

# **SOLANO COUNTY ASSESSMENT PRACTICES SURVEY**

**AUGUST 2018**

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## **CALIFORNIA STATE BOARD OF EQUALIZATION**

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No. 2018/039

August 29, 2018

TO COUNTY ASSESSORS:

**SOLANO COUNTY  
ASSESSMENT PRACTICES SURVEY**

A copy of the Solano County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in specified counties and cities and 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 Marc C. Tonnesen, Solano County Assessor/Recorder, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the assessor's response, constitutes the final survey report, which is distributed to the Governor, the Attorney General, and the State Legislature; and to the Solano County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Mr. Tonnesen 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, Chief  
County-Assessed Properties Division  
Property Tax Department

DY:dcl  
Enclosure

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## **INTRODUCTION**

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

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

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

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

## **OBJECTIVE**

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

The objective of the survey program is to promote statewide uniformity and consistency in property tax assessment 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 examined the assessment practices of the Solano County Assessor's Office for the 2016-17 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.

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

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

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

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>.

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, and welfare exemptions.

- 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, properties experiencing a decline in value, and certain properties subject to special assessment procedures, such as California Land Conservation Act (CLCA) properties, and taxable possessory interests.

- 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 aircraft assessments.

## **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 practice 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 survey of the Solano County Assessor's Office for the 2016-17 assessment roll and followed up on recommendations from our prior survey of this county. In our 2014 assessment practices survey of Solano County, we made 12 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.

In the area of administration, the assessor is effectively managing staffing and workload, assessment appeals, and welfare exemptions. However, we made recommendations for improvement in the low-value property exemption program.

In the area of real property assessment, the assessor has effective programs for new construction and declines in value. However, we made recommendations for improvement in the change in ownership, California Land Conservation Act (CLCA) property, and taxable possessory interests programs.

In the area of personal property and fixtures assessment, the assessor has an effective program for business equipment valuation. However, we made recommendations for improvement in the audit, and business property statement processing 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.

We found no significant assessment problems as defined in Rule 371. Since Solano County was not selected for assessment sampling pursuant to Government Code section 15643(b), this report does not include the assessment ratios that are generated for surveys that include assessment sampling. Accordingly, pursuant to section 75.60, Solano County continues to be eligible for recovery of costs associated with administering supplemental assessments.

## **OVERVIEW OF SOLANO COUNTY**

Solano County is located approximately 45 miles northeast of San Francisco. The county encompasses a total area of 906 square miles, consisting of 822 square miles of land area and 84 square miles of water area. Created in 1850, Solano County was one of California's original 27 counties. Solano County is bordered by Yolo County to the north, Yolo and Sacramento Counties to the east, Sacramento and Contra Costa Counties to the south, and the San Francisco Bay and Napa County to the west.



As of the 2010 census, Solano County had a population of 413,344. Solano County has seven incorporated cities: Benicia, Dixon, Fairfield, Rio Vista, Suisun City, Vacaville, and Vallejo. The county seat is Fairfield.

The Solano County local assessment roll ranks 21<sup>st</sup> of the 58 county assessment rolls in California. The total assessed roll value has increased by an annual average of 5.1 percent over the last five years.<sup>4</sup> Refer to Appendix A, Table 1, for information regarding the 2016-2017 assessment roll.

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<sup>4</sup> Statistics provided by California State Board of Equalization Annual Report, Table 7 – Assessed Value of County-Assessed Property Subject to General Property Taxes, 2016-17.

## FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the Solano 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>	Track the factored base year values of all exempted low-value real properties. ....	7
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<b>RECOMMENDATION 7:</b>	Improve the audit program by: (1) performing the minimum number of audits of professions, trades, and businesses pursuant to section 469, (2) enrolling all escape assessments discovered during the course of an audit, and (3) consistently notifying the auditor-controller when interest is to be added to an escape assessment.....	15
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## ADMINISTRATION

### **Low-Value Property Exemption**

Section 155.20 authorizes a county board of supervisors to exempt from taxation all real property with a base year value, and personal property with a full cash value, so low that the total taxes, special assessments, and applicable subventions on the property would be less than the assessment and collection costs if the property were not exempt.<sup>5</sup>

Section 155.20(b)(1) provides that a county board of supervisors shall not exempt from taxation property with a total base year value or full cash value of more than \$10,000 (effective January 1, 2010), or more than \$50,000 in the case of certain taxable possessory interests. A board of supervisors must adopt a low-value property 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.

In Solano County, the board of supervisors adopted Resolution No. 96-15 on January 23, 1996, which authorized the exemption of all real and personal property with a full cash value of \$5,000 or less from property taxation. Our review of the low-value property exemption program found an area in need of improvement.

**RECOMMENDATION 1:** Track the factored base year values of all exempted low-value real properties.

We found that once real property meets the requirements of the county's low-value ordinance and has a base year value of \$5,000 or less, the assessor does not track the factored base year value and enrolls a value of \$0 for the exempted low-value real property. Section 155.20 provides that, for purposes of applying the low-value exemption to real property, the total *adjusted* base year value of the property, not the base year value when established, must remain at or below the county's low-value threshold in order to be exempt from property taxation. Thus, real property that was initially exempt under the low-value exemption may become taxable in a subsequent year.

The assessor's practice of not tracking the factored base year value of exempted low-value real property may result in some properties escaping assessment.

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<sup>5</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Low-Value Property Exemption*, available on the BOE's website at [[http://www.boe.ca.gov/proptaxes/lvo\\_exemption.htm](http://www.boe.ca.gov/proptaxes/lvo_exemption.htm)] [http://www.boe.ca.gov/proptaxes/lvo\\_exemption.htm](http://www.boe.ca.gov/proptaxes/lvo_exemption.htm). 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>.

## ASSESSMENT OF REAL PROPERTY

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

Section 60 defines change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee simple interest. Sections 61 through 69.5 further clarify what is considered a change in ownership and what is excluded from the definition of a change in ownership for property tax purposes. Section 50 requires the assessor to enter a base year value on the roll for the lien date next succeeding the date of the change in ownership; a property's base year value is its fair market value on the date of the change in ownership.<sup>6</sup>

### **Penalties**

The assessor does *not* send the form BOE-502-AH, *Change of Ownership Statement* (BOE-502-AH) to taxpayers; however, the assessor does send the form BOE-502-D, *Change in Ownership Statement Death of a Property Owner* (BOE-502-D). The assessor does not apply penalty if the BOE-502-D is not returned or filed late. We reviewed the assessor's application of the penalty process and found an area in need of improvement.

**RECOMMENDATION 2:** Implement the penalty process in accordance with section 482(a).

We discovered the assessor mails form BOE-502-D, *Change in Ownership Statement Death of a Property Owner* (BOE-502-D), when the death of a real property owner is discovered. The assessor does not track the progress of the BOE-502-D, and the assessor does not apply appropriate penalties if the BOE-502-D is not returned or is not returned timely.

Section 480 provides the filing requirements associated with real property that has undergone a change in ownership. The application of penalty is outlined in section 482(a), which provides that if a person or legal entity is requested to file a statement described in section 480 and fails to do so, a specific penalty must be applied.

By not applying a penalty when the property owner fails to file a BOE-502-D within the permitted time, the assessor is not in compliance with the statute. Implementing a tracking system will enable the assessor to monitor the date a BOE-502-D is sent, the date the form is returned, and to determine when the penalty should be applied.

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<sup>6</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Change in Ownership*, 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). 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>.

## Legal Entity Ownership Program (LEOP)

Section 64 provides that certain transfers of ownership interests in a legal entity constitute a change in ownership of all real property owned by the entity and any entities under its ownership control. Rule 462.180 interprets and clarifies section 64, providing examples of transactions that either do or do not constitute a change in entity control and, hence, either do or do not constitute a change in ownership of the real property owned by the entity. Discovery of these types of changes in ownership is difficult for assessors, because ordinarily there is no recorded document evidencing a transfer of an ownership interest in a legal entity.

To assist assessors, the BOE's LEOP section gathers and disseminates information regarding changes in control and ownership of legal entities that hold an interest in California real property. On a monthly basis, LEOP transmits to each county assessor a listing, with corresponding property schedules, of legal entities that have reported a change in control under section 64(c) or change in ownership under section 64(d). However, because the property affected is self-reported by the person or entity filing information with the BOE, LEOP advises assessors to independently research each entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

Sections 480.1, 480.2, and 482 set forth the filing requirements and penalty provisions for reporting of legal entity changes in control under section 64(c) and changes in ownership under section 64(d). A change in ownership statement must be filed with the BOE within 90 days of the date of change in control or change in ownership; reporting is made on BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities*. Section 482(b) provides for application of a penalty if a person or legal entity required to file a statement under sections 480.1 and 480.2 does not do so within 90 days from the earlier of (1) the date of change in control or ownership or (2) the date of written request by the BOE.<sup>7</sup> The BOE advises county assessors of entities that are subject to penalty, so they can impose the applicable penalty to the entity's real property.

The assessor discovers changes in control or ownership of legal entities by reviewing monthly LEOP reports from the BOE, newspaper articles, appraiser referrals, staff's personal knowledge, and public inquiries. A senior appraiser reviews the monthly LEOP reports, identifies changes in ownership that have occurred and the real property held by the entity within the county. Once a change in control or ownership of a legal entity has been identified and processed as a reappraisable event, it is assigned to an appraiser for valuation.

Our review shows the assessor's office does a thorough job reviewing LEOP reports and reassessing property interests identified on BOE-100-B filings, as well as additional properties owned by the entity not reported on the form. However, we found an area in need of improvement.

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<sup>7</sup> Effective January 1, 2012, Senate Bill 507 (Stats. 2011, ch. 708) amended the filing requirement in section 482(b) from 45 days to 90 days for a person or legal entity to report a change in control or change in ownership, or to comply with a written request from the BOE, whichever occurs earlier.

**RECOMMENDATION 3:** Apply appropriate penalties as required by section 482(b).

We found that the assessor does not apply LEOP penalties when an entity does not timely file a form BOE-100-B, even though the assessor had been notified by the BOE's LEOP Division to apply the penalty.

Sections 480.1 and 480.2 require the filing of a signed form BOE-100-B whenever a legal entity has undergone a change in control or ownership. Section 482(b) provides that if a person or legal entity fails to file a BOE-100-B within 90 days of a change in control or ownership or within 90 days of a written request from the BOE, whichever occurred earlier, a specified penalty must be applied.

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

#### Change in Ownership Exclusions – Section 63.1

Section 63.1 generally excludes from the definition of "change in ownership" the purchase or transfer of principal residences and the first \$1 million of other real property between parents and children. Section 63.1 also excludes qualifying purchases or transfers from grandparents to their grandchildren.

To enforce the \$1 million limit for property other than principal residences, the BOE maintains a database that lists transfers of such property statewide. To further the state and local interests served by tracking these transfers, section 63.1 encourages county assessors to report such transfers to the BOE on a quarterly basis. The quarterly reporting, which was formerly mandatory, is now optional. However, if an assessor opts not to report quarterly to the BOE, the assessor must track such transfers internally to be in compliance with section 63.1.

The BOE uses the information received by assessors to generate quarterly reports notifying assessors of any transferors who have exceeded their \$1 million limit. With this information, assessors are able to identify ineligible claims and, if necessary, take corrective action.

We reviewed several section 63.1 claim forms and found that the assessor's office properly reviews and processes section 63.1 claims. However, we found an area in need of improvement.

**RECOMMENDATION 4:** Reappraise all properties exceeding the \$1 million exclusion provided in section 63.1 and report any necessary corrections to the BOE.

We found several assesseees listed on the BOE's *Report of Transferors Exceeding \$1,000,000* who had transferred properties, but the assessor either failed to reappraise those properties exceeding the \$1 million limit, or failed to report to the BOE the corrections necessary to resolve the issue.

Section 63.1(a)(2) excludes from reassessment the purchase or transfer of the first \$1 million of full cash value of all real property, other than a principal residence, of an eligible transferor in the case of a purchase of transfer between parents and their children. Based on optional quarterly reports submitted by assessors to the BOE listing approved section 63.1 transfer exclusions, the BOE tracks transferors and the properties transferred for each county in an effort to enforce the \$1 million limit. Each quarter, the BOE sends out a *Report of Transferors exceeding \$1,000,000* to assessors. Assessors should review this list and report any necessary corrections to the BOE, such as duplicate submissions or errors in the value submitted. For those properties exceeding the limit, the assessor should determine if a reassessment is valid and coordinate with the taxpayer and any other counties involved to make sure the exclusion is not granted on properties once the \$1 million limit has been exceeded.

By allowing the exclusion of properties once the \$1 million limit has been exceeded, the assessor is allowing certain properties to be excluded from reassessment that would otherwise be reassessable.

### **California Land Conservation Act Property**

Pursuant to the California Land Conservation Act (CLCA) of 1965, agricultural preserves may be established by a city or county for the purpose of identifying areas within which the city or county will enter into CLCA contracts with property owners.

Property owners who place their lands under contract agree to restrict the use of such lands to agriculture and other compatible uses; in exchange, the lands are assessed at a restricted value. Lands under contract are valued for property tax purposes by a method that is based upon agricultural income-producing ability (including income derived from compatible uses, such as hunting rights and communications facilities). Such lands must be assessed at the lowest of the restricted value, current market value, or factored base year value.<sup>8</sup>

### **Income and Expenses**

The income to be capitalized is the economic net income attributable to the land determined, whenever possible, by the analysis of rents received in the area for similar lands in similar use. To determine net income, the appraiser must estimate the future gross income the land can be expected to produce, and subtract from that estimate the allowable cash expenses (except property taxes) necessary to maintain this income. The gross income is primarily from agricultural production, but it also includes income from any compatible uses actually occurring, such as lease payments for oil or gas exploration rights, communication facility sites, and recreational uses, such as hunting or fishing. There are no limits placed upon the income to be capitalized unless the contract contains a provision establishing a minimum annual income per acre.

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<sup>8</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *California Land Conservation Act (CLCA) Property*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/clca\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/clca_general.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>.

Since the income to be capitalized in the valuation of open-space properties is the net income attributable to the land, the expenses necessary to maintain this income and the portion of the income attributable to improvements must be subtracted from the expected gross income prior to capitalization. The type of expenses deducted, and to some extent the amount of the deductions, will depend upon the composition of the gross income. For example, a gross income derived from cash rents will generally require fewer adjustments than a gross income derived from share rents, and, while a management charge is generally applicable to both income streams, this charge will normally be less in cash rental analysis. In addition to the expenses that are incurred for the creation and maintenance of the income, the property owner is entitled to a fair return on the value of the improvements that are necessary to produce the income and the return of (recapture) the value of such improvements.

We reviewed several properties restricted by CLCA contracts and found an area in need of improvement.

**RECOMMENDATION 5:** Value compatible commercial use sites utilizing an economic rent when assessing CLCA properties.

We found that the assessor values restricted land devoted to compatible uses of a commercial nature by capitalizing an agricultural land rent.

In accordance with Government Code sections 51238.1, 51238.2, and 51238.3, the assessor must assume that any use allowed by the existing CLCA contract is a permitted compatible use (i.e., a use of the land that is compatible with the primary agricultural use). If a portion of a restricted property is used by the property owner for a permitted compatible use, the appropriate method of valuation is the capitalization of an economic site rent appropriate to the compatible use using the open-space capitalization rate. The estimate of the economic site rent can be based on actual rents of comparable commercial sites or by multiplying the estimated market value of comparable commercial land by a market-derived land capitalization rate.<sup>9</sup>

The assessor's practice of using agricultural land rents to value permitted compatible commercial use sites may result in underassessments.

### ***Taxable Possessory Interests***

A taxable possessory interest results from the possession, a right to possession, or a claim to a right to possession of publicly owned real property, in which the possession provides a private benefit to the possessor and is independent, durable, and exclusive of rights held by others. The assessment of a taxable possessory interest in tax-exempt publicly owned property is based on the value of the rights held by the possessor; the value of the rights retained by the public owner is almost always tax exempt.<sup>10</sup>

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<sup>9</sup> Refer to Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521), pages II-16 and II-17.

<sup>10</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Taxable Possessory Interests*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/tpi\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/tpi_general.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>.

We reviewed several taxable possessory interests and found areas in need of improvement.

**RECOMMENDATION 6:** Improve the taxable possessory interest assessment program by: (1) assessing all taxable possessory interests, (2) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, and (3) issuing supplemental assessments for taxable possessory interests.

**Assess all taxable possessory interests.**

We found that the assessor is not assessing all taxable possessory interests. While the assessor is now identifying and assessing taxable possessory interests at the Rio Vista Airport, the assessor is not requesting vendor or concessionaire information from the Dixon May Fair or the Solano County Fairgrounds. We obtained data from Solano County Fairgrounds and found several examples of taxable possessory interests having values exceeding the county's resolution threshold of \$5,000 or less low value exemption.

Section 107 and Rule 20 define the requirements for a taxable possessory interest. Briefly stated, these requirements are that the right of possession be independent, exclusive, durable, and provide a private benefit. Uses of the county's fairground facilities by private persons or entities could constitute taxable possessory interests and should be reviewed for possible assessment.

Failure to assess taxable possessory interests located at the fairgrounds may result in taxable property escaping assessment.

**Periodically review all taxable possessory interests with stated terms of possession for declines in value.**

We found the assessor is not periodically reviewing all taxable possessory interests with stated terms for declines in value. While we found some examples showing taxable possessory interests with stated terms of possession being annually reviewed for declines in value, we found numerous examples of taxable possessory interests with stated terms of possession that had not been reviewed in several years. The assessor simply enrolls the factored base year value each year, unless a change in ownership has occurred.

Rule 21(d)(1) states, in part, "The stated term of possession shall be deemed the reasonably anticipated term of possession unless it is demonstrated by clear and convincing evidence that the public owner and the private possessor have reached a mutual understanding or agreement, whether or not in writing, such that the reasonably anticipated term of possession is shorter or longer than the stated term of possession. If so demonstrated, the term of possession shall be the stated term of possession as modified by the terms of the mutual understanding or agreement." Rule 21(a)(6) defines the stated term of possession for a taxable possessory interest as of a specific date as "...the remaining period of possession as of that date specified in the lease, agreement, deed, conveyance, permit, or other authorization or instrument that created, extended, or renewed the taxable possessory interest, including any option or options to renew or extend the specified period of possession if it is reasonable to assume that the option or options will be exercised." Therefore, the stated term declines each year. This may or may not have a material

effect on the market value of the possessory interest. Thus, absent clear and convincing evidence of a mutual agreement or understanding as to a shorter or longer term of possession, the assessor must estimate the current market value of the taxable possessory interest on lien date based on the remaining stated term of possession, compare this value with the factored base year value and enroll the lower of the two values.

Although the assessor is not required to reappraise all properties each year, the assessor should develop a program to periodically review assessments of taxable possessory interests with stated terms of possession to ensure declines in value are consistently recognized. Failure to periodically review taxable possessory interests for possible declines in value may cause the assessor to overstate the taxable value of a taxable possessory interest.

**Issue supplemental assessments for taxable possessory interests.**

We found that the assessor does not issue supplemental assessments for any assessable events involving taxable possessory interests. The assessor indicated that taxable possessory interests are enrolled on the unsecured roll and the assessor's computer system does not allow supplemental assessments to be issued for property on the unsecured roll.

Taxable possessory interests, like other real property, are subject to supplemental assessments whenever there is a change in ownership or completed new construction. Section 61(b) provides that the creation, renewal, extension, or assignment of a taxable possessory interest is a change in ownership. Section 75.11 provides that there shall be a supplemental assessment following a change in ownership or completion of new construction. Assessors' Handbook Section 510, *Assessment of Taxable Possessory Interests* (AH 510), advises that the supplemental assessment amount for the newly created taxable possessory interest should be based on its fair market value without offset for a prior value on the regular assessed roll.

The assessor's failure to issue supplemental assessments is contrary to statute.

## 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>11</sup>

For Solano County, the minimum required number of audits to be conducted each year is 62, with the additional requirement that 50 percent of those audits are to be performed on taxpayers selected from a pool of those taxpayers that have the largest assessments of locally assessable trade fixtures and business tangible personal property in the county.<sup>12</sup> The audit responsibility rests upon the supervising auditor-appraiser and three full-time auditor-appraisers.

Overall, the assessor's audit quality is consistently good and the program is well managed. However, we found areas in need of improvement.

**RECOMMENDATION 7:** Improve the audit program by: (1) performing the minimum number of audits of professions, trades, and businesses pursuant to section 469, (2) enrolling all escape assessments discovered during the course of an audit, and (3) consistently notifying the auditor-controller when interest is to be added to an escape assessment.

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

We found that the assessor did not conduct the minimum number of audits as required under the provisions of section 469 for the three years within the scope of our survey. Contributing to the deficit in audit production is a vacancy of one auditor position in the business division. The assessor was in the process of filling this vacancy during our field review.

An effective audit program verifies the reporting of various business property accounts, from small to large, and helps prevent potential errors or escape assessments. An audit program is an essential component of an equitably administered assessment program. A weak audit program can leave a business property assessment program with no means of verifying the accuracy of taxpayer reporting or correcting noncompliant reporting practices. Furthermore, when audits are

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<sup>11</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Audit Program*, 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). 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>.

<sup>12</sup> Refer to Letter To Assessors No. 2009/049, *Significant Number of Business Property Audits*.

not conducted timely, it becomes more difficult to obtain the records necessary to substantiate accurate reporting. Therefore, timeliness of the audit is an important factor in an effective audit program and ultimately a well-managed assessment program.

By failing to conduct a significant number of audits, with fifty percent of those audits performed on taxpayers with the largest assessments, the assessor is not in compliance with section 469 and risks the possibility of allowing taxable property to permanently escape assessment.

**Enroll all escape assessments discovered during the course of an audit.**

We found that the assessor does not enroll escape assessments discovered during an audit when the differences amount to \$5,000 or less.

Section 531.9 allows a county board of supervisors to adopt an ordinance to relieve the assessor from the responsibility of making escape assessments of appraisal units where the amount of taxes due will be less than the cost of assessing and collecting the tax. Solano County does *not* have such an ordinance in place, and as a result, the assessor does not have the authority to exempt low-value escaped property discovered by audit.

The current unauthorized minimum audit enrollment policy fails to meet the assessor's obligation to assess all property subject to taxation.

**Consistently notify the auditor-controller when interest is to be added to an escape assessment.**

We found instances where the assessor does not apply the interest provided for in section 506 when appropriate. In some instances, incorrect code sections were cited on roll correction orders and in others, the proper code section was cited yet no interest was applied.

According to Assessors' Handbook Section 506, *Property Tax Audits and Audit Program* (AH 506), if an audit discloses an escape assessment as the result of an assessee error, interest is to be added to escape assessments calculated on that additional assessed value pursuant to section 506. Section 506 provides, in part, that: "To the tax there shall be added interest at the rate of three-fourths of 1 percent per month from the date or dates the taxes would have become delinquent if they had been timely assessed to the date the additional assessment is added to the assessment roll." In general, interest must be added to any escape that was caused by the taxpayer's failure to report accurately and completely.

By failing to apply interest to escape assessments in accordance with section 506, the incentive for the taxpayer to accurately report taxable business property is diminished. Furthermore, the inconsistent enforcement of the provisions of section 506 results in inequitable assessment practices.

***Business Property Statement Program***

Section 441 requires that each person owning taxable personal property (other than a manufactured home) having an aggregate cost of \$100,000 or more to annually file a business

property statement (BPS) with the assessor; other persons must file a BPS if requested by the assessor. Property statements form the backbone of the business property assessment program.<sup>13</sup>

As of the 2016-17 assessment year, the Business Division consisted of three auditor-appraisers under the direction of a supervising auditor-appraiser.

We reviewed the assessor's procedures for processing late and non-filed statements and the application of a penalty as required by sections 501 and 463. Overall, the assessor's BPS processing program is well administered. However, we found an area in need of improvement.

**RECOMMENDATION 8:** Value taxable business property in accordance with section 501 when a property owner fails to file a BPS.

When a completed BPS is submitted late, the assessor correctly calculates the current market value of reported taxable business property owned and controlled by the property owner, and applies the statutory 10 percent penalty assessment. The assessor applies a different set of valuation procedures in cases where the BPS is not returned. The previous year's enrolled value is simply carried forward and a 10 percent non-filing penalty is added pursuant to section 463.

If an assessee does not file a required BPS by May 7 pursuant to section 441, section 501 provides that the assessor shall estimate a value based on available information and section 463 provides that a 10 percent penalty shall be added to that estimated value. By simply carrying forward previously enrolled values and not applying current valuation tables to known costs, the assessor is enrolling arbitrarily determined values with no supporting basis. In order to be in conformance with section 501, any estimated enrollments should be supported by current market information and calculated using relevant valuation tables. Furthermore, though the escalation rates utilized by the assessor in estimating values for smaller assessments is based on concrete valuation data, it does not take into account differing growth rates among industry types.

The assessor's current enrollment methodology, as applied to non-filing accounts, likely leads to erroneous value conclusions and is an improper application of the assessor's estimated assessment authority as prescribed in section 501.

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<sup>13</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Business Property Statement Program*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/businesspropstatement\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/businesspropstatement_general.pdf). 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>.

## APPENDIX A: STATISTICAL DATA

**Table 1: Assessment Roll**

The following table displays pertinent information from the 2016-2017 assessment roll:<sup>14</sup>

	PROPERTY TYPE	ENROLLED VALUE
<b>Secured Roll</b>	Land	\$12,806,047,620
	Improvements	\$35,203,966,008
	Personal Property	\$979,604,457
	Total Secured	\$48,989,618,085
<b>Unsecured Roll</b>	Land	\$51,473,198
	Improvements	\$999,319,468
	Personal Property	\$1,862,045,310
	Total Unsecured	\$2,912,837,976
<b>Exemptions<sup>15</sup></b>		(\$2,673,580,032)
	<b>Total Assessment Roll</b>	\$49,228,876,029

**Table 2: Change in Assessed Values**

The following table summarizes the change in assessed values over recent years:<sup>16</sup>

YEAR	TOTAL ROLL VALUES	CHANGE	STATEWIDE CHANGE
2016-17	\$49,228,876,000	6.0%	6.0%
2015-16	\$46,432,278,000	5.2%	6.2%
2014-15	\$44,157,144,000	7.7%	4.3%
2013-14	\$41,009,571,000	4.5%	1.4%
2012-13	\$39,230,406,000	0.4%	0.1%

<sup>14</sup> Statistics provided by BOE-822, *Report of Assessed Values by City*, Solano County.

<sup>15</sup> The value of the Homeowners' Exemption is excluded from the exemptions total.

<sup>16</sup> California State Board of Equalization Annual Report, Table 7.

**Table 3: Gross Budget and Staffing**

The assessor's budget has grown from \$5,518,043 in 2012-13 to \$7,496,789 in 2016-17.

The assessor has 38 budgeted permanent positions. These positions consist of the assessor, assistant assessor, chief appraiser, 18 real property appraisers, 5 business property auditor-appraisers, 2 cadastral draftspersons, and 10 support staff.<sup>17</sup>

The following table summarizes the assessor's budget and staffing over recent years:<sup>18</sup>

<b>BUDGET YEAR</b>	<b>GROSS BUDGET</b>	<b>PERCENT CHANGE</b>	<b>PERMANENT STAFF</b>
2016-17	\$7,496,789	18.8%	38
2015-16	\$6,312,459	8.0%	38
2014-15	\$5,842,200	0.9%	39
2013-14	\$5,792,306	5.0%	36
2012-13	\$5,518,043	0.7%	35

**Table 4: Assessment Appeals**

The following table shows the number of assessment appeals filed in recent years:<sup>19</sup>

<b>YEAR</b>	<b>ASSESSMENT APPEALS FILED</b>
2016-17	218
2015-16	232
2014-15	348
2013-14	587
2012-13	414

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

<sup>18</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

<sup>19</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>20</sup>

<b>YEAR</b>	<b>WELFARE EXEMPTIONS</b>	<b>EXEMPTED VALUE</b>
2016-17	453	\$2,202,167,713
2015-16	463	\$2,181,239,042
2014-15	423	\$2,110,539,500
2013-14	436	\$2,098,307,356
2012-13	409	\$894,090,353

**Table 6: Change in Ownership**

The following table shows the total number of transfer documents received and the total number of reappraisable transfers processed in recent years:<sup>21</sup>

<b>YEAR</b>	<b>TOTAL TRANSFER DOCUMENTS RECEIVED</b>	<b>REAPPRAISABLE TRANSFERS</b>
2016-17	19,224	9,815
2015-16	18,907	8,984
2014-15	17,068	7,854
2013-14	20,660	8,934
2012-13	20,198	10,666

<sup>20</sup> Statistics provided by BOE-802, *Report on Exemptions*.

<sup>21</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>22</sup>

<b>YEAR</b>	<b>TOTAL BUILDING PERMITS RECEIVED</b>	<b>NEW CONSTRUCTION ASSESSMENTS</b>
2016-17	14,484	1,038
2015-16	15,270	1,007
2014-15	12,865	821
2013-14	10,469	714
2012-13	10,457	774

**Table 8: Declines In Value**

The following table shows the total number of decline-in-value assessments in recent years:<sup>23</sup>

<b>YEAR</b>	<b>DECLINE-IN-VALUE ASSESSMENTS</b>
2016-17	14,430
2015-16	18,323
2014-15	23,075
2013-14	30,612
2012-13	55,495

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

<sup>23</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>24</sup>

<b>MINIMUM NUMBER OF AUDITS REQUIRED<sup>25</sup></b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>
Largest Assessments	31	31	31	31	31
All Other Taxpayers	31	31	31	31	31
<b>Total Required</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>
<b>NUMBER OF AUDITS COMPLETED</b>					
<b>Total Audits Completed</b>	<b>46</b>	<b>31</b>	<b>27</b>	<b>33</b>	<b>11</b>
Largest Assessments	16	10	0	33	11
<b>Over/(Under) Required</b>	<b>(15)</b>	<b>(21)</b>	<b>(31)</b>	<b>2</b>	<b>(20)</b>
All Other Taxpayers	30	21	27	0	0
<b>Over/(Under) Required</b>	<b>(1)</b>	<b>(10)</b>	<b>(4)</b>	<b>(31)</b>	<b>(31)</b>
<b>CCCASE AUDITS</b>					
Prepared for other county assessors	0	0	0	0	2

<sup>24</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

<sup>25</sup> Refer to LTA 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 June 2014 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.

### ***Low-Value Property Exemption***

**RECOMMENDATION 1:** Improve the low-value property exemption program by tracking the factored base year values of all exempted low-value real properties.

#### **Original Findings:**

We found that once real property meets the requirements of the county's low-value ordinance and has a base year value of \$5,000 or less, the assessor no longer tracks the factored base year value and enrolls a value of \$0 for the exempted low-value real property.

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

*We agree with this recommendation which requires a computer system fix which is in process.*

#### **Current Status:**

The assessor has not implemented this recommendation. Refer to the Low-Value Property Exemption topic recommendation in the current Findings and Recommendations section of this survey report.

### ***Exemptions***

**RECOMMENDATION 2:** Improve the administration of the disabled veterans' exemption by: (1) correctly calculating the amount of the exemption to be granted for a late-filed claim on the low-income disabled veterans' exemption, and (2) granting the disabled veterans' exemption on a prorated basis for the initial qualifying year in accordance with sections 276.1 and 276.2.

**(1) Correctly calculate the amount of the exemption to be granted for a late-filed claim on the low-income disabled veterans' exemption.**

**Original Findings:**

When applying late-filing provisions for a late-filed claim on the low-income disabled veterans' exemption, we found that the assessor incorrectly calculates the amount of the partial exemption to be granted for the property. The assessor calculates the partial exemption to be granted based on the entire amount of the exemption rather than the amount over the basic exemption.

**Assessor's Original Response:**

*We agree with this recommendation and have already put in place corrective measures to improve the administration of disabled veterans' exemptions.*

**Current Status:**

The assessor has implemented this recommendation. The disabled veterans' claim samples we reviewed show that the assessor correctly applies late penalties pursuant to the provisions of section 276.

**(2) Grant the disabled veterans' exemption on a prorated basis for the initial qualifying year in accordance with sections 276.1 and 276.2.**

**Original Findings:**

We found that in some of the files reviewed, the assessor did not prorate the exemption from the effective date of eligibility on a retroactive basis in accordance with section 276.1. Instead, the assessor typically granted the exemption effective the following fiscal year after the claim was filed.

**Assessor's Original Response:**

*We agree with this recommendation and have already put in place corrective measures to improve the administration of disabled veterans' exemptions.*

**Current Status:**

The assessor has implemented this recommendation. The disabled veterans' claim samples we reviewed evidenced that the assessor correctly prorates the exemption from the effective date of eligibility on a retroactive basis in accordance with section 276.

### **Change in Ownership**

**RECOMMENDATION 3:** Ensure that the assessor's transfer list does not include any confidential information.

#### **Original Findings:**

We found the assessor's transfer list is electronically generated from the assessor's computer system, which lists both the consideration paid for the property, as calculated from the documentary transfer tax displayed on the recorded deed, and the reported sale price as indicated on the corresponding PCOR. Information derived directly from the PCOR is confidential and not for public display.

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

*We agree with this recommendation and have disabled the link that inadvertently displayed the reported sale price indicated on the Preliminary Change in Ownership Report (PCOR).*

#### **Current Status:**

The assessor has implemented this recommendation. The transfer list no longer includes confidential information.

Although the assessor's transfer list meets the requirements under the provisions of section 408.1(c), it also includes all recorded documents received by the assessor including documents that do not involve consideration paid. This makes searching for sales data cumbersome. We suggest the assessor update the transfer list to include only data relevant to the transfer of interests in property rather than include every recorded document received by the assessor.

**RECOMMENDATION 4:** Improve the LEOP program by applying appropriate penalties as required by section 482(b).

#### **Original Findings:**

We found instances where penalties were not applied when an entity either failed to file a BOE-100-B or filed a BOE-100-B late, even though the assessor had been notified by the BOE's LEOP Division to apply the penalty.

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

*We agree with this recommendation and will implement as time and resources become available.*

**Current Status:**

The assessor has not implemented this recommendation. Refer to the Change in Ownership topic recommendation in the current Findings and Recommendations section of this survey report.

**RECOMMENDATION 5:** Value properties subject to improvement bonds in accordance with section 110(b).

**Original Findings:**

We found several commercial properties in which the assessor had added value for bond improvements to the purchase price paid without including supporting evidence. The assessor does not have a study or other documentation to establish by a preponderance of the evidence that all or a portion of the value of the improvement bond is not already reflected in the consideration paid for the commercial property. It is the assessor's contention that for commercial properties, the outstanding bond indebtedness is an expense to the property that the investor must consider when purchasing the property and determining the fair market value of the property.

**Assessor's Original Response:**

*We agree with this recommendation and will include with the appraisal file the supporting evidence to prove the bond amount is not already included in the purchase price.*

**Current Status:**

The assessor has implemented this recommendation. The assessor presumes that the value of the improvements financed by the bonds is reflected in the purchase price paid for the property exclusive of the bond amount, consistent with the provisions of section 110(b). In those instances where a value component is added, the assessor relies on substantive data.

**California Land Conservation Act Property**

**RECOMMENDATION 6:** Improve the CLCA property program by valuing compatible commercial use sites utilizing an economic commercial rent.

**Original Findings:**

We found that the assessor values compatible commercial use sites using a capitalized agricultural land rent per acre.

**Assessor's Original Response:**

*We agree with this recommendation and will implement as time and resources become available.*

**Current Status:**

The assessor has not implemented this recommendation. Refer to the California Land Conservation Act Property topic recommendation in the current Findings and Recommendations section in this survey report.

**Taxable Possessory Interests**

**RECOMMENDATION 7:** Improve the taxable possessory interests program by:  
(1) assessing all taxable possessory interests,  
(2) reappraising taxable possessory interests in compliance with section 61(b)(2), (3) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, and (4) properly issuing supplemental assessments for taxable possessory interests.

**(1) Assess all taxable possessory interests.**

**Original Findings:**

We found several taxable possessory interests at the two publicly-owned fairgrounds that were not being assessed. The assessor does not request vendor or concessionaire information from the Dixon May Fair, and fails to request information from some of the larger concessionaires at the Solano County Fairgrounds. We obtained data from both of these facilities and found that while the county does have a low-value resolution exempting real and personal property of \$5,000 or less from assessment, some of these taxable possessory interests have values over the \$5,000 limit and should be assessed.

**Assessor's Original Response:**

*We agree with this recommendation and will implement as time and resources become available.*

**Current Status:**

The assessor has not implemented this part of the recommendation. Refer to the Taxable Possessory Interests topic recommendation in the current Findings and Recommendations section in this survey report.

**(2) Reappraise taxable possessory interests in compliance with section 61(b)(2).**

**Original Findings:**

We found that the assessor does not consistently reappraise taxable possessory interests at the end of the reasonably anticipated term of possession used by the assessor to value the taxable possessory interest.

**Assessor's Original Response:**

*We agree with this recommendation and will implement as time and resources become available.*

**Current Status:**

The assessor has implemented this part of the recommendation. We found the assessor is now consistently reappraising taxable possessory interests at the end of the reasonably anticipated term of possession used by the assessor to value taxable possessory interests.

**(3) Periodically review all taxable possessory interests with stated terms of possession for declines in value.**

**Original Findings:**

We reviewed several taxable possessory interests with stated terms of possession and found several instances where the assessor did not periodically review these taxable possessory interests for possible declines in value. Instead, the assessor enrolled the factored base year value each year until either a change in ownership occurred or the term of possession ended.

**Assessor's Original Response:**

*We agree with this recommendation and will implement as time and resources become available.*

**Current Status:**

The assessor has not implemented this part of the recommendation. Refer to the Taxable Possessory Interests topic recommendation in the current Findings and Recommendations section of this survey report.

**(4) Properly issue supplemental assessments for taxable possessory interests.**

**Original Findings:**

We found that the assessor does not issue supplemental assessments for any assessable events involving taxable possessory interests. The assessor indicated that this is due to the fact that taxable possessory interests are enrolled on the unsecured roll and the assessor's

computer system does not allow supplemental assessments to be issued for property on the unsecured roll.

**Assessor's Original Response:**

*We agree with this recommendation and will implement as time and resources become available.*

**Current Status:**

The assessor has not implemented this part of the recommendation. Refer to the Taxable Possessory Interests topic recommendation in the current Findings and Recommendations section of this survey report.

**Audit Program**

**RECOMMENDATION 8:** Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

**Original Findings:**

The assessor did not conduct the minimum number of audits required under the provisions of section 469. The assessor's shortfall may be due to the recent loss of audit staff resulting from budgetary reductions. There is no indication that resources will be available in the near future to fill the vacant positions. Consequently, it appears the assessor will continue to fall short in meeting his statutory obligations for the near future.

**Assessor's Original Response:**

*We agree with this recommendation and will implement as time and resources become available.*

**Current Status:**

The assessor has not implemented this recommendation. Refer to the Audit Program topic in the current Findings and Recommendations section of this survey report.

**Business Property Statement Program**

**RECOMMENDATION 9:** Value taxable business property in accordance with section 501 when a taxpayer fails to file a business property statement (BPS).

**Original Findings:**

When a completed BPS is submitted late, the assessor correctly calculates the current market value of reported taxable business property owned and controlled by the property owner and applies the statutorily-defined 10 percent penalty. However, in cases where the

BPS is not returned, the assessor does not estimate the current market value of the known taxable business property; he simply carries forward the previous year's enrolled value and applies the 10 percent penalty.

**Assessor's Original Response:**

*We agree in part. We will implement if and when a computer system change could handle this programmatically. Reviewing habitual non-filers is very time consuming and not practical given current staffing levels.*

**Current Status:**

The assessor has not implemented this recommendation. Refer to the Business Property Statement Processing topic in the current Findings and Recommendations section of this survey report.

**Business Equipment Valuation**

**RECOMMENDATION 10:** Correctly classify machinery and equipment reported on business property statements (BPS).

**Original Findings:**

We found that the assessor is not classifying a portion of machinery and equipment reported in bulk as fixed machinery and equipment when processing BPSs filed for industrial manufacturing and service stations.

**Assessor's Original Response:**

*We agree and we will establish guidelines for allocating machinery and equipment costs between personal property and fixtures per business type.*

**Current Status:**

The assessor has implemented this recommendation. The assessor is appropriately classifying a portion of machinery and equipment as fixtures when processing BPSs filed for industrial manufacturing and service stations.

**Aircraft**

**RECOMMENDATION 11:** Correctly apply penalties when BOE-577, *Aircraft Property Statement*, is not returned timely.

**Original Findings:**

It is the assessor's policy not to apply a penalty when a BOE-577 is not returned or not returned timely. Section 5367 requires any person requested to file a statement pursuant to section 5365 to file such statement by the time specified by the assessor or a penalty of

10 percent of the market value of the unreported aircraft shall be added to the value of the aircraft and placed on the current roll. By not applying penalties to aircraft assessments when the taxpayer fails to file the property statement or files the property statement late, the assessor is not in compliance with statute.

**Assessor's Original Response:**

*We agree with this recommendation to add the 10% penalty to the market value of the aircraft when BOE-577 is not returned timely.*

**Current Status:**

The assessor has implemented this recommendation. When an aircraft owner fails to timely file an aircraft statement in accordance with section 5365, the assessor consistently applies the appropriate penalty assessment pursuant to section 5367.

**RECOMMENDATION 12:** Grant the historical aircraft exemption only when all qualifying conditions have been met pursuant to section 220.5.

**Original Findings:**

We reviewed a sampling of historical aircraft and found instances where the assessor granted the exemption, even though not all conditions had been met as specified in section 220.5. We found several historical aircraft exemption claims granted where the claimant did not file as an individual owner. We also found several historical aircraft exemption claims where the claimant did not report the date of the events in sufficient detail, making it difficult to determine whether the aircraft satisfied the required number of days the aircraft was displayed at the event to the public. In addition, we found several historical aircraft exemption claims that did not have the proper certificate of attendance signed by the event coordinator of the event where the aircraft was being displayed.

**Assessor's Original Response:**

*We agree and advise all historical aircraft owners if their claim lacks the property documentation.*

**Current Status:**

The assessor has implemented this recommendation. The assessor requires all the conditions specified in section 220.5 to be met before allowing the historical aircraft exemption.

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

### **Solano County**

*Chief*

David Yeung

*Survey Program Director:*

Diane Yasui

Manager, Property Tax

*Survey Team Supervisor:*

Andrew Austin

Supervisor, Property Tax

*Survey Team Leader:*

Gary Coates

Associate Property Appraiser

*Survey Team:*

Tammy Aguiar

Senior Specialist Property Appraiser

Tina Baxter

Associate Property Appraiser

Christine Bradley

Associate Property Appraiser

Jeff Arthur

Associate Property Auditor-Appraiser

Cyrus Haze Ghazam

Associate Property Auditor-Appraiser

Paula Montez

Associate Property Auditor-Appraiser

Alexander Fries

Assistant Property Appraiser

Amanda Lopez

Assistant Property Appraiser

Dany Lunetta

Associate Governmental Program Analyst

## APPENDIX D: RELEVANT STATUTES AND REGULATIONS

Reference	Description
<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 on the assessor's response, if any, constitute the final survey report.

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

Assessor/Recorder Department

**MARC C. TONNESEN**  
Assessor/Recorder

**KATHY DOSSA**  
Assistant Assessor/Recorder



**SOLANO  
COUNTY**

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(707) 784-6210  
Fax (707) 784-2475  
www.solanocounty.com

**RECEIVED**

**AUG 03 2018**

County-Assessed Properties Division  
State Board of Equalization

August 1, 2018

Mr. David Yeung, Chief  
County-Assessed Properties Division  
Property Tax Department  
State Board of Equalization  
450 N Street  
Sacramento, CA 94279-0064

Dear Mr. Yeung:

Thank you for the opportunity to respond to the recommendations contained within the July 2018 Solano County Assessment Practices Survey. Pursuant to Section 15645 of the California Government Code, my written response to the findings and recommendations is enclosed. Please include my response in the published survey.

I wish to express my sincere appreciation to the entire Board of Equalization survey team for the professional and courteous manner in which they performed the survey. I regard the survey as an important tool for the continuing dialogue between the State Board and local Assessors that can be of benefit to both organizations.

I also wish to thank my staff for the dedication and professionalism they exhibit every day in their professional lives. The findings in this report are a testament to their commitment to providing fair and equitable assessments to the citizens of Solano County. They are a great staff and their commitment to excellence is unequalled.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. Tonnesen", written over a horizontal line.

**MARC C. TONNESEN**  
Assessor/Recorder

Solano County Assessor  
Responses to State Board of Equalization  
Assessment Practices Survey Report  
July 2018

**Recommendation 1:** Track the factored base year values of all exempted low-value properties.

**Response:** We agree with this recommendation which requires a computer system fix currently in process. The County has entered into a contract to purchase and implement a new property tax system which is anticipated to address base year value tracking issues.

**Recommendation 2:** Correctly implement the penalty process in accordance with section 482(b).

**Response:** We agree with this recommendation and will implement as time and resources become available.

**Recommendation 3:** Apply appropriate penalties as required by section 482(b).

**Response:** We agree with this recommendation and will implement as time and resources become available.

**Recommendation 4:** Reappraise all properties exceeding the \$1 million exclusion provided in section 63.1 and report any necessary corrections to the BOE.

**Response:** We agree with this recommendation which has already been implemented.

**Recommendation 5:** Value compatible commercial use sites utilizing an economic rent when assessing CLCA properties.

**Response:** We agree with this recommendation which requires a computer system fix currently is in process. The County has entered into a contract to purchase and implement a new property tax system which is anticipated to address CLCA program issues.

**Recommendation 6:** Improve the taxable possessory interests program by: (1) assessing all taxable possessory interests, (2) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, and (3) issuing supplemental assessments for taxable possessory interests.

**Response:** We agree with this recommendation which has already been implemented.

**Recommendation 7:** Improve the audit program by: (1) performing the minimum number of audits of professions, trades, and businesses pursuant to section 469, (2) enrolling all escape assessments discovered during the course of an audit, and (3) consistently notifying the auditor-controller when interest is to be added to an escape assessment.

**Response:** We agree with this recommendation and are in the process of implementing.

**Recommendation 8:** Value taxable business property in accordance with section 501 when a property owner fails to file a BPS.

**Response:** We agree with this recommendation and are in the process of implementing.