a later date.

(2) Properly value manufactured homes upon a change in ownership.**Original Findings:**

When manufactured homes are sold in a ROP, the assessor will consider sale prices listed in NADA for manufactured homes and accessories. However, we found the assessor will typically enroll the sales price, even though the value guide indicates a much lower value; there is no documented reconciliation of the significantly different value indicators.

Original Assessor's Response:

We concur and will implement the recommendation as resources and time permit.

Current Status:

We found that the Assessor has implemented this portion of the recommendation. The Assessor has implemented new procedures to value manufactured homes and now uses AH 531.35 in the valuation process rather than simply enrolling the purchase price upon a change in ownership.

Vessels

RECOMMENDATION 8: Apply a 10 percent penalty for failing to file a *Vessel Property Statement* as required by section 463.

Original Findings:

In Nevada County, there are two vessels with an aggregate cost of \$100,000 or more. We found that when a vessel owner fails to file a BOE-576-D, the assessor does not apply the required 10 percent penalty pursuant to section 463.

Original Assessor's Response:

We concur and have implemented this recommendation. We utilize a manual tracking process for vessels having an aggregate cost of \$100,000 or more to ensure that a Vessel Property Statement is mailed annually and a penalty is applied if the statement is not filed by the statutory deadline.

Current Status:

We found that the Assessor has not implemented this recommendation. In Nevada County, there are currently eight vessels with an aggregate cost of \$100,000 or more. We found that when a vessel owner fails to file a BOE-576-D, *Vessel Property Statement*, the Assessor does not apply the required 10 percent penalty pursuant to section 463.

Section 441(a) provides that each person owning taxable personal property, other than a manufactured home, having an aggregate cost of \$100,000 or more for any assessment year shall file a signed property statement with the Assessor. Additionally, section 463 specifically requires the Assessor to add a 10 percent penalty to the assessed value when a taxpayer with a filing requirement fails to file a property statement or files that statement after the statutory deadline.

The Assessor's practice is contrary to statute, diminishes the taxpayer's incentive to file a property statement as required, and contributes to inequitable treatment of taxpayers.

RECOMMENDATION 9: Adequately support the depreciation factor used to value vessels each year.

Original Findings:

The assessor annually applies a depreciation factor to determine lien date values for houseboats subsequent to the initial assessment. The depreciation factor is determined annually using sales and advertisements of similar houseboats. However, the assessor could not provide any analysis or documentation to justify the depreciation factor used each year.

Original Assessor's Response:

We concur and will implement the recommendation.

Current Status:

We found that the Assessor has implemented this recommendation. When annually valuing houseboats, the Assessor properly applies a depreciation factor, which is supported and documented in the file.

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following table displays pertinent information from the 2019-2020 assessment roll:⁴

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	\$6,430,864,728
	Improvements	\$14,151,654,773
	Personal Property	\$81,255,918
	Total Secured	\$20,663,775,419
Unsecured Roll	Land	\$24,210,861
	Improvements	\$106,202,885
	Personal Property	\$274,842,161
	Total Unsecured	\$405,255,907
Exemptions ⁵		(\$459,565,743)
	Total Assessment Roll	\$20,609,465,583

Table 2: Change in Assessed Values

The next table summarizes the change in assessed values over recent years:⁶

YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2019-20	\$20,609,466,000	4.5%	6.1%
2018-19	\$19,723,032,000	6.3%	6.5%
2017-18	\$18,547,528,000	5.9%	6.3%
2016-17	\$17,508,076,000	4.7%	5.5%
2015-16	\$16,717,095,000	5.2%	6.0%

⁴ Statistics provided by BOE-822, *Report of Assessed Values By City*.

⁵ The value of the Homeowners' Exemption is excluded from the exemptions total.

⁶ Statistics provided by the BOE's Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, for years 2015-16 through 2019-20.

Table 3: Gross Budget and Staffing

The Assessor's budget has grown from \$2,648,155 in 2015-16 to \$3,348,293 in 2019-20.

As of the date of our survey, the Assessor had 24 budgeted permanent positions. This included the Assessor, Assistant Assessor, 2 chief appraisers, 8 real property appraisers, 2 business property auditor-appraisers, 1 cadastral draftsman, 2 technical/professionals, and 7 support staff.

The following table identifies the Assessor's budget and staffing over recent years:⁷

BUDGET YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2019-20	\$3,348,293	2.0%	24.00
2018-19	\$3,280,801	13.6%	24.00
2017-18	\$2,888,230	3.6%	23.00
2016-17	\$2,770,062	5.3%	23.00
2015-16	\$2,648,155	6.0%	22.75

Table 4: Assessment Appeals

The following table shows the number of assessment appeals filed in recent years:⁸

YEAR	ASSESSMENT APPEALS FILED
2019-20	52
2018-19	34
2017-18	42
2016-17	32
2015-16	82

⁷ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2015-16 through 2019-20.

⁸ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2015-16 through 2019-20.

Table 5: Exemptions – Welfare

The following table shows welfare exemption data for recent years:⁹

YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2019-20	377	\$374,603,030
2018-19	299	\$360,049,645
2017-18	294	\$330,995,927
2016-17	304	\$319,398,749
2015-16	276	\$322,567,037

Table 6: Change in Ownership

The following table shows the total number of transfer documents received and the total number of reappraisable transfers due to changes in ownership processed in recent years:¹⁰

YEAR	TOTAL TRANSFER DOCUMENTS RECEIVED	REAPPRAISABLE TRANSFERS
2019-20	7,450	3,887
2018-19	8,912	4,025
2017-18	8,562	3,411
2016-17	8,305	2,706
2015-16	7,602	2,313

⁹ Statistics provided by BOE-802, *Report on Exemptions*, for years 2015 through 2019.

¹⁰ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2015-16 through 2019-20.

Table 7: New Construction

The following table shows the total number of building permits received and the total number of new construction assessments processed in recent years:¹¹

YEAR	TOTAL BUILDING PERMITS RECEIVED	NEW CONSTRUCTION ASSESSMENTS
2019-20	4,778	N/A
2018-19	3,726	1,809
2017-18	3,790	2,000
2016-17	3,504	1,948
2015-16	3,149	1,711

Table 8: Declines In Value

The following table shows the total number of decline-in-value assessments in recent years:¹²

YEAR	DECLINE-IN-VALUE ASSESSMENTS
2019-20	8,028
2018-19	8,723
2017-18	10,322
2016-17	11,798
2015-16	13,892

¹¹ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2015-16 through 2019-20.

¹² Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2015-16 through 2019-20.

Table 9: Audits

The following table shows the minimum number of audits required to be conducted and the total number of audits completed in recent years.¹³

MINIMUM NUMBER OF AUDITS REQUIRED¹⁴	2019-20	2018-19	2017-18	2016-17	2015-16
Largest Assessments	9	9	9	9	9
All Other Taxpayers	9	9	9	9	9
Total Required	18	18	18	18	18
NUMBER OF AUDITS COMPLETED					
Total Audits Completed	6	8	27	9	18
Largest Assessments	6	8	16	2	9
Over/(Under) Required	(3)	(1)	7	(7)	0
All Other Taxpayers	0	0	11	7	9
Over/(Under) Required	(9)	(9)	2	(2)	0
CCCASE AUDITS					
Prepared for other county Assessors	0	1	0	0	0

¹³ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2015-16 through 2019-20.

¹⁴ See Letter To Assessors No. 2009/049, *Significant Number of Business Property Audits*, for the minimum number of annual audits required pursuant to the provisions of section 469.

APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

Nevada County

Chief:

Patricia Lumsden

Survey Program Director:

Diane Yasui

Manager, Property Tax Department

Survey Team Supervisor:

Andrew Austin

Supervisor, Property Tax Department

Survey Team Leader:

Gary Coates

Senior Specialist Property Appraiser

Survey Team:

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Alexander B. Fries

Associate Property Auditor-Appraiser

Amanda Lopez

Associate Property Appraiser

Nicole Grady

Assistant Property Appraiser

Dany Lunetta

Associate Governmental Program Analyst

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the Assessor may file with the Board a response to the findings and recommendations in the survey report. The survey report, the Assessor's response, and the BOE's comments regarding the Assessor's response, if any, constitute the final survey report.

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

COUNTY OF NEVADA

SUSAN M. HORNE

ASSESSOR

950 Maidu Avenue
Nevada City, CA 95959-8600
(530) 265-1232
FAX 265-9858

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SEP 13 2021

County-Assessed Properties Division
State Board of Equalization

September 8, 2021

Mr. David Yeung, Deputy Director
Property Tax Department
State Board of Equalization
PO Box 942879
Sacramento, CA 94279-0064

RE: Assessor's Response to the August 2021 Nevada County Supplemental Assessment Practices Survey

Dear Mr. Yeung:

Pursuant to California Government Code, Section 15645, I am providing for inclusion in the final report, a written response to the findings in the August 2021 Nevada County Supplemental Assessment Practices Survey.

We value the opportunity to have the State review our practices and offer recommendations to enhance our procedures in the administration of property assessment in Nevada County. The survey program assists in promoting uniformity, fairness, equity and integrity in the property tax assessment process. The publication of this report should serve to help instill public confidence and integrity in the assessment processes as conducted by this office. We also appreciate the professionalism and courtesy displayed by the survey team led by Survey Team Leader, Andy Austin. The entire survey team was a pleasure to work with throughout the two month process as they worked with our staff.

In our response, you will find that we agree with all the Board's Survey team status findings regarding the 2016 survey recommendations and have confirmed the implementation of several of them. Due to budget constraints, some recommendations will be implemented when resources and time permit.

Finally, I would like to thank the employees of the Nevada County Assessor's Office for their professionalism. They strive to provide excellent public service and demonstrate daily their dedication to providing fair, accurate assessments to the tax payers of Nevada County.

Sincerely,



Sue Horne
Nevada County Assessor

Enclosure

NEVADA COUNTY RESPONSES TO BOE 2021 SUPPLEMENTAL SURVEY - FINAL 09/08/2021

Recommendation #1:

In response to the recommendation made in the 2016 survey to improve the welfare exemption program, we appreciate the State Board of Equalization's confirmed findings that our office has successfully implemented the recommendations. The Board's survey oversight and involvement with each Assessor's office throughout the state is an essential program to promote and ensure fair and equitable assessments.

Recommendation #2:

In response to the recommendation made in the 2016 survey to revise our outdated Board of Supervisors resolution allowing for the abatement of penalties associated with the filing of a change in ownership statement, we appreciate the State Board of Equalization's confirmed findings that our office has successfully implemented the recommendations. The Board's survey oversight and involvement with each Assessor's office throughout the state is an essential program to promote and ensure fair and equitable assessments.

Recommendation #3:

In response to the recommendation made in the 2016 survey to include solar equipment when deriving the full cash value of a property, our office began utilizing the Megabyte property characteristics screen to include "solar" as an available dropdown for capturing this characteristic component. As new solar permits are received, staff consistently update the appropriate property record upon receipt of the building permit. Properties with solar energy systems installed prior to 2018 have not been retroactively added to our new Megabyte system as staff resources are currently unavailable to undertake such a project.

For mass adjustment to properties on decline-in-value, our methodology has been to annually factor base values each year based upon neighborhood market trends. By doing so, homes with solar as compared to those without will have already had their respective solar vs. non-solar value component in their base assessment. Only a very small minority of Prop 8 properties have had excluded solar systems added after establishing their base assessment. We agree that in these small number of cases that the following year's subsequent Prop 8 valuation *could* lead to a potential underassessment.

When running a comparative sales approach on individual properties, we agree that having a 'Solar' characteristic field on our appraisal grid is an important characteristic to identify. We have already revised our comparison sale template to include this component and staff appraisers will make market value adjustments if warranted.

Recommendation #4

In response to the recommendations in the 2016 survey to update and improve the possessory interest assessment program, we appreciate the State Board of Equalization's confirmed findings that our office has successfully implemented the recommendations. The Board's survey oversight and involvement with each Assessor's office throughout the state is an essential program to promote and ensure fair and equitable assessments.

Recommendation #5

In response to the recommendations in the 2016 survey to improve Nevada County's mineral property program, our office analyzed the assessed values of our mineral rights properties to determine the Prop 13 and market values of the total appraisal unit for each account. The appraisal unit included land, mineral rights, improvements, equipment, personal property, and fixtures. Assessment years 2011 through 2015 were reviewed. Our analysis determined the market value was significantly less than the Prop 13 factored base year value for the appraisal unit. The values of the fixtures being the main reason for the difference.

In the years following 2015, there have not been major changes to the fixtures on the accounts. Therefore, until such time that there are changes to the fixtures, the market value will continue to be the lesser value for the appraisal unit. The assessed values have been at market value since 2015. After the analysis of the 2011 – 2015 years was made there appeared to be no reason to annually perform the comparison. However, moving forward, the value comparison will be documented.

Regarding the categorization of the personal property and fixtures on the mining claim accounts, it is unclear from the recommendation which items are not accurately classified. However, we will review the accounts to determine if changes need to be made.

Recommendation #6

In response to the recommendations in the 2016 survey related to the periodic review of manufactured homes for declines in value, we again concur with the BOE findings as staff and resources permit. To fully integrate this recommendation, we intend to utilize our new and robust Megabyte mobile home valuation module once we can capture the various physical characteristics necessary to implement this tool.

In the meantime, empirical evidence taken from processing mobile sales for the past few years suggests that our existing mobile home assessments are at, or below market value. We base this on the fact that almost all mobile home sale reassessments enrolled are above current roll value creating supplemental tax bills rather than supplemental refunds. Existing mobile homes on Prop 8 have typically been conservatively left unchanged year over year based on this evidence, while more recent non-Prop 8 mobile home base value assessments have been allowed to increase by the annual CPI as required under Prop 13.

Recommendation #7:

In response to the recommendation made in the 2016 survey to improve the manufactured home assessment program for those homes in resident-owned mobile home parks, we appreciate the State Board of Equalization's confirmed findings that our office has successfully implemented the recommendations. The Board's survey oversight and involvement with each Assessor's office throughout the state is an essential program to promote and ensure fair and equitable assessments.

Recommendation #8:

In response to the recommendation made in the 2016 survey to apply a 10% penalty for failing to file a Vessel Property Statement, our office began proactively sending a Vessel Property Statement (VPS) on vessels with values over \$100,000 as part of the annual mailing for all vessels requiring a VPS. The intent was to track the returned VPS which would allow us to identify non-filers and apply the 10% penalty. However, the tracking did not occur timely, and the penalty did not get applied.

For the 21/22 roll year, a tracking system was created, and the 10% penalty was applied to non-filers. For 21/22, there were 11 boats with values above \$100,000. The penalty was applied to four assessments. These were 830-001-403-000, 830-001-966-000, 830-002-124-000, and 830-005-327-000.

Recommendation # 9:

In response to the recommendation made in the 2016 survey related to adequately support the depreciation factor used to value vessels annually, we appreciate the State Board of Equalization's confirmed findings that our office has successfully implemented the recommendation. The Board's survey oversight and involvement with each Assessor's office throughout the state is an essential program to promote and ensure fair and equitable assessments.