

# **SAN DIEGO COUNTY ASSESSMENT PRACTICES SURVEY**

**APRIL 2021**

---

## **CALIFORNIA STATE BOARD OF EQUALIZATION**

TED GAINES, SACRAMENTO

FIRST DISTRICT

MALIA M. COHEN, SAN FRANCISCO

SECOND DISTRICT

ANTONIO VAZQUEZ, CHAIRMAN, SANTA MONICA

THIRD DISTRICT

MIKE SCHAEFER, VICE CHAIR, SAN DIEGO

FOURTH DISTRICT

BETTY T. YEE

STATE CONTROLLER

---

BRENDA FLEMING, EXECUTIVE DIRECTOR





STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION  
PROPERTY TAX DEPARTMENT  
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064  
1-916-274-3350 • FAX 1-916-285-0134  
[www.boe.ca.gov](http://www.boe.ca.gov)

TED GAINES  
First District, Sacramento

MALIA M. COHEN  
Second District, San Francisco

ANTONIO VAZQUEZ, CHAIRMAN  
Third District, Santa Monica

MIKE SCHAEFER, VICE CHAIR  
Fourth District, San Diego

BETTY T. YEE  
State Controller

BRENDA FLEMING  
Executive Director

No. 2021/013

April 7, 2021

TO COUNTY ASSESSORS:

**SAN DIEGO COUNTY  
ASSESSMENT PRACTICES SURVEY**

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

The Honorable Ernest J. Dronenburg, Jr., San Diego County Assessor/Recorder/County Clerk, 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 San Diego County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from September through October 2019. The report does not reflect changes implemented by the Assessor after the fieldwork was completed.

Mr. Dronenburg and his staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

Sincerely,

/s/ David Yeung

David Yeung  
Deputy Director  
Property Tax Department

DY:dcl  
Enclosure

## TABLE OF CONTENTS

<b>INTRODUCTION.....</b>	<b>1</b>
<b>OBJECTIVE .....</b>	<b>2</b>
<b>SCOPE AND METHODOLOGY .....</b>	<b>2</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>4</b>
<b>OVERVIEW OF SAN DIEGO COUNTY.....</b>	<b>6</b>
<b>FINDINGS AND RECOMMENDATIONS .....</b>	<b>7</b>
<b>ADMINISTRATION .....</b>	<b>8</b>
EXEMPTIONS.....	8
<b>ASSESSMENT OF REAL PROPERTY .....</b>	<b>10</b>
CHANGE IN OWNERSHIP .....	10
NEW CONSTRUCTION.....	11
MINERAL PROPERTY .....	12
<b>ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES.....</b>	<b>13</b>
AUDIT PROGRAM .....	13
BUSINESS EQUIPMENT VALUATION.....	15
<b>APPENDIX A: STATISTICAL DATA .....</b>	<b>17</b>
TABLE 1: ASSESSMENT ROLL.....	17
TABLE 2: CHANGE IN ASSESSED VALUES .....	17
TABLE 3: GROSS BUDGET AND STAFFING .....	18
TABLE 4: ASSESSMENT APPEALS .....	18
TABLE 5: EXEMPTIONS – WELFARE .....	19
TABLE 6: CHANGE IN OWNERSHIP .....	19
TABLE 7: NEW CONSTRUCTION.....	20
TABLE 8: DECLINES IN VALUE .....	20
TABLE 9: AUDITS .....	21
<b>APPENDIX B: PRIOR SURVEY RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS .....</b>	<b>22</b>
<b>APPENDIX C: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP .....</b>	<b>31</b>
<b>APPENDIX D: RELEVANT STATUTES AND REGULATIONS .....</b>	<b>32</b>
<b>ASSESSOR'S RESPONSE TO BOE'S FINDINGS .....</b>	<b>33</b>

## **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 San Diego County Assessor/Recorder/County Clerk'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 San Diego 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 Ernest J. Dronenburg, Jr., San Diego County Assessor/Recorder/County Clerk, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendixes.

---

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

## OBJECTIVE

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

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

## SCOPE AND METHODOLOGY

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

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

This survey included an assessment sample of the 2018-19 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>

---

<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 this program, please refer to the document entitled *Assessment Sampling Program*, which is available on the BOE's website at <http://www.boe.ca.gov/Assessors/pdf/assessmentsamplingprogram.pdf>.

Our survey methodology of the San Diego County Assessor's Office included reviews of the Assessor's records, interviews with the Assessor and his staff, and contacts with officials in other public agencies in San Diego 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*, 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**

This report offers recommendations to help the Assessor correct assessment problems identified by the survey team. The survey team makes recommendations when assessment practices in a given area are not in accordance with property tax law or generally accepted appraisal practices. An assessment practices survey is not a comprehensive audit of the Assessor's entire operation. The survey team does not examine internal fiscal controls or the internal management of an Assessor's office outside those areas related to assessment. In terms of current auditing practices, an assessment practices survey resembles a compliance audit – the survey team's primary objective is to determine whether assessments are being made in accordance with property tax law.

We examined the assessment practices of the San Diego County Assessor's Office for the 2018-19 assessment roll and followed up on recommendations from our prior survey of this County.

In our 2016 assessment practices survey report of the San Diego County Assessor's Office, we made nine recommendations to address problems found in the Assessor's policies and procedures. Our review of these prior recommendations, responses, and current status are detailed in Appendix B.

During our current survey, we conducted reviews of the following areas:

- Administration

We reviewed the Assessor's administrative policies and procedures that affect both the real property and business property assessment programs. Specific areas reviewed include the Assessor's budget and staffing, workload, assessment appeals, disaster relief, and exemptions. In the area of administration, the Assessor is effectively managing the workload, assessment appeals and disaster relief program. However, we made recommendations for improvement in the exemptions program.

- Assessment of Real Property

We reviewed the Assessor's program for assessing real property. Specific areas reviewed include properties having experienced a change in ownership, new construction assessments, declines in value, and certain properties subject to special assessment procedures, such as California Land Conservation Act (CLCA) property, leasehold improvements, timeshares, and mineral property. In the area of real property assessment, the Assessor has effective programs for declines in value, CLCA property, leasehold improvements, and timeshares. However, we made recommendations for improvement in the change in ownership, new construction, and mineral property programs.

- Assessment of Personal Property and Fixtures

We reviewed the Assessor's program for assessing personal property and fixtures. Specific areas reviewed include conducting audits, processing business property statements, business equipment valuation, and vessel assessments. In the area of personal property and fixtures assessment, the Assessor has effective programs for processing business property statements and assessing vessels. However, we made recommendations for improvement in the audit 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 San Diego County assessment roll meets the requirements for assessment quality as established by section 75.60. Our sample of the 2018-19 assessment roll indicated an average assessment ratio of 99.77 percent, and the sum of the absolute differences from the required assessment level was 0.30 percent. Accordingly, the BOE certifies that San Diego County is eligible to receive reimbursement of costs associated with administering supplemental assessments.

## OVERVIEW OF SAN DIEGO COUNTY

San Diego County is located in the southwestern corner of California. The county encompasses a total area of 4,525.68 square miles, consisting of 4,206.63 square miles of land area and 319.05 square miles of water area. Created in 1850, San Diego County was one of California's original 27 counties. San Diego County is bordered by Orange and Riverside Counties to the north, Imperial County to the east, Mexico to the south, and the Pacific Ocean to the west.

As of 2019, San Diego County had a population of 3,338,330. There are 18 incorporated cities in San Diego County. Those cities include Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Encinitas, Escondido, Imperial Beach, La Mesa, Lemon Grove, National City, Oceanside, Poway, San Diego, San Marcos, Santee, Solana Beach, and Vista. The county seat is San Diego.

The San Diego County local assessment roll ranks 4th in value of the 58 county assessment rolls in California. The total assessed roll value has increased by an annual average of 5.9 percent over the last five years.<sup>5</sup>



---

<sup>5</sup> Assessed value percent change is calculated using the average of five years from BOE Annual Report Statistical Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, from years 2014-15, 2015-16, 2016-17, 2017-18, and 2018-19.

## FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the San Diego 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.

<b>RECOMMENDATION 1:</b>	Notify claimants when a portion of the property is denied the welfare exemption.....	8
<b>RECOMMENDATION 2:</b>	Include all required information on the two-year transfer list pursuant to section 408.1(c).....	10
<b>RECOMMENDATION 3:</b>	Enroll wells that are permitted by the Department of Environmental Health (DEH) as assessable new construction.....	11
<b>RECOMMENDATION 4:</b>	Properly measure declines in value of mineral properties based on the adjusted base year value and current market value of the total appraisal unit, which includes equipment and fixtures.....	12
<b>RECOMMENDATION 5:</b>	Improve the audit program by: (1) conducting the minimum required number of audits of professions, trades, and businesses pursuant to section 469; (2) informing the taxpayer of their right to appeal the results of an audit, as required by Rule 305.3, and their right to claim for cancellation or refund under section 469(d)(4); and (3) enrolling all escaped assessments discovered during an audit.....	14
<b>RECOMMENDATION 6:</b>	Exempt personal property owned and held by banks and financial corporations in accordance with section 23182.....	16

## ADMINISTRATION

### ***Exemptions***

Article XIII, section 1 of the California Constitution sets forth the general principle that all property is taxable unless otherwise provided. Section 3 of article XIII authorizes exemption of certain types of property from property taxation and section 4 authorizes the Legislature to exempt certain other types of property from property taxation.<sup>6</sup>

Our review of the Assessor's exemptions program included only the welfare exemption.

#### **Welfare Exemption**

Article XIII, section 4(b) of the California Constitution authorizes the Legislature to exempt property owned and used exclusively for religious, hospital, or charitable purposes by organizations formed and operated exclusively for those purposes. When the Legislature enacted section 214 to implement this constitutional provision, a fourth purpose (scientific) was added. Both the organizational and property use requirements must be met for the welfare exemption to be granted.

The welfare exemption is co-administered by the BOE and County Assessors. The BOE is responsible for determining whether an organization itself is eligible for either an *Organizational Clearance Certificate* (OCC) for qualified organizations or a *Supplemental Clearance Certificate* (SCC) for limited partnerships that own low-income housing property, which have a qualified organization (OCC holder) as the managing general partner that operates the low-income housing property. The Assessor is responsible for determining whether the use of a qualifying organization's property is eligible for exemption and for approving or denying exemption claims.

The Assessor may not grant a welfare exemption on an organization's property unless the organization holds either a valid OCC or SCC. The Assessor may, however, deny an exemption claim based on non-qualifying use of the property, notwithstanding that the BOE has issued an OCC or SCC to the claimant.

The welfare exemption program is administered by three property assessment specialist IIs, one property assessment specialist I, one student worker, and a supervising property assessment specialist.

**RECOMMENDATION 1:** Notify claimants when a portion of the property is denied the welfare exemption.

During our review, we found that for annual or late-filed claims, the Assessor does not provide a written notice to claimants when property is partially denied the welfare exemption due to a non-qualifying use of a portion of the property. The Assessor only provides written notice to

---

<sup>6</sup>For a detailed description of the scope of our review of this topic, please refer to the document entitled *Exemptions*, which is available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/exemptions\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/exemptions_general.pdf).

claimants when property is partially denied the welfare exemption for first-time filings that are filed timely.

Section 254.5(c)(2) provides that the Assessor must notify claimants in writing when it is determined that the claimant's property is ineligible for the welfare exemption. Further, Letter To Assessors No. 2014/058, *Effective Administrative Practices – Welfare Exemption*, clarifies that the Assessor must also notify claimants in writing when the exemption is denied for a portion of the property due to a non-exempt use or for a partial exemption due to a late-filed claim. The notice should be dated and identify the applicable fiscal year and the reason for the denial. In addition, the notice is required to state that the claimant may seek a refund of property taxes paid by filing a claim for a refund with the county board of supervisors, and that if the claim is denied, the claimant may file a refund action in superior court. BOE-267-F, *Welfare or Veterans' Organization Exemption Assessor's Finding on Qualification of Property Use*, can be used by Assessors to meet these notification requirements.

The Assessor's failure to notify welfare exemption claimants in writing when a portion of property is denied the exemption is contrary to statute and results in claimants not being informed of the reason for denial and of their right to attempt to obtain a refund of property taxes paid.

## 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>7</sup>

The Assessor maintains detailed policies and procedures for processing changes in ownership. The Transfer Event Unit, which is comprised of one supervisor, a property assessment specialist III, and seven property assessment specialists is responsible for processing recorded documents and determining if a change in ownership has occurred.

A total of 89 real property appraisers are responsible for the valuation of properties that have undergone a change in ownership. The appraisers at the Assessor's main office, located in downtown San Diego, and at each of the four field offices, are overseen by a supervisor at each location.

### **Transfer Lists**

Pursuant to section 408.1(a), the Assessor maintains a two-year transfer list for public use. The public is able to view this information at the public counter in the Assessor's main office, branch offices, and on the Assessor's website. Pursuant to section 408.1(b), the transfer list is updated at least quarterly, and it is divided into geographical areas by assessor's parcel number (APN).

**RECOMMENDATION 2:** Include all required information on the two-year transfer list pursuant to section 408.1(c).

We found that the Assessor's transfer list includes the APN, address of the property, date of recording, recording reference number, consideration paid, and transferee information. However, the transfer list does not include transferor information.

Pursuant to section 408.1(c), the transfer list must contain the transferor, transferee, APN, address of the property, date of transfer, date of recording, recording reference number, and consideration paid.

By not including the transferor information on the transfer list, the Assessor is not providing all the information that must be made available to the public by statute.

---

<sup>7</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Change in Ownership*, which is available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/cio\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/cio_general.pdf).

## New Construction

Section 70 defines newly constructed property, or new construction, as (1) any addition to real property since the last lien date, or (2) any alteration of land or improvements since the last lien date that constitutes a major rehabilitation of the property or converts the property to a different use. Further, section 70 establishes that any rehabilitation, renovation, or modernization that converts an improvement to the substantial equivalent of a new improvement constitutes a major rehabilitation of the improvement. Section 71 requires the Assessor to determine the full cash value of newly constructed real property on each lien date while construction is in progress and on its date of completion, and provides that the full cash value of completed new construction becomes the new base year value of the newly constructed property.<sup>8</sup>

The Assessor has written procedures, policies, and forms in place for managing the new construction program. There are 89 real property appraisers in the Assessor's Office that value new construction, with oversight by various supervising appraisers.

### Permit Processing

The Assessor receives building permits from 19 permit-issuing agencies. The Assessor receives permits either electronically or as a hard copy on a weekly or monthly basis, depending on the issuing agency. All issued permits, both electronic and hard copies, are transmitted to the Assessor.

**RECOMMENDATION 3:** Enroll wells that are permitted by the Department of Environmental Health (DEH) as assessable new construction.

We reviewed several residential and commercial properties that had new construction activity and found that the Assessor did not enroll several wells permitted by DEH, an agency whose permits are received by the Assessor. The permits issued by DEH are for septic systems and water wells used for both agricultural and domestic purposes, and represent potential assessable new construction. The Assessor did not utilize this information to assess and enroll the taxable new construction.

It is the duty of the Assessor to inventory and assess all taxable property within the Assessor's jurisdiction. Section 75.10 provides that the Assessor must appraise new construction at its full cash value on the date the construction is completed.

By not enrolling wells discoverable by permits from the DEH as assessable new construction, the Assessor has allowed taxable new construction to escape assessment, which is in conflict with statute.

---

<sup>8</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *New Construction*, which is available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/newconstruction\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/newconstruction_general.pdf).

## **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>

Mining properties are assessed by an appraiser in the Realty Division and reviewed by a supervising appraiser.

**RECOMMENDATION 4:** Properly measure declines in value of mineral properties based on the adjusted base year value and current market value of the total appraisal unit, which includes equipment and fixtures.

We found that when measuring for declines in value, the Assessor incorrectly excludes the factored base year value of the equipment and fixtures when determining the factored base year value of the entire appraisal unit.

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 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 other than reserves, improvements including fixtures, and reserves. The Assessor should use this unit for measuring a possible decline in value.

By excluding the factored base year value of equipment and fixtures from that of the mineral right, the Assessor's method conflicts with the requirement of Rule 469(e)(2)(C) that declines in value be measured on the entire appraisal unit for mineral properties. Failure to use the proper appraisal unit can result in underassessment of the total mineral appraisal unit.

---

<sup>9</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Mineral Property*, 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).

## **ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES**

### ***Audit Program***

County Assessors are required to annually conduct 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 50 percent of those to be selected from a pool of those taxpayers with the largest assessments.<sup>10</sup>

The audit responsibility at the Assessor's office rests on 18 auditor-appraisers under the supervision of three supervising auditor-appraisers. Six assessment clerks provide clerical support to the auditor-appraisers. A chief auditor-appraiser is responsible for the oversight of the audit program.

Section 469 requires the Assessor to conduct a minimum of 584 audits each year, with the additional requirement that 292 of those audits be selected from a pool of those taxpayers that have the largest assessments and that the remaining 292 be selected from all other business property taxpayers.

### ***Audit Quality***

An audit should follow a standard format so that the auditor-appraiser may easily determine whether the property owner has correctly reported all taxable property. Audit narratives and summaries should include adequate documentation, full value calculations, reconciliation of the fixed assets totals to the general ledger and financial statements, review of asset invoices, reconciliation between reported and audit amounts, an analysis of expense accounts, and an analysis of depreciation and obsolescence factors that may affect the value of the business property.

---

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

**RECOMMENDATION 5:** Improve the audit program by: (1) conducting the minimum required number of audits of professions, trades, and businesses pursuant to section 469; (2) informing the taxpayer of their right to appeal the results of an audit, as required by Rule 305.3, and their right to claim for cancellation or refund under section 469(d)(4); and (3) enrolling all escaped assessments discovered during an audit.

**Conduct the minimum required number of audits of professions, trades, and businesses pursuant to section 469.**

We found that the Assessor did not conduct the minimum number of required audits (584) for assessment years 2017-18 and 2018-19, completing 555 and 520 audits, respectively.

The provisions of section 469 require the Assessor to conduct a minimum of 584 audits each year. Assessors' Handbook Section 506, *Property Tax Audits and Audit Program* (AH 506), provides that the primary objective of an audit program is to encourage accurate and proper reporting of business property. An effective audit program helps to prevent potential errors and escape assessments by verifying information reported by taxpayers and correcting noncompliant reporting practices. This, in turn, increases the likelihood that future assessments will be accurate due to improved reporting by taxpayers and improved understanding of the business property by the Assessor's office.

By failing to conduct the statutorily required minimum number of audits, the Assessor is not in compliance with statutory requirements and it may increase the possibility that taxable property will escape assessment.

**Inform the taxpayer of their right to appeal the results of an audit, as required by Rule 305.3, and their right to claim for cancellation or refund under section 469(d)(4).**

The Assessor maintains a no change audit policy for audits that result in an insignificant audit difference. In such cases, taxpayers are not notified of their right to appeal audit findings when the audit results in no change to a previously enrolled assessment, but the result of the audit disclosed property items subject to an escape assessment. In addition, taxpayers with no change audits are not notified that a claim for cancellation or refund may be filed with the county in cases where the result of the audit disclosed that property was over-assessed. Instead of providing the taxpayer with proper notification, the Assessor sends a letter to the taxpayer indicating that the audit resulted in no change to their assessment with no mention of rights to appeal or rights to claim for cancellation or refund.

Section 469 generally states that the Assessor shall provide the taxpayer with the audit results in writing. In implementing section 469, Rule 305.3(d)(2) provides that the taxpayer must be informed of their appeal rights, whether or not an escape is actually enrolled. When taxpayers are not advised of their appeal rights on a "no change" audit where an escape assessment is discovered, they have no knowledge of their entitlement to equalization on the entire property for

the year of such escape, regardless of whether the Assessor actually enrolls an escape assessment.

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

By not informing the taxpayer of their right to appeal the results of an audit and their right to claim for cancellation or refund, the Assessor is not in compliance with statutory requirements.

### **Enroll all escaped assessments discovered during an audit.**

We found that the Assessor does not enroll escape assessments if the amount of the assessment is less than \$5,000. We also found that the county board of supervisors has not adopted a county ordinance under section 531.9 that prohibits the Assessor from enrolling an escape assessment that is under a prescribed amount.

Section 531 requires that if any property belonging on the local roll escapes assessment, the Assessor shall enroll the property on discovery at its value on the lien date for the year in which it escaped assessment. Furthermore, escape assessments for low values must be enrolled, unless a county ordinance has been adopted under section 531.9. The provisions of section 531.9 allow a county board of supervisors, by ordinance, to prohibit the Assessor from making escape assessments of appraisal units where the amount of taxes due is less than the cost of assessing and collecting the tax. If the county board of supervisors were to pass an ordinance under section 531.9, the Assessor would be allowed to not enroll escape assessments under the prescribed amount.

The Assessor's unauthorized minimum enrollment policy conflicts with the Assessor's obligation to assess all property subject to taxation under statute.

### **Business Equipment Valuation**

Assessors value most machinery and equipment using business property valuation factors. Some valuation factors are derived by combining price index factors with percent good factors, while other valuation factors result from valuation studies. Under this methodology, value for taxation purposes is established by multiplying a property's historical cost by an appropriate valuation factor.<sup>11</sup>

Valuations of the larger business property accounts are conducted by 18 auditor-appraisers. The valuations of all other business property accounts are the responsibility of 11 real property appraisers. The 29 appraisers/auditor-appraisers are supervised by three supervising appraisers.

---

<sup>11</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Business Equipment Valuation*, which is available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/businessequipval\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/businessequipval_general.pdf).

Six property assessment specialists, who are overseen by a real property appraiser, administer the reporting of leasing companies. The Business Valuation Unit is supported by five assessment clerks, who work under the supervision of one supervising appraiser. A division chief is responsible for the oversight of business valuation.

**RECOMMENDATION 6:** Exempt personal property owned and held by banks and financial corporations in accordance with section 23182.

We found that the Assessor does not exempt the personal property of all banks and financial corporations.

Section 23182 provides for the exemption of the personal property of banks and financial corporations. Only the real property of banks, which includes fixtures, is assessable.

Not exempting the personal property of these businesses has resulted in overassessments.

## APPENDIX A: STATISTICAL DATA

***Table 1: Assessment Roll***

The following table displays pertinent information from the 2018-2019 assessment roll.<sup>12</sup>

	PROPERTY TYPE	ENROLLED VALUE
<b>Secured Roll</b>	Land	\$245,617,770,201
	Improvements	\$277,080,627,567
	Personal Property	\$2,743,315,433
	Total Secured	\$525,441,713,201
<b>Unsecured Roll</b>	Land	\$0
	Improvements	\$4,4126,901,541
	Personal Property	\$14,809,572,028
	Total Unsecured	\$18,936,473,569
<b>Exemptions<sup>13</sup></b>		(\$18,462,280,271)
	<b>Total Assessment Roll</b>	\$525,915,906,499

***Table 2: Change in Assessed Values***

The following table summarizes the change in assessed values over recent years:<sup>14</sup>

YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2018-19	\$525,915,906,000	6.0%	6.5%
2017-18	\$496,093,287,000	6.1%	6.3%
2016-17	\$467,752,407,000	5.6%	5.5%
2015-16	\$442,988,991,000	5.6%	6.0%
2014-15	\$419,542,395,000	6.1%	6.2%

<sup>12</sup> Statistics provided by BOE-822, *Report of Assessed Values By City*.

<sup>13</sup> The value of the Homeowners' Exemption is excluded from the exemptions total.

<sup>14</sup> Statistics provided by the BOE Annual Report Statistical Table 7 – Assessed Value of County-Assessed Property Subject to General Property Taxes.

**Table 3: Gross Budget and Staffing**

The Assessor's budget has grown from \$38,851,571 in 2014-15 to \$42,928,400 in 2018-19.

The Assessor has 292.55 budgeted permanent positions. These positions consist of the Assessor, assistant Assessor, chief deputy Assessor, division chief II, 14 managers, 89 real property appraisers, 38 business property auditor-appraisers, 18 drafting/mapping technicians, 4.80 computer analysts, 66.25 technical/professionals, and 58.50 support staff.<sup>15</sup>

The following table identifies the Assessor's budget and staffing over recent years:<sup>16</sup>

BUDGET YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2018-19	\$42,928,400	5.3%	292.55
2017-18	\$40,762,818	1.4%	292.00
2016-17	\$40,212,464	3.7%	290.00
2015-16	\$38,783,521	-0.2%	289.00
2014-15	\$38,851,571	4.2%	289.00

**Table 4: Assessment Appeals**

The following table shows the number of assessment appeals filed in recent years:<sup>17</sup>

YEAR	ASSESSMENT APPEALS FILED
2018-19	5,646
2017-18	3,700
2016-17	4,617
2015-16	4,813
2014-15	7,325

<sup>15</sup> Staffing information provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for year 2018-19.

<sup>16</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

<sup>17</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

**Table 5: Exemptions – Welfare**

The following table shows welfare exemption data for recent years:<sup>18</sup>

YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2018-19	4,930	\$14,088,241,817
2017-18	4,863	\$12,859,740,603
2016-17	4,810	\$12,322,525,563
2015-16	4,763	\$11,664,965,763
2014-15	4,602	\$10,895,920,164

**Table 6: Change in Ownership**

The following table shows the total number of transfer documents received and the total number of reappraisals due to changes in ownership processed in recent years:<sup>19</sup>

YEAR	TOTAL TRANSFER DOCUMENTS RECEIVED	REAPPRAISABLE TRANSFERS
2018-19	145,084	65,385
2017-18	152,770	73,008
2016-17	155,889	75,197
2015-16	158,378	41,645
2014-15	175,347	62,596

<sup>18</sup> Statistics provided by BOE-802, *Report on Exemptions*.

<sup>19</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

**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:<sup>20</sup>

YEAR	TOTAL BUILDING PERMITS RECEIVED	NEW CONSTRUCTION ASSESSMENTS
2018-19	14,136	12,322
2017-18	12,441	12,168
2016-17	11,803	10,550
2015-16	11,115	10,058
2014-15	10,815	9,886

**Table 8: Declines In Value**

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

YEAR	DECLINE-IN-VALUE ASSESSMENTS
2018-19	109,193
2017-18	128,274
2016-17	150,632
2015-16	172,613
2014-15	201,171

<sup>20</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

<sup>21</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

**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.<sup>22</sup>

<b>MINIMUM NUMBER OF AUDITS REQUIRED<sup>23</sup></b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
Largest Assessments	292	292	292	292	292
All Other Taxpayers	292	292	292	292	292
<b>Total Required</b>	<b>584</b>	<b>584</b>	<b>584</b>	<b>584</b>	<b>584</b>
<b>NUMBER OF AUDITS COMPLETED</b>					
<b>Total Audits Completed</b>	<b>520</b>	<b>555</b>	<b>604</b>	<b>586</b>	<b>584</b>
Largest Assessments	292	293	292	294	289
<b>Over/(Under) Required</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>(3)</b>
All Other Taxpayers	228	262	297	292	292
<b>Over/(Under) Required</b>	<b>(64)</b>	<b>(30)</b>	<b>5</b>	<b>0</b>	<b>0</b>
<b>CCCASE AUDITS</b>					
Prepared for other County Assessors	0	0	15	0	3

<sup>22</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

<sup>23</sup> See LTA No. 2009/049, *Significant Number of Business Property Audit*, for the minimum number of annual audits required pursuant to the provisions of Revenue and Taxation Code section 469.

## APPENDIX B: PRIOR SURVEY RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

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

### ***Change in Ownership***

**RECOMMENDATION 1:** Maintain a public transfer list that: (1) includes all required information pursuant to section 408.1(c); and (2) does not include confidential information provided on the *Preliminary Change of Ownership Report* (PCOR) or *Change in Ownership Statement* (COS).

#### **(1) Include all required information pursuant to section 408.1(c).**

##### **Original Findings:**

We discovered that the transfer information available to the public on the computers in the Assessor's lobby of the main office, as well as the Property Sales Search information on the Assessor's website, incorrectly excludes the names of the transferor and the transferee.

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

*Several years ago, the Assessor's office changed the transfer list on the website and the public kiosks to only reflect a conversion of Documentary Transfer Tax versus the sales price as indicated on the PCOR. Apparently, this change was not applied to the microfiche. The existing microfiche has been destroyed and we are no longer creating any new microfiche. As for Transferor/Transferee information, due to systems limitations only the Transferee can be displayed on the public kiosk and the on the web. However, the transferee name is redacted from the transfer list on the web due to the restrictions of Government Code section 6254 prohibiting on line (world-wide web) publication of name and address.*

*To address this issue, the Assessor will create and maintain a public transfer list that: (1) includes all required information pursuant to section 408.1(c) and (2) does not include confidential information provided on the PCOR or COS. Both transferor and transferee will be included in kiosk searches upon completion of County of San Diego's Integrated Property Tax System. Until then system limitations continue to restrict us to listing only the transferee.*

**Current Status:**

The Assessor has not implemented this portion of the recommendation. Refer to the Change in Ownership topic for current recommendation.

**(2) Do not include confidential information provided on the Preliminary Change of Ownership Report (PCOR) or Change in Ownership Statement (COS).****Original Findings:**

The microfiche available to the public lists the confirmed sales price of a property rather than the documentary transfer stamp value. Therefore, the transfer list incorrectly provides confidential sales information to the public furnished in the PCOR or COS.

**Original Assessor's Response:**

*Several years ago, the Assessor's office changed the transfer list on the website and the public kiosks to only reflect a conversion of Documentary Transfer Tax versus the sales price as indicated on the PCOR. Apparently this change was not applied to the microfiche. The existing microfiche has been destroyed and we are no longer creating any new microfiche. As for Transferor/Transferee information, due to systems limitations only the Transferee can be displayed on the public kiosk and the on the web. However, the transferee name is redacted from the transfer list on the web due to the restrictions of Government Code section 6254 prohibiting on line (world-wide web) publication of name and address.*

*To address this issue, the Assessor will create and maintain a public transfer list that: (1) includes all required information pursuant to section 408.l(c) and (2) does not include confidential information provided on the PCOR or COS. Both transferor and transferee will be included in kiosk searches upon completion of County of San Diego's Integrated Property Tax System. Until then system limitations continue to restrict us to listing only the transferee.*

**Current Status:**

The Assessor has implemented this portion of the recommendation. The Assessor uses the indicated sale price from the conversion of the Documentary Transfer Tax and no longer uses the sale price as indicated on the PCOR. Microfiche is no longer created, and all public access is on the web or via a public kiosk at either the main office or field offices.

## **New Construction**

**RECOMMENDATION 2:** Improve the new construction program by: (1) obtaining copies of building permits from all issuing agencies; and (2) enrolling all assessable new construction.

### **(1) Obtain copies of building permits from all issuing agencies.**

#### **Original Findings:**

The Environmental Health Department issues permits for septic systems and water wells used for both agricultural and domestic purposes. Those permits generally represent assessable new construction. We found new construction on a number of new wells that escaped assessment. This is due primarily to the San Diego Environmental Health Land and Water Quality Division not forwarding well permits to the Assessor.

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

*The County of San Diego/ ARCC agrees with the recommendation and has contracted with its IT vendor to make system changes to import wells and septic permits into our automated permit system for assessment by qualified staff appraisers.*

#### **Current Status:**

The Assessor has partially implemented this portion of the recommendation. The Assessor is now receiving permits for septic systems and water wells from the Environmental Health Department. However, we found several new wells that escaped assessment. Refer to the New Construction topic for current recommendation.

### **(2) Enroll all assessable new construction.**

#### **Original Findings:**

The Assessor is erroneously exempting new construction with an assessed value of \$2,000 or less. Section 155.20(b)(1) provides that a county board of supervisors shall not exempt property from taxation with a total base year value or full value of more than \$10,000 including new construction, or of more than \$50,000 in the case of certain taxable possessory interests. The board of supervisors must adopt a low-value property tax exemption ordinance before the lien date for the fiscal year to which the exemption is to apply. At the option of the board of supervisors, the exemption may continue in effect for succeeding fiscal years. The San Diego County Board of Supervisors adopted its current low-value property tax exemption on March 6, 1990. The ordinance exempts from property tax all personal property, mining claims, and taxable possessory interests with a full value of \$5,000 or less. The Assessor incorrectly applies the tax exemption to all real property, not limiting the application to just mining claims and taxable possessory interests.

**Original Assessor's Response:**

*The County of San Diego/ARCC has contracted with its IT vendor to make system changes to include all new construction permits into its automated permit system, regardless of value.*

**Current Status:**

The Assessor has implemented this portion of the recommendation. The Assessor has removed the filters from the automated permit system, which allows all permits to be received, regardless of value. The Assessor no longer exempts new construction valued under \$2,000 for residential parcels or new construction valued under \$5,000 for commercial parcels.

***Declines in Value***

**RECOMMENDATION 3:** Include factored base year values on the decline-in-value notice as required by section 619(c).

**Original Findings:**

We found that the decline-in-value notice used by the Assessor fails to inform assessees of the factored base year values of their properties as required by section 619.

**Original Assessor's Response:**

*The County of San Diego/ ARCC agrees with the recommendation and has contracted with its IT vendor to establish a data feed of factored base year values to be included in our annual, decline in value notifications.*

**Current Status:**

The Assessor has implemented this recommendation. Effective July 1, 2015, the San Diego County Board of Supervisors adopted an order authorizing the Assessor to post taxpayers' annual assessed value notices electronically on the Assessor's public access system and website. The notices have fields for current assessed values and factored base year values. In the case where the two values are not the same, such as with declines in value, both current values and factored base year values show on the notice.

***California Land Conservation Act Property***

**RECOMMENDATION 4:** Send CLCA questionnaires to property owners.

**Original Findings:**

We found that the Assessor no longer sends CLCA questionnaires to property owners.

**Original Assessor's Response:**

*The County of San Diego/ARCC agrees with the recommendation and CLCA questionnaires were sent January 2015 and will continue to be sent each year thereafter.*

**Current Status:**

The Assessor has implemented this recommendation. The Assessor is now sending CLCA questionnaires to all property owners subject to the Williamson Act annually. Additionally, the Assessor sends a CLCA questionnaire when there is a transfer or a permit for new construction. The completed questionnaires are kept in the property record.

***Leasehold Improvement***

**RECOMMENDATION 5:** Improve the assessment of leasehold improvements by:  
(1) ensuring leasehold improvements are investigated by referring all reported structural and land improvement costs from Schedule B of the BPS to the real property division; and (2) consistently documenting the investigation of leasehold improvements on the appraisal record.

**(1) Ensure leasehold improvements are investigated by referring all reported structural and land improvement costs from Schedule B of the BPS to the real property division.**

**Original Findings:**

When there are newly reported costs of less than \$100,000 for structures, fixtures, or land improvements on Schedule B of the annual business property statement, the Assessor does not forward these schedules to the real property division for review.

**Original Assessor's Response:**

*The Assessor's current leasehold improvements referral program has the Business Division forward to Realty Division 571 L statements where Schedule B reported current year structural costs exceed \$100,000. Based on these survey recommendations, the program will be expanded to include all reported structural improvement costs regardless of dollar amount. The Business Division will refer this information via workflow, and Realty Division appraisers will access these referrals via an Access Database. The appraisers will review this information, determine proper assessment, and value accordingly. Real Property will document the improvement on the PAR (Property Appraisal Record) building record/tenant improvement sheet and the Access database. It will include tenant name, improvement description, basis for valuation, and result of coordination with the Business Division. The PAR will be scanned for access by both Realty and Business for future reference. The Access database will maintain notes/historical records including final disposition and reconciliation of valuations between Business and Realty Divisions.*

**Current Status:**

The Assessor has implemented this part of the recommendation. Since our last survey, the Assessor has developed a new computer program that loads information reported on Schedule B of the business property statement (BPS) into the system for auditor-appraisers and appraisers to review. The system allows information to be sorted by value, map book, and use code. Entries are sent to a real property appraiser's queue for the appraiser to investigate. The appraiser makes an entry documenting the action taken that is accessible to Assessor's staff reviewing the account. Supervisors review the progress to ensure all reported costs are investigated and documented. Supervisors then track the action on Schedule B referrals and review the comments.

Prior to development of this program, the auditor-appraisers only referred Schedule B costs over \$100,000 from the Business Division to the Realty Division. With the development of this program, appraisers are now reviewing all costs reported on Schedule B annually. Before the program, only approximately 300 Schedule B referrals were reviewed annually by appraisers. Currently, appraisers are reviewing 1,500 to 1,700 Schedule B referrals per year.

**(2) Consistently document the investigation of leasehold improvements on the appraisal record.****Original Findings:**

We reviewed leasehold improvement records and found evidence of coordination between real property and business property divisions in the assessment of leasehold improvements, but only on those properties with \$100,000 or more in reported costs, as noted above. However, in some instances we found no documentation in the real property records describing the leasehold improvements for properties with \$100,000 or more in reported costs, nor was there indication of how the Assessor determined that reported costs were for repair and maintenance, structural improvements, or business fixtures. In other cases, there was no documentation in the property records regarding the determination of the appropriate assessee or which parcel received the assessment.

**Original Assessor's Response:**

*The Assessor's current leasehold improvements referral program has the Business Division forward to Realty Division 571 L statements where Schedule B reported current year structural costs exceed \$100,000. Based on these survey recommendations, the program will be expanded to include all reported structural improvement costs regardless of dollar amount. The Business Division will refer this information via workflow, and Realty Division appraisers will access these referrals via an Access Database. The appraisers will review this information, determine proper assessment, and value accordingly. Real Property will document the improvement on the PAR (Property Appraisal Record) building record/tenant improvement sheet and the Access database. It will include tenant name, improvement description, basis for valuation, and result of coordination with the Business Division. The PAR will be scanned for access by both*

*Realty and Business for future reference. The Access database will maintain notes/historical records including final disposition and reconciliation of valuations between Business and Realty Divisions.*

**Current Status:**

The Assessor has implemented this part of the recommendation. With the implementation of the Assessor's new system for tracking and referring costs reported on Schedule B, the Assessor has included a field for documenting action taken by auditor-appraisers, real property appraisers, and supervisors for ensuring proper assessment. The appraiser makes an entry documenting the action taken that is accessible to Assessor's staff reviewing the account. Supervisors review the progress to ensure all reported costs are investigated and documented. Supervisors track the progress of action on Schedule B referrals and review the comments.

**Timeshares**

**RECOMMENDATION 6:** Assess timeshares at the lesser of factored base year value or current market value.

**Original Findings:**

We reviewed several records and found, for assessment years subsequent to enrollment of the change in ownership, the base year value was not factored for inflation by the California Consumer Price Index pursuant to article XIII A of the California Constitution. The Assessor re-enrolled the original base year value every year despite evidence that the market value of these properties had changed significantly. The original, unadjusted base year value was maintained until the property sold again.

**Original Assessor's Response:**

*The County of San Diego/ ARCC agrees with the recommendation and has contracted with its IT vendor to make system changes to apply the CPI annually to all time shares not currently on Prop 8 status. ARCC has also established a database to calculate the factored base year values for all parcels subject to decline in value status, including time shares. ARCC will enroll the lesser of the factored base year value or the market value of all assessable time share property.*

**Current Status:**

The Assessor has implemented this recommendation. The Assessor has developed a system to value timeshares and now applies the annual inflation factor to base year values for all timeshare units and monitors the market value for declines in value.

The system evaluates the amenities of the units and identifies a median market value for similar ownership shares. The type of timeshare ownership is identified by the system, and the most appropriate assessment method is applied. The most reasonable price a

buyer should pay for an individual timeshare unit is determined by the system, which allows the Assessor to provide accurate assessments and monitor the market value of timeshare units.

### ***Business Property Statement Program***

**RECOMMENDATION 7:** Ensure that business property statements contain authorized signatures in accordance with Property Tax Rule 172.

#### **Original Findings:**

Our review found several property statements that were not signed by a qualified person and the required assessee's written authorization was either not on file with the Assessor or if one was on file with the Assessor, it had expired.

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

*County of San Diego/ARCC agrees with the recommendation and ARCC has implemented additional procedures to ensure that business property statements contain authorized signatures.*

#### **Current Status:**

The Assessor has implemented this recommendation. Our review of the Assessor's business property statements confirm that the appropriate authorized signatures were retained.

### ***Business Equipment Valuation***

**RECOMMENDATION 8:** Ensure that pollution control equipment financed by state bonds does not escape assessment.

#### **Original Findings:**

We found that the Assessor is not investigating the assessability of pollution control equipment financed by state bonds. During calendar years 2010 and 2012, two businesses were identified as having entered into a multi-million dollar contract with the California Pollution Control Financing Authority (CPCFA) that have interests in San Diego County. Information about these contracts was furnished to the Assessor in Letter To County Assessors Only (CAO) Nos. 2011/007 and 2013/004. We reviewed the Assessor's records and did not find a copy of the contract with CPCFA or any evidence that an effort was made to procure the contract. We learned that Assessor's staff did not act on CAO Nos. 2011/007 and 2013/004, by requesting contracts from the companies identified in the letters as having procured a contract with activity in San Diego County.

**Original Assessor's Response:**

*County of San Diego/ ARCC agrees with the recommendation and we have implemented procedural changes in order to ensure compliance with any future County Assessor Only specific letters pertaining to the California Pollution Control Financing Authority.*

**Current Status:**

The Assessor has implemented this recommendation. The Assessor has developed a procedure administering the possessory interest assessments related to California Pollution Control Financing Authority (CPCFA). Our review of one of the audited businesses listed confirms that the procedures provide the guidance needed for procuring contracts, current year assessment, and audit follow up.

**Vessels**

**RECOMMENDATION 9:** Require a current certificate of inspection for certain documented vessels.

**Original Findings:**

We reviewed the files of two commercial passenger fishing vessels and in both instances the Assessor granted a 4 percent preferential assessment without the required United States Coast Guard current certificate of inspection.

**Original Assessor's Response:**

*County of San Diego/ARCC agrees with the recommendation and we have implemented additional procedural changes to ensure that a current Coast Guard certificate of inspection is submitted with each affidavit.*

**Current Status:**

This recommendation has been implemented. Operators of commercial fishing boats, sports charter boats, research vessels, and tour boats can apply for a 96 percent exemption. However, boat operators must file an affidavit with the Assessor annually to receive the exemption, along with a Coast Guard Certificate of Inspection.

The Assessor requires the Coast Guard Certificate of Inspection as part of the annual filing package for the exemption. The Coast Guard provides the certificate directly to the operator, who then includes the certificate as part of the annual exemption filing. When an exemption package is received by the Assessor without the certificate, the Assessor will suspend the exemption until the package is completed with the inclusion of the certificate.

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

### ***San Diego County***

#### ***Deputy Director***

David Yeung

#### ***Survey Program Manager:***

Diane Yasui Manager, Property Tax Department

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

David Dodson Supervisor, Property Tax Department

#### ***Quality Control***

Michael Saunders Senior Specialist Property Appraiser

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

Tina Salazar Senior Specialist Property Appraiser

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

James McCarthy Senior Petroleum and Mining Appraisal Engineer

Isaac Cruz Senior Specialist Property Appraiser

Lee Coleman Associate Property Appraiser

Robert Marr Associate Property Appraiser

Jennifer Prince Associate Property Appraiser

Jeffrey Arthur Associate Property Auditor-Appraiser

Nancy Le Associate Property Auditor-Appraiser

Nicole Grady Assistant Property Appraiser

Dany Lunetta Associate Governmental Program Analyst

## APPENDIX D: RELEVANT STATUTES AND REGULATIONS

<b>Reference</b>	<b>Description</b>
<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 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 regarding the Assessor's response, if any, constitute the final survey report.

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



# COUNTY OF SAN DIEGO

ERNEST J. DRONENBURG, JR.  
ASSESSOR/RECORDER/COUNTY CLERK

ASSESSOR'S OFFICE  
1600 PACIFIC HIGHWAY, SUITE 103  
SAN DIEGO, CA 92101-2480  
(619) 236-3771 • FAX (619) 557-4056

[www.sdarcc.com](http://www.sdarcc.com)



RECODER/COUNTY CLERK'S OFFICE  
1600 PACIFIC HIGHWAY, SUITE 260  
P.O. BOX 121750, SAN DIEGO, CA 92112-1750  
(619) 237-0502 • FAX (619) 557-4155

RECEIVED

JAN 15 2020

January 12, 2021

County-Assessed Properties Division  
LEOP

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

Re: San Diego 2018 Assessment Practices Survey

Dear Mr. Yeung:

Enclosed is San Diego County's response to the recent State Board of Equalization Assessment Practices Survey and its six recommendations. Please incorporate this response into your final Assessment Practices Survey report.

My office views the periodic assessment practices survey process as a collaborative effort between the Board of Equalization and the Assessor, to ensure best practices and accurate assessments. This document not only recognizes the fine work done by the Assessor's staff, but at the same time helps to identify areas that could be approved upon. Ultimately, the goal of my office and yours, is to provide fair and uniform assessments for all taxable properties, to do so with maximum transparency and consideration, and to provide taxpayers with excellent customer service.

I would like to commend the Board's survey team for their professionalism. I would also like to acknowledge the staff of the San Diego County Assessor's office. My staff are knowledgeable, thorough, and dedicated to public service. I am very proud of their efforts to always improve the service provided to our property owners.

Sincerely,

Ernest J. Dronenburg, Jr.  
Assessor/Recorder/County Clerk

EJD:jmr

Enclosure

**BOE RECOMMENDATION 1: Notify claimants when a portion of the property is denied the welfare exemption.**

**Assessor's Response:**

The Assessor's office agrees with the survey team's recommendation and instituted a correction to our processes in October 2019. Prior to the BOE Survey, the Assessor's office consistently sent partial approval letters on first time exemption filings, but not in subsequent years as this was considered duplicative.

**BOE RECOMMENDATION 2: Include all required information on the two-year transfer list pursuant to section 408.1(c).**

**Assessor's Response:**

The Assessor's office agrees with the survey team's recommendation. Due to current systems limitations, only the transferee can be displayed on the two-year transfer list on both our public kiosks and internet website. The transferee name is redacted, however, from the transfer list on the internet due to the restrictions of Government Code section 6254.21 prohibiting online publication of name and address. This recommendation will be instituted upon completion of the County of San Diego Integrated Property Tax System ("IPTS") that is currently in development.

**BOE RECOMMENDATION 3: Enroll wells that are permitted by the Department of Environmental Health (DEH) as assessable new construction.**

**Assessor's Response:**

The Assessor's Office has a procedure in place for the assessment of well permits. Two examples were provided to the survey team showing that the Assessor's office has appropriately assessed water wells as new construction based on the permit information provided by the Department of Environmental Health. To ensure consistent compliance, the Assessor's office has established a new procedure whereby all water well permits are entered directly into the Assessor's system of record and automatically sent to the appraiser's work queues.

**BOE RECOMMENDATION 4: Properly measure declines in value of mineral properties based on the adjusted base year value and current market value of the total appraisal unit, which includes equipment and fixtures.**

**Assessor's Response:**

The Assessor's office concurs with the survey team's recommendation and has taken the steps necessary to ensure compliance with Property Tax Rule 469(e)(2)(c).

**BOE RECOMMENDATION 5: Improve the audit program by: (1) conducting the minimum required numbers of audits of professions, trades, and businesses pursuant to section 469, and (2) informing the taxpayer of their right to appeal the results of an audit as required by Rule 305.3 and their right to claim cancellation or refund under section 469(c)(4), and (3) enrolling all escaped assessments discovered during an audit.**

**Assessor's Response:**

While Part (1) of the survey team's Recommendation 6 is technically correct, it should be noted that the Assessor is now in compliance with the amended RTC section 469, which became effective on 01/01/2019. Senate Bill 1498 provided Assessors with flexibility on the number of annually required audits. Rather than requiring a prescribed number of audits annually, the new law requires Assessors complete the four-year total of required annual audits within that four-year period. For example, San Diego performed an additional 67 audits, completed in 2020/21, to make up for those missed in 2018 and 2019, thus complying with the amended statute.

The Assessor's office concurs with the survey team's recommendation, Part (2), to inform the taxpayer of their right to appeal the results of an audit as required by Rule 305.3 and their right to claim cancellation or refund under section 469 (d)(4). The Assessor's office has taken the steps necessary to improve our taxpayer notification letter.

The Assessor's office also concurs with Part (3) of the recommendation regarding escape assessments less than \$5,000. San Diego County Board of Supervisor's Administrative Ordinances, Article IV-A Assessor / Recorder / County Clerk, Section 88, provides an exemption of property having a low value. Low value is defined as \$5,000 or less. The survey team appropriately pointed out that the ordinance only applies to property having a "total value" of \$5,000 or less. The ordinance does not exempt escape assessments (the difference between a new value and a prior value) of \$5,000 or less, if the total value is greater than \$5,000. The Assessor's office has taken the steps necessary to improve our escape assessment program.

**BOE RECOMMENDATION 6: Exempt personal property owned and held by banks and financial corporations in accordance with section 23182.**

**Assessor's Response:**

The Assessor's office agrees with the survey team's recommendation and has implemented procedural changes to ensure compliance with RTC section 23182. It was discovered that the vast majority of the accounts correctly exempted property owned by banks and financial corporations where warranted. However, there were a minority of instances discovered and any necessary corrections will be completed through the Assessor audit program.