



California Tax Reform Association (CTRA)
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Sacramento, CA 95814

May 12, 2020

The Honorable Antonio Vazquez and Honorable Mike Schaefer
California State Board of Equalization
Capitol Mall
Sacramento, CA 95814

Re: Impact of COVID-19 on Property Tax Administration – Working Group Report

Dear Chair Vazquez and Vice Chair Schaefer,

We write in response to proposals currently under consideration by the BOE which would leverage the local property tax system to provide immediate and dramatic reductions in assessed value, and changes in deadlines. Unfortunately, these proposals were crafted in closed door hearings without the benefit of BOE legal and professional experts or the general public. As a result, affected parties such as homeowners, the education community and local government officials have had no ability to provide input on sweeping proposed changes that would endanger revenues necessary to fund education and other critical public services. This process has resulted in a series of flawed proposals, which we strongly oppose.

We share the concerns of Assessors across the state who believe that these proposals will create confusion and chaos in the property tax system, delay property tax revenue, and erode

public confidence. Moreover, these proposals disproportionately benefit commercial property

These proposals, and our related concerns are articulated below:

1) Business Personal Property Tax Statement, 571L

Despite a lack of evidence, proponents of this proposal have stated that taxpayers and their employees are unable to gather information necessary to prepare and timely file business property statements by the May 7, 2020 deadline, and therefore require an extension. In reality, local governments report no increase in inquiries about deadline extensions. At the same time, overall filing numbers year-to-date are over 80 percent, with significant numbers anticipated in the two weeks leading up to the deadline.

Extending this deadline would delay \$3 billion in anticipated revenue, with an immediate and dire financial impact on schools, cities and counties who are struggling to provide and coordinate services in spite of dwindling resources. As such, the proposal to extend the filing date of the Business Personal Property Statement (571L) be rejected. To the extent that a limited number of taxpayers require a temporary penalty waiver, the Governor could empower assessors with the same authority granted to tax collectors to waive late filing penalties.

2) County Assessment Appeals Board (AAB)

Proponents argue that due to COVID-19, the 60-day deadline to file an assessment appeal on supplemented assessments must be extended because taxpayers will not receive mailed notices as they shelter in place. The vast majority of these notices are mailed to homeowners, who will be sheltered in place – at their homes. In addition, the shelter in place does not prohibit businesses from accessing their mail, or from having their mail sent to another location. This proposal would result in further delay of appeals, creating an uneven flow of appeals and potential refunds, with no discernable benefit.

3) RTS Section 170, Disaster Relief

Proponents have proposed that taxpayers should be permitted to file Misfortune and Calamity (M&C) claims due to the impact on property values from COVID-19 shelter in place orders. The costs associated with this proposal, coupled with dramatic loss of revenue, would threaten the ability of local and state government to deliver critical public services. It also improperly expands the definition of damage beyond Section 170 and, as a result, is unlawful. Finally, existing mechanisms in property tax law already allow for property tax relief by addressing declines in market value, as of January 1, 2021 (Proposition 8). Additional relief may be provided to the business community through the federal government and its COVID-19 response. The BOE should reject this proposal.

4) Prop 8, Decline in Value (Lien Date)

Proponents have made two additional proposals: 1) Change the lien date from January 1 to July 1, and 2) Change Section 40.5 to extend the window of time for consideration of comparable sales occurring more than 90 days after the valuation date. These proposals will not, as suggested, provide timely relief for taxpayers. Instead these proposals will risk the timely delivery of assessment rolls throughout the state and would disrupt operations. They would force changes to noticing requirements and filing periods for assessment appeals. If these proposals were approved and enacted, property owners would be subjected to chaos, with confusion regarding payment deadlines, valuation dates and appeals filing periods.

Finally, the revenue impact of these proposals would be significant, and would have a dramatic impact on the ability of local governments, schools and the public health system to meet the needs of Californians during the COVID-19 crisis. The BOE should also reject this proposal.

Please don't hesitate to contact CTRA's Legislative Advocate, Samantha Corbin, at 916-862-0941 or samantha@corbinandkaiser.com with questions.