

TRINITY COUNTY ASSESSMENT PRACTICES SURVEY

DECEMBER 2019

CALIFORNIA STATE BOARD OF EQUALIZATION

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December 20, 2019

No. 2019/045

TO COUNTY ASSESSORS:

**TRINITY COUNTY
ASSESSMENT PRACTICES SURVEY**

A copy of the Trinity 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 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 Shanna S. White, Trinity County Clerk/Recorder/Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the assessor's response, constitutes the final survey report, which is distributed to the Governor, the Attorney General, and the State Legislature; and to the Trinity County Board of Supervisors, and Grand Jury.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from July through August 2018. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

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

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
Property Tax Department

DY:dcl
Enclosure

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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 Trinity County Assessor's Office.

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

OBJECTIVE

The survey shall "...show the extent to which assessment practices are consistent with or differ from state law and regulations."¹ The primary objective of a survey is to ensure the assessor's compliance with state law governing the administration of local property taxation. This objective serves the three-fold purpose of protecting the state's interest in the property tax dollar, promoting fair treatment of taxpayers, and maintaining the overall integrity and public confidence in the property tax system in California.

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

SCOPE AND METHODOLOGY

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

Pursuant to Revenue and Taxation Code² section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team – based on objective standards defined in regulation – that there are no significant assessment problems in the county.

This survey examined the assessment practices of the Trinity County Assessor's Office for the 2017-18 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 Trinity County Assessor's Office included reviews of the assessor's records, interviews with the assessor and her staff, and contacts with officials in other public agencies in Trinity 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

¹ Government Code section 15642.

² Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code and all rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

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, staff property and activities, assessment appeals, disaster relief, and 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) property, taxable possessory interests, and mineral property.

- Assessment of Personal Property and Fixtures

We reviewed the assessor's program for assessing personal property and fixtures. Specific areas reviewed include conducting audits, processing business property statements, business equipment valuation, manufactured home assessments, and vessel 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 Trinity County Assessor's Office for the 2017-18 assessment roll and followed up on recommendations from our prior survey of this county. In our 2014 assessment practices survey of Trinity County, we made 22 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 the appendix.

In the area of administration, the assessor is effectively managing budget and staffing, and staff property and activities. However, we made recommendations for improvement in the workload, assessment appeals, disaster relief, and exemptions programs.

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

In the area of personal property and fixtures assessment, the assessor has effective programs for assessing business property statements. However, we made recommendations for improvement in the audit, and manufactured homes 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 Trinity 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, Trinity County continues to be eligible for recovery of costs associated with administering supplemental assessments.

OVERVIEW OF TRINITY COUNTY

Trinity County is located in northwest California, and the county encompasses 3,179.25 square miles of land area and 28.34 square miles of water area. Created in 1850, Trinity County was one of California's original 27 counties and incorporated in 1850. Trinity County has no incorporated cities. The county is bordered on the north by Siskiyou County, on the east by Shasta and Tehama Counties, on the south by Mendocino County, and on the west by Humboldt County. The county seat is Weaverville. As of 2017, Trinity County had an estimated population of 12,709.



The Trinity County local assessment roll ranks 55th in assessed value of the 58 county assessment rolls in California. The total assessed roll value has increased yearly with an annual average increase of 4.6 percent over the last five years.³

³ Statistics provided by Table 7 – Assessed Value of County-Assessed Property Subject to General Property Taxes, 2017-18.

FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the Trinity 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.

| | | |
|--------------------------|---|----|
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| RECOMMENDATION 3: | Request the Board of Supervisors revise the disaster relief ordinance to conform to the current provisions of section 170..... | 12 |
| RECOMMENDATION 4: | Improve the exemptions program by: (1) conducting field inspections on properties for all first filing claims and ensure field inspection or verification of use notes are properly maintained in the property record, (2) applying late-filing penalties for exemption claims that are not timely filed in accordance with section 270, and (3) properly notifying claimants when the welfare exemption is partially denied..... | 14 |
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| RECOMMENDATION 6: | Improve the change in ownership program by: (1) properly notifying taxpayers of appropriate due dates when requesting a <i>Change in Ownership Statement Death of Real Property Owner</i> to be filed as required by section 482(a), and (2) applying a penalty for an unreturned or late filed COS in accordance with section 482(a)..... | 18 |
| RECOMMENDATION 7: | Apply the appropriate penalty as required by section 482(b) if a BOE-100-B is not filed timely..... | 20 |
| RECOMMENDATION 8: | Improve the change in ownership program by: (1) properly enrolling values for partial interest transfers, and (2) properly maintaining documentation in the property record to support enrolling the purchase price as current market value under Rule 2(b). | 20 |

RECOMMENDATION 9: Improve the new construction program by: (1) valuing construction in progress at current market value as of the lien date as required by section 71, (2) applying the inflation factor as required by section 51, (3) properly maintain documentation and data in the property record for new construction assessments, (4) classifying and enrolling septic systems as structural improvements and wells as land in accordance with Rule 124, and (5) only granting new construction exclusions for disabled access improvements when the required claim forms are filed in compliance with sections 74.3 and 74.6.22

RECOMMENDATION 10: Improve the declines in value program by: (1) developing a program for discovering properties that experience a decline in value, (2) annually reviewing all decline-in-value properties pursuant to section 51(e), (3) including all required information on the value change notice pursuant to section 619 and, (4) including documentation in the property record to support market value conclusions for properties experiencing a decline in value.25

RECOMMENDATION 11: Improve the CLCA program by: (1) annually calculating the restricted values for CLCA properties in accordance with section 423, and (2) applying the correct annual interest component to value CLCA properties in nonrenewal status.....29

RECOMMENDATION 12: Assess all taxable possessory interests located at the fairgrounds.30

RECOMMENDATION 13: Improve the mining property program by: (1) properly developing the discount rate to be applied to future maintenance payments for unpatented mining claims; and, (2) using correct discounting factors to capitalize payments and (3) establishing base year values for mineral reserves.31

RECOMMENDATION 14: Improve the audit program by (1) performing the minimum number of audits of professions, trades, and businesses pursuant to section 469; and (2) informing taxpayers of their right to appeal as required by Rule 305.3.....33

RECOMMENDATION 15: Improve the manufactured home program by:
(1) excluding site value from the reported purchase price of a manufactured home on rented or leased land when determining the current market value to be enrolled, and (2) periodically reviewing manufactured home assessments for declines in value.....35

ADMINISTRATION

Workload

Generally, the assessor is responsible for annually determining the assessed value of all real property and business personal property (including machinery and equipment) in the county. In order to accomplish this task, the assessor reviews recorded documents and building permits to discover assessable property. In addition, the assessor will identify and value all business personal property (including machinery and equipment), process and apply tax exemption claims for property owned by qualifying religious and welfare organizations and prepare assessment appeals for hearing before the local board of equalization.⁴

In addition, for most real property, the assessor is required to annually enroll the lower of current market value or the factored base year value. Therefore, when any factor causes a decline in the market value of real property, the assessor must review the assessment of the property to determine whether the decline has impacted the taxable value of the property for that year. In certain economic times, this decline may greatly impact the workload of the assessor. Additionally, the number of assessment appeals may increase during this period.

According to the information gathered from the assessor and assistant assessor, the roll value has steadily increased from the 2013-14 fiscal years through the 2017-18 fiscal year. Reappraisable transfers, assessment appeals, and new construction assessments have fluctuated over time, with increases and decreases occurring from the 2013-14 fiscal year through the 2017-18 fiscal year. Decline-in-value assessments steadily increased from 2013-14 through 2017-18 fiscal years.

During our review, we found an area in the assessor's workload program in need of improvement.

RECOMMENDATION 1: Improve the workload program by reporting statistics as requested by the BOE pursuant to section 407.

The assessor only reported requested statistics to the BOE for the annual *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* during the 2013-14 fiscal year. All other years (2014-15 through 2017-18) under review were not provided.

Section 407 provides that the assessor shall transmit a statistical statement to the BOE annually, on the second Monday in July, supplying any statistical information which the BOE may require, and shall supply from time to time any other information required by the BOE.

By not reporting statistics and other information to the BOE as required, the assessor is not in compliance with current statute.

⁴ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Budget, Staffing, and Workload* available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/budget-staffing_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>.

Assessment Appeals

The assessment appeals function is prescribed by article XIII, section 16 of the California Constitution. Sections 1601 through 1641.5 are the statutory provisions governing the conduct and procedures of assessment appeals boards and the manner of their creation. As authorized by Government Code section 15606, the Board has adopted Rules 301 through 326 to regulate the assessment appeals process.⁵

Pursuant to section 1601, the body charged with the equalization function for the county is the appeals board, which is either the county board of supervisors meeting as a county board of equalization or an appointed assessment appeals board. Appeal applications must be filed with the clerk of the board (clerk). The regular time period for filing an appeal application, as set forth in section 1603, is July 2 to September 15; however, if the assessor does not provide notice to all taxpayers of real property on the local secured roll of the assessed value of their real property by August 1, then the last day of the filing period is extended to November 30. Section 1604(c) and Rule 309 provide that the appeals board must make a final determination on an appeal application within two years of the timely filed appeal application unless the taxpayer and appeals board mutually agree to an extension of time or the application is consolidated for hearing with another application for reduction by the same taxpayer.

RECOMMENDATION 2: Modify the appeals withdrawal letter to remove incorrect language.

In Trinity County when the assessor reviews an assessment under appeal and finds the value should be changed pursuant to section 51, a form letter is sent to the taxpayer informing the taxpayer of the intent to enroll a corrected value. Although the letter states the purpose of the review and results of the analysis, we found it also contains incorrect information.

The letter requests the taxpayer to sign and return an attached statement that reads: "Should you agree with the findings and in order to complete the *Application for Changed Assessment* process, please sign the attached statement and return it to our office." In addition, the letter states: "A copy of this letter and your signed acceptance will be forwarded to the Clerk of the Assessment Appeals Board and will serve as notice of withdrawal of your application." The language implies that the taxpayer will only be able to withdraw an appeal application upon signing the statement.

Section 4831(c) allows an assessor to correct any error or omission involving the exercise of a value judgment that arises solely from a failure to reflect a decline in the full value of real property as required by subdivision (a)(2) of section 51. Even after an application has been formally filed with the appeals board, the assessor and the taxpayer may arrive at a mutually agreed upon value, and if within a year of making the assessment, the assessor can make a roll correction under section 4831. If it has been over one year since the enrollment of the value, a stipulation agreement signed by the assessor and county legal officer, and the person affected or

⁵ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Assessment Appeals*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/aappeals_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>

the agent making the application must be presented to the county board for approval to change the enrolled value, pursuant to section 1607.

While there is no statutory prohibition, it is not generally appropriate for withdrawal documents to be created by or processed by an assessor's staff. A validly filed *Application* is under jurisdiction of the appeals board, and it is the duty of the appeals board to accept or reject withdrawal documents from an applicant. If withdrawal documents are created/processed by the assessor's staff, it has the appearance of impropriety and may even appear to coerce taxpayers out of continuing with their appeal process. If an agreement and correction have been made pursuant to section 4831, the taxpayer may withdraw his or her application from the appeals process. Counties are advised to develop a procedure by which applicants may withdraw their applications on the condition that the assessor enrolls the agreed upon value. By this means, if the taxpayer receives the notice from the county reflecting a new value different than the value agreed upon, or the assessor fails to take action, the taxpayer may still pursue the appeal. An appeals board is not required to accept a withdrawal of an application for reduced assessment.

According to the statement of agreement, to be signed by the taxpayer, the taxpayer "agrees to waive the 30-day waiting period for notice in order to expedite the assessment correction." This statement is misleading as the letter is not a notice of enrollment. This language should be removed from the form letter as there is no legal support for it.

Lastly, the signed statement also denotes a withdrawal of the application and states that it authorizes the "Trinity County Assessor to forward a copy of this letter to the Clerk of the Assessment Appeals Board." Again, the assessor should direct the taxpayer to contact the clerk of the board to obtain a withdrawal form if the taxpayer agrees with the stated value. The assessment appeals board is an independent entity, whose function is to resolve value disputes between taxpayers and the assessor. Therefore, it is inappropriate for the assessor to act as an intermediary between this board and taxpayers by requesting taxpayers to submit withdrawal letters to the assessor. The assessor's procedure could give an appearance that the assessor is intervening in the independent third-party review to which every appellant has a right.

The assessor's statements in the appeals letter to the taxpayer should be removed as they are not in accordance with Board guidance, provide incorrect information and can be misleading to the taxpayer.

Disaster Relief

Section 170 permits a county board of supervisors to adopt an ordinance that allows immediate property tax relief on qualifying property damaged or destroyed by misfortune or calamity. The relief is available to any assessee whose property suffers damage of \$10,000 or more (without his or her fault) in a misfortune or calamity.⁶ In addition, section 170 provides procedures for calculating value reductions and restorations of value for the affected property.

To obtain relief under section 170, assessees must make a written application to the assessor requesting reassessment. In addition, if the assessor is aware of any property that has suffered

⁶ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Disaster Relief*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/disaster_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>.

damage by misfortune or calamity, the assessor must provide the last known assessee with an application for reassessment. Alternatively, the board of supervisors may, by ordinance, grant the assessor the authority to initiate the reassessment if the assessor is aware and determines that within the preceding 12 months taxable property located in the county was damaged or destroyed by misfortune or calamity.

Upon receipt of a properly completed application, the assessor shall reassess the property for tax relief purposes. If the sum of the full cash values of the land, improvements, and personal property before the damage or destruction exceeds the sum of the values after the damage by \$10,000 or more, the assessor shall then determine the percentage reductions in current market value and reduce the assessed values by those percentages.

RECOMMENDATION 3: Request the Board of Supervisors revise the disaster relief ordinance to conform to the current provisions of section 170.

The disaster relief ordinance of August 8, 1977 does not reflect the additions of subdivisions (h) through (l) of section 170 which deal with the treatment of value upon the property's repair. The current assessor has not requested the Trinity County Board of Supervisors to update and revise the existing disaster relief ordinance to conform to section 170. However, the assessor has updated the disaster relief claim form to comply with section 170 and is administering the program correctly.

The assessor's current administration of the disaster relief program will continue to be in conflict with the provisions authorized by the board of supervisors.

Failure to update the county's disaster relief ordinance prevents the assessor from having the authority to reassess properties damaged by misfortune or calamity if no claim is filed or to reinstate the adjusted base year value upon completion of construction as currently specified in section 170.

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.⁷

Our review of the assessor's exemptions program included the welfare and disabled veterans' exemptions.

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

⁷ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Exemptions*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/exemptions_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>.

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 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 the welfare exemption and for issuing either *Organizational Clearance Certificates* (OCCs) to qualified organizations or *Supplemental Clearance Certificates* (SCCs) to limited partnerships, which have a qualified organization as the managing general partner, that own and operate low-income housing. 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 a valid OCC issued by the BOE or a valid SCC issued by the BOE if the property is a low-income housing property owned and operated by a limited partnership, which has a qualified organization (OCC holder) as the managing general partner. 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 exemptions program in Trinity County is administered by the assistant clerk/recorder/assessor who reviews claims and determines if the property, or portion thereof, is eligible for exemption. The assistant assessor is responsible for managerial review and oversight of the program.

We reviewed a variety of welfare exemption claims which include those that were granted full and partial exemptions, first-time and annual filings, and late filings. We found that appropriate procedures are observed for processing claims and determining the proper exemption amount. However, we found areas where improvement is needed.

RECOMMENDATION 4: Improve the exemptions program by: (1) conducting field inspections on properties for all first filing claims and ensure field inspection or verification of use notes are properly maintained in the property record, (2) applying late-filing penalties for exemption claims that are not timely filed in accordance with section 270, and (3) properly notifying claimants when the welfare exemption is partially denied.

Conduct field inspections on properties for all first filing claims and ensure field inspection or verification of use notes are properly maintained in the property record.

We encountered several first-time filers that were granted the welfare exemption even though a field inspection was not conducted. Additionally, the assessor does not use a BOE form or county developed form for maintaining field inspection or verification of use notes. According to the assessor's staff, field inspections are rarely conducted and only warranted when the claimant or property is unfamiliar. An inspection would also be conducted if there had been a change to the property or use of the property. Typically, the county will rely on Google earth images and conversations with claimants to verify the property use.

In Trinity County, the staff does not use a form for consistent documentation of property inspections or to verify the property's use. The staff should utilize an inspection form issued by BOE (BOE-267-FIR) or an internal form for field inspection or verification of use notes, which should be readily available in the files for review in case questions arise regarding the current use of the property. Additionally, if future changes in use take place, assessor's staff will have a starting reference point to determine eligibility of the overall property.

Revenue and Taxation Code section 254.5(b)(1) states the assessor must ascertain that the property on which the exemption is claimed meets the requirements of section 214. In this regard, the assessor must consider, among other matters, whether the property on which the exemption is claimed is used for the actual operation of an exempt activity and does not exceed an amount of property reasonably necessary for the accomplishment of the exempt purpose. Letter To Assessors (LTA) 2014/58, *Effective Administrative Practices – Welfare Exemption*, states although there is no statutory requirement to perform field inspections on all properties filing an exemption claim, it is the most reliable method the assessor can use to ensure qualified property use. If an onsite field inspection is not made, the assessor should document how the property's use was verified and should maintain verification of use notes in the property record for this purpose.

The assessor's failure to conduct field inspections and include detailed field inspection or verification of use notes may result in an improper exemption of property.

Apply late-filing penalties for exemption claims that are not timely filed in accordance with section 270.

We found several properties where the assessor did not apply penalties for late-filed welfare exemption claims. Section 255(a) provides that annual claims for the welfare exemption must be filed with the assessor between January 1 and 5 p.m. on February 15. Section 270 states that 90 percent of any tax, penalty, or interest will be cancelled or refunded if the claim is filed on or

before January 1 of the next calendar year. If a claim is filed with the assessor after January 1 of the next calendar year, then 85 percent of any tax, penalty, or interest shall be cancelled or refunded.

Additionally, section 271(a) provides that a welfare exemption claim filed on property acquired after the lien date is considered timely if filed within 90 days from the first day of the month following the month in which the property was acquired or by February 15 of the following calendar year, whichever occurs earlier. If the claimant does not file the application within the prescribed time period, but files an exemption claim later, then 85 percent of any tax, penalty, or interest is cancelled or refunded.

We also discovered several claims that exceeded the \$250 maximum penalty amount. Section 270(b) provides that the total amount of tax, penalty, and interest may not exceed \$250. However, when a claimant for the welfare exemption files after the annual February deadline, the assessor allows only a reduced exemption of either 85 or 90 percent, whichever is applicable. The assessor applies the 10 percent or 15 percent penalty to the net assessed value for each parcel of real property or unsecured business property account for which the qualifying organization has claimed the exemption as a net taxable value. The effect is that the tax liability in some cases exceeds \$250 in total, and in other cases exceeds \$250 per parcel or account.

By not applying or applying a penalty that exceeds the \$250 limit for all late filings on welfare exemption claims, the assessor is not in compliance with statutory requirements.

Properly notify claimants when the welfare exemption is partially denied.

During our review, we noted the assessor does not provide a written notice to claimants when the exemption is partially denied due to late filing or a non-qualifying use of a portion of the property. A finding sheet, such as BOE-267-F *Welfare or Veterans' Organization Exemption Assessor's Finding on Qualification of Property Use*, can serve as proper notification to the claimant when a property is denied the exemption or a portion of the exemption.

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, LTA No. 2014/058, *Effective Administrative Practices-Welfare Exemption*, states when the assessor denies the welfare exemption for any portion of the property or if the reason is due to late filing, the assessor must notify the claimant in writing of the finding. The notice should be dated and identify the reason for the denial, or partial denial, and the fiscal year to which it pertains. In addition, it should contain the required language stating that the claimant may seek a refund of property taxes paid by filing a claim for refund with the county board of supervisors, and that if the claim for refund is denied, the claimant may file a refund action in superior court.

By not issuing a finding sheet notifying claimants when a property is denied the exemption or a portion of the exemption, the assessor is not providing the proper notification to the claimant as required by statute.

Disabled Veterans' Exemption

The disabled veterans' exemption is authorized by article XIII, section 4(a) of the California Constitution. This constitutional provision, implemented by section 205.5, exempts a specified

amount of the value of a dwelling when occupied as a principal place of residence by a qualified disabled veteran (or the veteran's unmarried surviving spouse). The property must be owned by the veteran, the veteran's spouse, or the veteran and the veteran's spouse jointly. The amount of exemption is \$100,000 or, for a qualifying low-income claimant, \$150,000. Both of these amounts are adjusted annually by a cost of living index.

The disabled veterans' exemption at the \$100,000 basis requires a one-time filing, while the low-income exemption at the \$150,000 level requires annual filings to ensure the claimant continues to meet the household low-income restriction.

We reviewed several disabled veterans' exemption files and found an area in need of improvement.

RECOMMENDATION 5: Apply the correct penalty amount in accordance with Revenue and Taxation Code section 276.

When applying late-filing provisions for a late-filed claim on the low-income provision of the disabled veterans' exemption, we found the assessor incorrectly calculates the amount of the partial exemption to be granted on 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. In addition, we encountered claims with the incorrect penalty amount of 85 percent imposed instead of 90 percent and cases where a penalty was applied to timely filings.

Section 276(b) states, "If a late-filed claim for the one-hundred-fifty-thousand-dollar (\$150,000) exemption is filed in conjunction with a timely filed claim for the one-hundred-thousand-dollar (\$100,000) exemption, the amount of any exemption allowed under the late-filed claim under subdivision (a) shall be determined on the basis of that portion of the exemption amount, otherwise available under subdivision (a), that exceeds one hundred thousand dollars (\$100,000)."

The disabled veterans' exemption requires a one-time filing for the basic amount of the exemption. However, a claimant for the low-income disabled veteran's exemption must annually file for any amount over the basic amount and it is that amount on which the partial exemption is to be calculated. Therefore, for low-income annual claims filed late, only the amount over the basic exemption should be penalized.

When filing late on an initial claim, which includes prior years, section 276(1) requires the assessor to grant a partial exemption of 90 percent of the available exemption if the claim is filed after February 15, but on or before December 10 for the current year in which the initial claim is filed and section 276(2) requires 85 percent of the eligible amount if filed any time after.

By applying incorrect penalty amounts for exemptions, the assessor denies claimants the less than the total amount of exemption to which they are entitled under statute.

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.⁸

In Trinity County, an appraiser is responsible for determining changes in ownership and valuing properties that have undergone a change in ownership. The assistant assessor supervises the appraiser and reviews change in ownership determinations. For the 2017-18 tax year, the county received 1,307 transfer documents for analysis from the recorder's office and determined that 656 of the transfers were reappraisable events. The total assessed roll value has increased yearly with an annual average increase of 4.6 percent over the last five years.

Penalties

Upon deed recordation, if a BOE-502-A, *Preliminary Change in Ownership Report (PCOR)* is not filed with the recorded document or is filed incomplete, BOE-502-AH, *Change of Ownership Statement (COS)*, is sent to the property owner to obtain transfer information. The assessor sends out a first letter requesting the COS be completed and gives the property owner 45 days to respond. If there has been no response after the allotted days, a second letter and COS is sent that indicates a penalty will be applied if the completed COS is not returned within 45 days. After a total of 90 days from when the initial COS letter is mailed, a third letter is sent to the property owner with penalty language highlighted on the form letter informing the property owner that a penalty has been applied and the property is reassessed. The majority of recorded documents are accompanied by a PCOR upon recordation and very seldom is a COS sent to a property owner. The assessor tracks COS letters sent on the COS letter log. The county has not adopted an ordinance pursuant to section 483(b) allowing the assessor to automatically abate penalties.

We reviewed the assessor's application of the penalty process and found areas in need of improvement.

⁸ 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. 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>.

RECOMMENDATION 6: Improve the change in ownership program by:
(1) properly notifying taxpayers of appropriate due dates when requesting a *Change in Ownership Statement Death of Real Property Owner* to be filed as required by section 482(a), and (2) applying a penalty for an unreturned or late filed COS in accordance with section 482(a).

Properly notify taxpayers of appropriate due dates when requesting a *Change in Ownership Death of Real Property Owner* to be filed as required by section 482(a).

We found that property owners are not properly notified of the due date when the assessor requests the filing of a *Change of Ownership Statement Death of a Property Owner* (BOE-502-D). The assessor is allowing a due date of 150 days from the date of death to complete filing instead of 90 days from date when the filing of the BOE-502-D is requested.

Section 482(a) states that if a person or legal entity required to file a change in ownership statement as described in section 480 fails to do so within 90 days from the date of a written request from the assessor, a specific penalty applies.

Section 480(a) provides that the personal representative shall file a change in ownership statement with the county recorder or assessor in each county in which the decedent owned real property at the time of death that is subject to probate proceedings. The statement shall be filed prior to or at the time the inventory and appraisal is filed with the court clerk. In all other cases in which an interest in real property is transferred by reason of death, including a transfer through the medium of a trust, the change in ownership statement or statements shall be filed by the trustee (if the property was held in trust) or the transferee with the county recorder or assessor in each county in which the decedent owned an interest in real property within 150 days after the date of death. The assessor should revise the procedure and use a tracking system for requesting a COS in cases of death to allow sufficient time from the date of death so that 90 days from the request will also allow at least 150 days from the date of death.

By not applying a penalty when the property owner fails to file a COS within the permitted time, the assessor is not in compliance with statute.

Apply a penalty for an unreturned or late filed COS in accordance with section 482(a).

It is the assessor's current practice not to apply a penalty when a property owner fails to return a COS or fails to return a COS timely.

Section 482(a) provides that if a person or legal entity is required to file a statement described in section 480 fails to do so within 90 days from the date of a written request by the assessor, a specific penalty shall be applied. When the property owner fails to return a COS, or return the COS timely, the assessor should notify the property owner of the penalty being applied and inform them of the abatement process as described in section 483(a). The assessor should allow the property owner only 90 days to return a completed COS and then promptly apply the penalty if the property owner fails to do so within the 90-day time frame permitted by section 482(a).

The information contained in a properly completed COS assists the assessor in making an accurate assessment. By not applying a penalty when the property owner fails to file the COS within the permitted time, the assessor is not in compliance with the statute.

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 legal entity changes in control under section 64(c)(1) 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) requires the county assessor to impose 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. 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.

In Trinity County, staff involved in making change in ownership determinations consist of an appraiser who is supervised by the assistant assessor. Additional oversight of the change in ownership program is carried out by the assessor.

The assessor discovers changes in control or ownership of legal entities that also own real property in the county by reviewing monthly LEOP reports from the BOE, staff's personal knowledge, and public inquiries. The appraiser reviews monthly LEOP reports from the BOE reviewing the effective date and changes that have occurred. All real property held by the entity within the county is identified and unless excluded, is reviewed to determine if it may be affected by the change in control or change in ownership. In addition, a name search is conducted to determine if there are potential properties in Trinity County under the same ownership. The appraiser makes any necessary changes in ownership and inputs the data into the file. Once a change in control or ownership of a legal entity has been processed as a reappraisable event, the information is sent to the assistant assessor for valuation.

Trinity County has a very limited number of change in control or change in ownership LEOP transfers during any given year. Our review of the LEOP transfers that occurred during our survey period indicates that the assessor's office does an adequate job reviewing and assessing property interests identified on the BOE's LEOP reports. However, we did recognize one area of improvement.

RECOMMENDATION 7: Apply the appropriate penalty as required by section 482(b) if a BOE-100-B is not filed timely.

We found one instance where the penalty was not applied when an entity did not timely file BOE-100-B, even though the assessor had been notified by the BOE's LEOP to apply the penalty.

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

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

Valuation

In Trinity County, an appraiser, the assistant assessor, and the assessor are responsible for valuing properties that have undergone a change in ownership. For the 2017-18 tax year, the county received 1307 transfer documents from the recorder's office and determined that there were 656 reappraisable events. The total assessed roll value has increased yearly with an annual average increase of 4.6 percent over the last five years.

Our review of several property records indicates the assessor does a thorough job reviewing, processing, and valuing properties that experience a change in ownership. However, we found areas in need of improvement.

RECOMMENDATION 8: Improve the change in ownership program by:
(1) properly enrolling values for partial interest transfers, and (2) properly maintaining documentation in the property record to support enrolling the purchase price as current market value under Rule 2(b).

Properly enroll values for partial interest transfers.

The assessor determines the value of partial interest transfers by correctly determining the current market value of the property based on the valuation of the entire appraisal unit and giving the portion that changes ownership a new base year value. However, we discovered that when

calculating the value for the original factored base year value, the assessor either truncates or rounds this value before it is added to the value of the partial interest that transferred.

Assessors' Handbook Section 401, *Change in Ownership*, states that if a partial change in ownership occurs, only the portion that changes ownership is given a new base year value based upon its current fair market value on the date of the change in ownership, and the portion that did not change ownership retains its existing adjusted base year value.

By truncating or rounding the existing factored base year on a partial interest transfer, the assessor's enrolled value is calculated incorrectly.

Properly maintain documentation in the property record to support enrolling the purchase price as current market value under Rule 2(b).

We discovered changes in ownership where the assessor did not provide documentation or sales data in the property record to support enrolling the purchase price as current market value under Rule 2(b). For those transfers involving a realtor, the assessor or the assistant assessor typically enrolls the purchase price as current market value in accordance with Rule 2 with no other documentation in the file and without providing any supporting evidence.

Rule 2(b) allows the assessor to enroll a purchase price with the presumption that the purchase price represents market value. However, properly maintaining documentation in the property record, such as comparable sales or other sales data, to confirm and provide evidence that the purchase price reflects market value would not only be a good business practice, but is a necessary element of any appraisal. Without reviewing comparable sales or other sales data in the market, the assessor would be unable to make the determination with certainty that the reported purchase price represents current market value.

The assessor's practice of not properly maintaining documentation in the property records varies from standard accepted appraisal practice. Proper documentation not only facilitates appraisal review, but also provides the means with which to defend values.

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.⁹

⁹ For a detailed description of the scope of our review of this topic, please refer to the document entitled *New Construction*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/newconstruction_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>.

Valuations

The valuation of new construction is completed by one full-time appraiser and the assistant assessor. The appraiser determines the completion status of new construction primarily through direct contact with the building department, new construction questionnaires returned by property owners, and field reviews. The appraiser values new construction by estimating the full value of new construction as of the date of completion.

Construction in Progress

On each lien date, section 71 requires the assessor to enroll construction in progress (CIP) at its fair market value. The assessor uses a questionnaire completed by the property owner to determine the percentage complete based on progress of the construction. Upon completion, the entire portion of the property that is newly constructed is reappraised at its market value and acquires a base year value.

Exclusions

The value of newly constructed active solar systems are properly excluded from assessment until there is a change in ownership, or the first buyer exclusion conditions are met. If the property is enrolled in Prop 8 (in a decline in value status) and solar is added, the value of any solar equipment is included in the valuation. The assessor excludes from assessment property damaged or destroyed by misfortune or calamity upon written notification from the taxpayer. Exclusions for new construction, for work related to making the existing building or structure more accessible to, or more usable by a disabled person are issued.

We reviewed several new construction records and found the assessor's program for the assessment of new construction to be satisfactory and values reasonable. However, we found areas in need of improvement.

RECOMMENDATION 9: Improve the new construction program by: (1) valuing construction in progress at current market value as of the lien date as required by section 71, (2) applying the inflation factor as required by section 51, (3) properly maintain documentation and data in the property record for new construction assessments, (4) classifying and enrolling septic systems as structural improvements and wells as land in accordance with Rule 124, and (5) only granting new construction exclusions for disabled access improvements when the required claim forms are filed in compliance with sections 74.3 and 74.6.

Value construction in progress at current market value as of the lien date as required by section 71.

Our review found several instances in which construction in progress (CIP) was not consistently valued and enrolled on each lien date. Some questionnaires returned from the property owner provided information that additional work had been completed as of the lien date; however, the

improvements were not valued. Furthermore, it is the assessor's practice to postpone valuing CIP if the expected completion date is prior to the end of the tax/fiscal year.

Section 71 states new CIP on the lien date shall be appraised at its full value on such date and each lien date thereafter until the date of completion, at which time the entire portion of property that is newly constructed shall be reappraised at its full value to determine the new base year value for the portion of newly constructed property.

The assessor's failure to assess construction in progress at fair market value on the lien date is contrary to statutory provisions and results in inaccurate assessments.

Apply the inflation factor as required by section 51.

The assessor typically applies the annual inflation factor to the taxable base year values as required by section 51. However, we discovered numerous properties that had new construction enrolled in the years of 2015, 2016, and 2017, where the assessor did not apply the annual inflation factor to the factored base year value for the applicable roll year, or subsequent roll years. Property history reports showed that the factored base year values remained the same, without adjusting for the inflation factor, until the next change in ownership or new construction occurred.

Section 51 provides that base year values determined under section 110.1 shall be compounded annually by an inflation factor, not to exceed 2 percent. Section 51(a)(1)(C) provides that, for any assessment year commencing on or after January 1, 1998, the inflation factor shall be the percentage change, rounded to the nearest one-thousandth of 1 percent, from October of the prior fiscal year to October of the current fiscal year in the California Consumer Price Index (CCPI) for all items, as determined by the California Department of Industrial Relations.

By not applying the annual inflation factor to base year values the assessor is not in compliance with statute and has underassessed taxable property. The assessor should ensure this error is corrected, otherwise incorrect assessments will continue to be enrolled for future roll years.

Properly maintain documentation and data in the property record for new construction assessments.

The assessor properly documents costs on the building record when using Marshall and Swift Valuation Service to assess new construction of commercial and industrial buildings. However, during the course of our review we found numerous instances where it was difficult to determine the basis for values enrolled due to insufficient or no documentation and lack of support data maintained in the property record. For example, the assessor does not consistently note the related base year for the new construction value or the cost per square foot used for an addition, porches, in-ground pools, or septic systems on the property record, which can lead to improper valuation of completed or partially completed new construction. There were several property files that were missing a building record, property records, or historical data for improvements and their respective base year values.

An appraisal record should possess all of the documentation necessary to support the appraiser's estimate of value and is a necessary element of any appraisal. It is standard appraisal practice to document the property record with reference to the data used to determine market value

conclusions. Proper documentation not only facilitates appraisal review, but also provides the means with which to defend values. By not adequately documenting appraisal records, the assessor's value conclusions are not supported by data to use in the event of an appeal or inquiry from taxpayers and varies from standard accepted appraisal practice.

Classify and enroll septic systems as structural improvements and wells as land in accordance with Rule 124.

We found examples where the assessor incorrectly classified and enrolled the new construction value of septic systems as land and wells as improvements. Rule 124 provides that buried tanks for septic systems are improvements, though some components include grading that could be included in the land, septic systems are generally included as new construction in the improvement value. Rule 124 also specifies that water wells are classified as land for property tax purposes. The assessor's practice is to enroll the full cash value of newly constructed wells without properly allocating the values for casings, gravel pack, and drilled holes as additions to the land, or allocating the value of pumps, concrete pads, and electrical power drops to improvements.

The assessor's current practice of not correctly classifying and enrolling the assessed value of septic systems and wells is not in compliance with Rule 124 and may result in inaccurate assessments. The misallocation of value between land and improvements for newly constructed wells could have implications at a later date should there be a need to make adjustments for the demolition of improvements.

Only grant new construction exclusions for disabled access improvements when the required claim forms are filed in compliance with sections 74.3 and 74.6.

The assessor excludes new construction performed for the purpose of making a dwelling more accessible to a severely and permanently disabled person who is a permanent resident of the dwelling without the submission of a statement signed by a licensed physician or surgeon as required by section 74.3. The assessor also excludes new construction performed for the purpose of making a building or structure more accessible to, or more usable by, a disabled person without notification or a claim for the exclusion from the property owner as required by section 74.6. If the permit description indicates it is for a disabled person to have access to an improvement, the permit is filed with the building record and notes are made on the permit. The assessor does not reassess the new construction in cases where the claim form or notification was not filed or request BOE-63, *Disabled Persons Claim for Exclusion of New Construction*, or BOE-63-A, *Claim for Disabled Accessibility Construction Exclusion from Assessment*, to be filed for the new construction to qualify for the exclusion.

Section 74.3(a) provides that "newly constructed" does not include the construction, installation, or modification of any portion or structural component of an existing single or multiple family dwelling that is eligible for the homeowner's exemption as described in section 218, if the construction, installation, or modification is for the purpose of making the dwelling more accessible to a severely and permanently disabled person who is a permanent resident of the dwelling. In order for this exclusion to apply, the following conditions must be met: (1) the construction, installations, or modifications must be completed on or after June 6, 1990, on an existing dwelling, (2) the dwelling must be eligible for the homeowners' exemption, and (3) the

work performed must be for the purpose of making the dwelling more accessible to a severely and permanently disabled person who is a permanent resident of the dwelling.

For buildings other than owner-occupied dwellings, section 74.6 provides that "newly constructed" and "new construction" does not include the construction, installation, removal, or modification of any portion or structural component of an existing building or structure to the extent that it is done for the purpose of making the building or structure more accessible to, or more usable by, a disabled person. In order for this exclusion to apply, the following must be met: (1) the construction, installation, removal, or modification must be completed on or after June 7, 1994, to an existing building, (2) the work performed must be for the purpose of making the building more accessible to, or more usable by, a disabled person, and (3) the construction must not qualify for the construction exclusion provided by section 74.3(a).

Use of both BOE-63, *Disabled Persons Claim for Exclusion of New Construction for Occupied Dwelling*, and BOE-63-A, *Claim for Disabled Accessibility Construction Exclusion for ADA Compliance*, guide the property owner in providing the assessor the statements and certifications necessary to receive the exclusion.

By not requiring the necessary statement and notification or claim as required by sections 74.3 and 74.6 respectively, the assessor is not in compliance with the statute and is improperly granting new construction exclusions for disabled access improvements; leaving taxable new construction unassessed.

Declines in Value

Section 51 requires the assessor to enroll on the lien date an assessment that is the lesser of a property's factored base year value (FBYV) or its current full cash value, as defined in section 110. Thus, if a property's full cash value falls below its FBYV on any given lien date, the assessor must enroll that lower value. If, on a subsequent lien date, a property's full cash value rises above its FBYV, then the assessor must enroll the FBYV.¹⁰

RECOMMENDATION 10: Improve the declines in value program by:

- (1) developing a program for discovering properties that experience a decline in value,
- (2) annually reviewing all decline-in-value properties pursuant to section 51(e), (3) including all required information on the value change notice pursuant to section 619 and, (4) including documentation in the property record to support market value conclusions for properties experiencing a decline in value.

Develop a program for discovering properties that experience a decline in value.

The assessor does not have a proactive declines-in-value program in place to discover or identify properties on the roll with FBYVs that exceed current market value. While the assessor reduces

¹⁰ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Declines in Value*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/declinesinvalue_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>.

the value on some properties based on appraisal knowledge of the area, the assessor relies primarily on informal requests for review from taxpayers and assessment appeals to discover properties that have declined in value. When a property owner requests an informal review and the assessor determines the property's value has declined below its FBYV, the assessor's practice is to only reduce the value for that property. The assessor does not review neighboring properties for possible declines in value.

Section 2(b) of article XIII A of the California Constitution requires the assessor to recognize declines in value if the current market value of the property on the lien date falls below its FBYV. Section 51(a) requires the assessor, as of the lien date, to enroll the lesser of the property's FBYV or its full cash value, as defined in section 110. Rule 461(d) states that the assessor shall prepare an assessment roll containing the base year value appropriately indexed or the current lien date full value, whichever is less. Although the assessor is not required to make an annual reappraisal of all assessable property, the assessor has the responsibility to discover properties where assessments are on the roll in excess of their current market value.

By not actively identifying properties on the roll exceeding current market value, the assessor is not in compliance with statute and may be enrolling overstated values.

Annually review all decline-in-value properties pursuant to section 51(e).

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

Section 51(e) requires the assessor to annually reappraise properties that have been reduced in assessed value for a decline in value until the market value exceeds the FBYV.

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

Include all required information on the value change notice pursuant to section 619.

We found that the letters being utilized to notify property owners of a value change to their assessed values do not contain a notification of hearings by the county board of equalization of when and where assessment appeals may be filed as required by section 619, or an explanation of the stipulation procedures as required by section 1607.

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

By not properly notifying taxpayers of their rights to file for property tax relief and of the stipulation procedure on the value change notice, the assessor is not in compliance with statute.

Include documentation in the property record to support market value conclusions for properties experiencing a decline in value.

We found a number of decline-in-value assessments that had no support for the values enrolled. Although the assessor maintains a spreadsheet containing comparable sales data, there was no data found in many of the appraisal records we reviewed to support the values enrolled.

Documentation supporting the value conclusion is a necessary element of any appraisal. It is standard appraisal practice to document in the property record the data used to determine market value conclusions. Proper documentation not only facilitates appraisal review, but also provides the means with which to defend values. By not adequately documenting appraisal records, the assessor's value conclusions are not supported by data to use in the event of an appeal or inquiry from taxpayers and varies from standard accepted appraisal practice.

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.¹¹

Homesites

Section 428 provides that the restricted valuation standard for CLCA land does not apply to residences or the site of a residence. AH 521 at page II-51 provides that "even though it might be highly unlikely (or impossible where local zoning regulations forbid the separate parcelization and/or sale of a homesite on an agricultural property) for the homesite to actually be bought and sold in the marketplace, the homesite must be valued as though it were a separate appraisal unit and traded in that manner."¹² In other words, the homesite must be valued at the lesser of the factored base year value or the fair market value of a comparable homesite.

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

¹¹ 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. 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>.

¹² *Assessment of Agricultural and Open-Space Properties*, October 2003, page II-51.

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.

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.

Capitalization Rates

Section 423(b) prescribes the composition of the capitalization rate to be used in determining CLCA-restricted land values. It requires that the capitalization rate shall be the sum of the following components:

- An interest component annually determined and announced by the BOE;
- A risk component based on the location and characteristics of the land, the crops to be grown thereon, and the provisions of any lease or rental agreement to which the land is subject;
- A component for property taxes; and
- A component for amortization of any investment in perennials over their estimated economic life when the total income from land and perennials other than timber exceeds the yield from other typical crops grown in the area.

We reviewed a number of CLCA properties and found several areas of the CLCA program in need of improvement.

RECOMMENDATION 11: Improve the CLCA program by: (1) annually calculating the restricted values for CLCA properties in accordance with section 423, and (2) applying the correct annual interest component to value CLCA properties in nonrenewal status.

Annually calculate the restricted values for CLCA properties in accordance with section 423.

We found that the assessor has not been calculating restricted values or determining market value for CLCA properties for a period of years. Instead, the assessor has been factoring forward the values on the roll by the inflation factor. These calculations and determinations are necessary in order to make the three-way comparison between the restricted value, the factored base year value, and the current market value, and then properly enrolling the lowest of these three values as required by section 423.

The basic appraisal method applicable to the valuation of open-space land subject to an enforceable restriction is the statutorily-prescribed income approach in section 423. Subdivisions (a), (b), and (c) of section 423 prescribe the method of valuation. Section 423(d) provides that the taxable value on the lien date may not exceed the lowest of: (1) the current restricted value (determined via the prescribed income method for open-space properties); (2) the current fair market value calculated pursuant to section 110; or (3) the factored base year value, as if unrestricted, calculated pursuant to section 110.1.

By not annually calculating the restricted value for the restricted portion of CLCA properties, and considering the fair market value of CLCA properties, the assessor cannot make the three-way comparison that is necessary to correctly assess such property pursuant to section 423. The assessor's practice causes incorrect assessments of CLCA properties.

Apply the correct annual interest component to value CLCA properties in nonrenewal status.

We found that the assessor does not always use the correct annual interest component in the valuation of CLCA properties that are in nonrenewal status of their CLCA contracts. Instead, the assessor consistently uses an incorrect interest component of 4.5 percent.

Section 426(c) contains the valuation procedure applicable to land subject to a terminating restriction and is specified as follows:

1. Determining the full cash value of the land according to section 110.1 (factored base year value), or, if the land will not be subject to article XIII A upon the expiration of the contract, according to section 110 or other special restricted assessment provided for in the law;
2. Determining the restricted value of the land by the capitalization of income method specified for open-space land as provided in section 423;
3. Subtracting the restricted value in step 2 from the value determined in step 1;

4. Discounting the difference between the restricted value and the value determined in step 1 for the number of years remaining until the termination of the enforceable restriction at the interest rate announced by the State Board of Equalization by September 1 pursuant to subdivision (b)(1) of section 423; and
5. Adding this discounted value to the restricted value determined in step 2.

The correct discount rate is the interest component announced by the BOE.¹³ The discount rate does not include the other components in the open-space capitalization rate. The discounting period is the number of years remaining until the termination of the enforceable restriction.

The assessor's current practice of not using the correct interest component is contrary to statute and results in incorrect assessments for CLCA properties in the nonrenewal process.

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.¹⁴

RECOMMENDATION 12: Assess all taxable possessory interests located at the fairgrounds.

We found that the assessor does not request vendor or concessionaire information from the Trinity County Fairgrounds. During the survey period, we obtained lease contract data from the Trinity County Fairgrounds and found that though the county has a low-value resolution exempting real and personal property of \$2,000 or less from assessment, there are potential taxable possessory interests with values over the \$2,000 low-value limit that should be assessed.

Section 107 and Rule 20 define the requirements for a taxable possessory interest. Briefly stated, these requirements are that the right of possession is independent, exclusive, durable, and provides 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 all taxable possessory interests located at the fairgrounds results in taxable property escaping assessment.

¹³ See LTA No. 2017/038 for the open space land interest component.

¹⁴ 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. 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>.

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.¹⁵

Mining Property

Mining has a long history in Trinity County. The county has produced copper, silver, gold, and silica. Many of the active mining claims predate the Mining Law of 1872, which governs how unpatented mining claims are treated. Currently the county only produces sand and gravel from two properties and has over 200 mining claims.

We reviewed a number of patented mining claim files and found several areas of the program in need of improvement.

RECOMMENDATION 13: Improve the mining property program by: (1) properly developing the discount rate to be applied to future maintenance payments for unpatented mining claims; and, (2) using correct discounting factors to capitalize payments and (3) establishing base year values for mineral reserves.

Properly develop the discount rate to be applied to future maintenance payments for unpatented mining claims.

We found the assessor is using an incorrect discount rate for valuing unpatented mining claims. A review of unpatented mining claim files indicates the assessor is using a method for developing a capitalization rate that is specified for open space land valuation. This method is outlined in Assessors' Handbook Section 521, *Assessment of Agricultural and Open Space Properties* (AH 521) (Part II page 25). The composition of the capitalization rate used by the assessor to value unpatented mining claims consists of an interest, risk, and property tax component. Actual numbers used for the composition of the capitalization rate for the 2017 assessment year are 0.03 (interest component), 0.01 (property tax component), 0.85 (risk component), and total 0.89 (89 percent), which the assessor uses in error as an equivalent to a capitalization rate of 11 percent. This equivalency and the risk rate needs to be reviewed by the assessor. AH 521 indicates that the components should be added together and that this sum is the capitalization rate that would be applied. Using the assessor's numbers, the capitalization rate would be 89 percent, which is excessively high. It appears that at some time in the past, a transposition error occurred and that a more reasonable risk component would be 0.085. This would yield a capitalization rate of 12.5 percent, which is appropriate for mineral properties.

¹⁵ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Mineral Property*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/mineralprop_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>.

Using a risk rate that is not appropriate for the type of property being valued will lead to improper assessments. When calculating a value based on the income approach, a higher capitalization rate will result in a lower value for a property if the income remains the same. The assessor's developed capitalization rate with an excessive risk rate component used for valuing mineral property will cause an underassessment of the property.

Use correct discounting factors to capitalize payments.

We found the assessor is using the incorrect discounting factors when calculating the present worth of future unpatented mining claim maintenance payments to determine value. The assessor is using the factor for the present worth of a sum, 15 years into the future. The assessor should be using the present worth of periodic payments for 15 years. This correction will have a significant impact on assessed values for unpatented mining claims. The assessor's current procedures under values the claims and may cause some values to drop below the low value ordinance threshold prematurely. Factors should be adjusted because BLM maintenance fees are paid at the beginning of a period. Using the factors in AH 505, *Capitalization Tables and Formulas*, the correct factor would be for one year less than the time frame. To derive the total discount factor, the factor would need to be adjusted by adding one. (Example: 11 percent for fifteen years would be the factor for fourteen years, $6.981865 + 1 = 7.981865$.)

Establish base year values for mineral reserves.

We found that the assessor has not established reserves estimates and base year values for several sand and gravel producers located in the county. The assessor has attributed this to limited resources and a lack of information provided by taxpayers.

Each year the assessor requests various pieces of information relating to the taxpayer's property, which include the BOE-571-L, *Business Property Statement* and the BOE-560-A, *Aggregate Production Report*. These forms request information that is necessary to value the specific property identified on the BOE-571-L.

While the BOE cannot compel taxpayers to provide this information, there are several remedies available to the assessor to gain compliance. Sections 441 and 470 require that records pertaining to a taxpayer's property be available for inspection. If the taxpayer fails to comply, the assessor can then base an appraisal on information in his possession pursuant to section 501. This information may be used to establish a base year value for the mineral rights associated with the properties. Once a value has been established, a penalty can then be levied against the mineral rights interest for failure to properly file the required property statements.

The assessor's practice will result in inaccurate assessments.

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.¹⁶

The assessor failed to meet the statutory minimum number of audits during the 2013-14, 2015-16 and 2016-17 assessment years.

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.

The Trinity County Assessor's Office does not have an auditor-appraiser. The assessor utilizes the California Counties Cooperative Audit Services Exchange (CCCASE) to complete the required audit workload.

We sampled all of the completed audits from the last five years and found, in all cases, audit findings were accurate, comprehensive, and well documented. However, we found some areas in need of improvement.

RECOMMENDATION 14: Improve the audit program by (1) performing the minimum number of audits of professions, trades, and businesses pursuant to section 469; and (2) informing taxpayers of their right to appeal as required by Rule 305.3.

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 required under the provisions of section 469 during the 2013-14, 2015-16, and 2016-17 assessment years.

¹⁶ 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. 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>.

Section 469 provides that the assessor shall annually conduct a significant number of audits of the books and records of taxpayers engaged in a profession, trade, or business who own, claim, possess, or control locally assessable trade fixtures and business tangible personal property, with at least 50 percent of those taxpayers to be selected from the pool of taxpayers with the largest assessments.

Rule 192 prescribes the computation establishing minimum required audit production and provides the basis for the audit selection process. According to BOE's calculations, section 469 requires the assessor to complete one audit per year alternating between one audit from the pool of the largest taxpayers and one audit from the pool of all other taxpayers each year.

Assessors' Handbook Section 506, *Property Tax Audits and Audits Program*, provides that the primary objective of an audit program is to encourage accurate and proper reporting of business property.

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

Inform taxpayers of their right to appeal as required by Rule 305.3.

We found that the assessor does not notify taxpayers of their appeal rights in cases where the audit results in a net overassessment, even though the audit discloses property subject to an escape assessment for a year under audit. Upon completion of an audit, the assessor properly informs the taxpayer of the audit results in writing; however, there is no mention of the taxpayer's right to appeal audit findings. Only in the case of an audit resulting in a net escape assessment is the taxpayer informed of appeal rights by the mailing of the Notice of Enrollment of Escape Assessment.

Section 469(d)(1) and Rule 305.3(c) generally provide that the assessor must give the taxpayer the results of an audit in writing. Further implementing section 469, Rule 305.3(d)(2) provides that the taxpayer must be informed of their appeal rights, regardless of whether or not an escape assessment is actually enrolled, if the audit discloses property subject to an escape assessment.

By not informing taxpayers of their appeal rights in cases where an audit results in a net overassessment, the assessor is not in compliance with statute and may leave the taxpayer unaware that he or she is entitled to equalization on the entire property for each year of the audit period in which an escape assessment is discovered.

Manufactured Homes

A "manufactured home" is defined in Health and Safety Code section 18007, and statutes prescribing the method of assessing manufactured homes are contained in sections 5800 through 5842. A manufactured home is subject to local property taxation if sold new on or after July 1, 1980, or if its owner requests conversion from the vehicle license fee to local property

taxation. Manufactured homes should be classified as personal property and enrolled on the secured roll.¹⁷

RECOMMENDATION 15: Improve the manufactured home program by:
(1) excluding site value from the reported purchase price of a manufactured home on rented or leased land when determining the current market value to be enrolled, and (2) periodically reviewing manufactured home assessments for declines in value.

Exclude site value from the reported purchase price of a manufactured home on rented or leased land when determining the current market value to be enrolled.

We found that the assessor typically values a manufactured home on rented or leased land by enrolling the California Department of Housing and Community Development (HCD) reported purchase price, without making an adjustment to exclude any site value that may be included in that purchase price.

Section 5803(b) provides that since owners of manufactured homes on rented or leased land do not own the land on which the manufactured home is located and are subject to having the manufactured home removed upon termination of tenancy, "full cash value" does not include any value attributable to the particular site where the manufactured home is located on rented or leased land, which would make the sale price of the manufactured home at that location different from its sale price at another location on rented or leased land.

AH 531.35 recommends using the replacement cost approach, which uses an indicator of value from a recognized value guide, plus the value of all manufactured home accessories, buildings, and structures, provides the best indication of value excluding site influence.

Failure to exclude the value attributable to the site from the HCD reported purchase price of a manufactured home on rented or leased land before enrolling that value as the current assessed value may cause the assessor to overassess certain taxpayers.

Periodically review manufactured home assessments for declines in value.

The assessor does not currently have a program in place to discover declines in value of manufactured homes. When a change in ownership occurs for a manufactured home, the assessor enrolls the HCD reported purchase price as a fixture on the secured roll. The enrolled value then remains unchanged on the roll until another change in ownership occurs or the property owner requests an informal review of their current assessed value. No inflation factor is applied to the base year value for subsequent years. Additionally, the manufactured home is not reviewed for a potential decline in value unless requested by the property owner.

Section 5813 provides that the taxable value of a manufactured home shall be the lesser of its base year value, compounded by the annual inflation factor, or its full cash value, as determined

¹⁷ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Manufactured Homes*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/mhomes_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>.

pursuant to section 110, as of the lien date, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, or other factors causing a decline in value. Additionally, section 51(e) provides that once the base year value of real property is lowered to reflect a decline in value, it must be annually reappraised until its market value once again exceeds the factored base year value.

Although not required to reappraise all properties each year, the assessor should develop a program to periodically review the assessments of manufactured homes to ensure declines in value are recognized accurately and consistently. The assessor is required by statute to enroll the lesser of factored base year value or current market value for the manufactured home as of the lien date. By initially enrolling the base year value and letting that value remain unchanged on the roll, without determining the factored base year value and the current market value of the manufactured home, the assessor is not in compliance with statute and may be incorrectly assessing certain manufactured homes.

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following chart displays pertinent information from the 2017-2018 assessment roll.¹⁸

| | PROPERTY TYPE | ENROLLED VALUE |
|--------------------------------|------------------------------|-----------------|
| Secured Roll | Land | \$755,676,098 |
| | Improvements | \$783,206,842 |
| | Fixtures | \$12,832,523 |
| | Personal Property | \$24,937,794 |
| | Total Secured | \$1,576,653,257 |
| Unsecured Roll | Land | \$2,564,587 |
| | Improvements | \$8,726,046 |
| | Fixtures | \$7,722,269 |
| | Personal Property | \$22,022,789 |
| | Total Unsecured | \$41,035,691 |
| Exemptions¹⁹ | | (\$27,534,567) |
| | Total Assessment Roll | \$1,590,154,381 |

Table 2: Change in Assessed Values

The following table summarizes the change in assessed values over recent years.²⁰

| YEAR | TOTAL ROLL VALUE | CHANGE | STATEWIDE CHANGE |
|---------|------------------|--------|------------------|
| 2017-18 | \$1,590,154,000 | 7.1% | 6.3% |
| 2016-17 | \$1,485,358,000 | 5.5% | 5.5% |
| 2015-16 | \$1,407,349,000 | 4.7% | 6.0% |
| 2014-15 | \$1,344,803,000 | 2.1% | 6.2% |
| 2013-14 | \$1,317,582,000 | 3.6% | 4.3% |

¹⁸ Statistics provided by BOE-822, *Report of Assessed Values By City*, Trinity County for year 2017-18.

¹⁹ The value of the Homeowners' Exemption is excluded from the exemptions total.

²⁰ State Board of Equalization Annual Report, Table 7.

Table 3: Gross Budget and Staffing

The assessor's budget has grown from \$253,893 in 2013-14 to \$335,926 in 2017-18.

As of the date of our survey, the assessor had 3 budgeted permanent staff. This included the assessor, assistant assessor, and an appraiser.

The following table identifies the assessor's budget and staffing over recent years:²¹

| BUDGET YEAR | GROSS BUDGET | PERCENT CHANGE | PERMANENT STAFF |
|-------------|--------------|----------------|-----------------|
| 2017-18 | \$335,926 | 2.3% | 3 |
| 2016-17 | \$328,491 | -3.1% | 3 |
| 2015-16 | \$339,129 | 2.8% | 3 |
| 2014-15 | \$330,018 | 30.0% | 3 |
| 2013-14 | \$253,893 | 0.8% | 3 |

Table 4: Assessment Appeals

The following table shows the number of assessment appeals filed in recent years:²²

| YEAR | ASSESSMENT APPEALS FILED |
|---------|--------------------------|
| 2017-18 | 2 |
| 2016-17 | 6 |
| 2015-16 | 13 |
| 2014-15 | 8 |
| 2013-14 | 15 |

²¹ Statistics provided by Shanna White, Trinity County Clerk/Recorder/Assessor.

²² Statistics provided by Julie Barcellona, Trinity County Assistant Clerk/Recorder/Assessor.

Table 5: Exemptions – Welfare

The following table shows welfare exemption data for recent years:²³

| YEAR | WELFARE EXEMPTIONS | EXEMPTED VALUE |
|-------------|---------------------------|-----------------------|
| 2017-18 | 42 | \$12,423,088 |
| 2016-17 | 38 | \$13,030,679 |
| 2015-16 | 27 | \$11,060,706 |
| 2014-15 | 31 | \$11,619,284 |
| 2013-14 | 20 | \$9,675,099 |

Table 6: Change in Ownership

The following table shows the total number of transfer documents received and the total number of reappraisable transfers due to changes in ownership processed in recent years:²⁴

| YEAR | TOTAL TRANSFER DOCUMENTS RECEIVED | REAPPRAISABLE TRANSFERS |
|-------------|--|--------------------------------|
| 2017-18 | 1,307 | 656 |
| 2016-17 | 1,635 | 928 |
| 2015-16 | 1,632 | 922 |
| 2014-15 | 1,477 | 777 |
| 2013-14 | 1,286 | 706 |

²³ Statistics provided by BOE-802, *Report on Exemptions*, for years 2013 through 2017.

²⁴ Statistics provided by Julie Barcellona, Trinity County Assistant Clerk/Recorder/Assessor.

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:²⁵

| YEAR | TOTAL BUILDING PERMITS RECEIVED | NEW CONSTRUCTION ASSESSMENTS |
|-------------|--|-------------------------------------|
| 2017-18 | 830 | 441 |
| 2016-17 | 647 | 320 |
| 2015-16 | 635 | 336 |
| 2014-15 | 578 | 335 |
| 2013-14 | 519 | 267 |

Table 8: Declines In Value

The following table shows the total number of decline-in-value assessments in recent years:²⁶

| YEAR | DECLINE-IN-VALUE ASSESSMENTS |
|-------------|-------------------------------------|
| 2017-18 | 204 |
| 2016-17 | 200 |
| 2015-16 | 192 |
| 2014-15 | 174 |
| 2013-14 | 104 |

²⁵ Statistics provided by Julie Barcellona, Trinity County Assistant Clerk/Recorder/Assessor.

²⁶ Statistics provided by Julie Barcellona, Trinity County Assistant Clerk/Recorder/Assessor.

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.²⁷

| MINIMUM NUMBER OF AUDITS REQUIRED | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|--|----------------|----------------|----------------|----------------|----------------|
| Largest Assessments | 0 | 1 | 0 | 1 | 0 |
| All Other Taxpayers | 1 | 0 | 1 | 0 | 1 |
| Total Required | 1 | 1 | 1 | 1 | 1 |
| NUMBER OF AUDITS COMPLETED | | | | | |
| Total Audits Completed | 1 | 1 | 0 | 1 | 0 |
| Largest Assessments | 0 | 0 | 0 | 1 | 0 |
| Over/(Under) Required | 0 | (1) | 0 | 0 | 0 |
| All Other Taxpayers | 1 | 1 | 0 | 0 | 0 |
| Over/(Under) Required | 0 | 1 | (1) | 0 | (1) |
| CCCASE AUDITS | | | | | |
| Prepared for other county assessors | 0 | 0 | 0 | 0 | 0 |

²⁷ Statistics provided by Julie Barcellona, Trinity County Assistant Clerk/Recorder/Assessor.

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

Following are the recommendations included in our September 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.

Workload

RECOMMENDATION 1: Improve the workload program by reporting statistics as requested by the BOE pursuant to section 407.

Original Findings:

During the survey, we requested statistics from the assessor for various topics, since the assessor had not reported requested statistics to the BOE for the annual *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for the past several years. In addition, the assessor did not report requested statistics to the BOE for the annual *California Assessors' Offices and Assessment Appeals Boards' Salary and Benefits Survey* report for years 2007-08 and 2011-12.

Original Assessor's Response:

We have implemented this recommendation. Only time will tell if it can improve the workload.

Current Status:

The assessor has not implemented this recommendation. Refer to the Workload topic.

Staff Property and Activities

RECOMMENDATION 2: Develop written procedures for the assessment of staff-owned property and expand the written procedures for conflicts of interest.

Original Findings:

We found that the assessor does not have written procedures in place to address the assessment of staff-owned properties. While we did not find any problems with the assessor's handling of staff-owned properties, the assessor should have written procedures in place to fully address the assessment of real and personal property in which staff in the assessor's office holds an interest. In addition, we found the assessor's Conflict of Interest Code to be outdated and no longer being utilized. Instead, the assessor relies on the

Trinity County Employee Information Booklet to address conflicts of interest. While the employee booklet covers some of the procedures necessary in monitoring potential conflicts of interest, these procedures are limited. For example, the written procedures do not include procedures for staff to seek prior approval for outside employment activities, or procedures to track and document those outside employment activities.

Original Assessor's Response:

We concur and will implement your recommendation as time and resources become available.

Current Status:

The assessor has implemented this recommendation. In response to our previous recommendation, the assessor has written procedures that address the assessment of real and personal property. The procedures encompass staff responsibilities, conflict of interest, and consequences for noncompliance.

Assessment Appeals

RECOMMENDATION 3: Obtain waivers of the statute of limitations when an assessment appeal cannot be resolved within the two-year time period.

Original Findings:

During our survey, we noted that the assessor has not resolved an assessment appeal in several years. In addition, we found numerous examples of assessment appeals that have extended past the two-year time period without the applicant having filed an extension or waiver of the statute of limitations. In some instances, the assessor has enrolled the applicant's opinion of value by default, since the appeal was not resolved timely. However, we found an instance where the applicant's opinion of value has not been enrolled and the appeal is still unresolved.

Original Assessor's Response:

We concur and have implemented this recommendation with the 2012-13 roll year.

Current Status:

The assessor has implemented this recommendation. Although there were no instances requiring a waiver during our review period, the assessor has implemented the process of recording assessment appeals on a spreadsheet and monitoring them to ensure each appeal is resolved timely. Additionally, the assessor encourages taxpayers to submit a *Request for Informal Assessment Review*, with comparable market data or other relevant information, to assist in resolving the appeal prior to hearing. The assessor stated in our interview that when the appeal is nearing the two-year time period, and a final

determination of value has not been reached, the procedure would be to obtain a waiver of the statute of limitations.

Disaster Relief

RECOMMENDATION 4: Improve the disaster relief program by: (1) requesting that the board of supervisors to revise the disaster relief ordinance to conform to the current provisions of section 170, and (2) revising the disaster relief application to comply with section 170.

(1) Request that the board of supervisors to revise the disaster relief ordinance to conform to the current provisions of section 170.

Original Findings:

The Trinity County Board of Supervisors has not amended the county's disaster relief ordinance since August 8, 1977. Section 170 has been amended numerous times since 1977, and these amendments include several significant changes that are not reflected in the county's disaster relief ordinance.

Original Assessor's Response:

We concur and will implement your recommendation as time and resources become available.

Current Status:

The assessor has not implemented this recommendation. See Disaster Relief topic.

(2) Revise the disaster relief application to comply with section 170.

Original Findings:

The assessor's application for disaster relief does not request information regarding the condition of the property immediately after the damage. In addition, the application contains incorrect language in the title of the application, stating "APPLICATION FOR REASSESSMENT OF DAMAGED ASSESSABLE PROPERTY IN EXCESS OF \$10,000," which is incorrect.

Original Assessor's Response:

We concur and will implement your recommendation as time and resources become available.

Current Status:

The assessor has implemented this recommendation. The application for reassessment has been updated and now requests information regarding the condition of the property immediately after the damage and correctly states that the damage to assessable property must be "at least \$10,000." The application for reassessment now conforms to section 170.

Exemptions

RECOMMENDATION 5: Improve the disabled veterans' exemption program by: (1) granting the full disabled veterans' exemption to the extent of the interest owned by the claimant pursuant to section 205.5(d), (2) requiring annual certification of income for the low-income provision of the disabled veterans' exemption, (3) requiring documentation that the disabled veteran has been honorably discharged, and (4) removing the disabled veterans' exemption as of the date the property is no longer the claimant's principal place of residence.

(1) Grant the full disabled veterans' exemption to the extent of the interest owned by the claimant pursuant to section 205.5(d).

Original Findings:

We noted that the assessor did not take into consideration that a claimant and his spouse only owned a partial interest in a property and incorrectly granted a full exemption to the property, even though the claimant's son owned a portion of the property, as well.

Original Assessor's Response:

We concur and have implemented all the recommendations with the 2014-15 roll year.

Current Status:

Implementation of the recommendation could not be fully determined as all claims reviewed qualified for the full percentage of the exemption to be granted. In our review, none of the claims had a disqualifying owner on title to the property that warranted less than the full amount of the exemption to be granted. However, the county staff stated in the interview they would consider the qualifying ownership of a property to determine the percentage of exemption that applies as part of the claims review process.

(2) Require annual certification of income for the low-income provision of the disabled veterans' exemption.

Original Findings:

We discovered instances where claimants for the low-income provision of the disabled veterans' exemption had not submitted a certification of household income for the appropriate year, but were still granted the exemption.

Original Assessor's Response:

We concur and have implemented all the recommendations with the 2014-15 roll year.

Current Status:

The assessor has implemented this recommendation. We verified claims with annual filings for the low-income exemption and found that they were submitted and processed correctly. For the years an annual claim was not submitted, only the basic exemption amount was granted.

(3) Require documentation that the disabled veteran has been honorably discharged.

Original Findings:

We found that the assessor does not require a statement of honorable discharge before granting a disabled veterans' exemption.

Original Assessor's Response:

We concur and have implemented all the recommendations with the 2014-15 roll year.

Current Status:

The assessor has implemented this recommendation. In our review, we did not find any cases of an exemption granted without a statement of honorable discharge. All claim files contained a DD-214 or an official letter from the Department of Veteran Affairs. The county staff also confirmed in the interview that is their policy to require a statement of honorable discharge before an exemption is allowed.

(4) Remove the disabled veterans' exemption as of the date the property is no longer the claimant's principal place of residence.

Original Findings:

We found that the assessor does not consistently remove the disabled veterans' exemption from the principal place of residence as of the date the claimant no longer occupies the residence.

Original Assessor's Response:

We concur and have implemented all the recommendations with the 2014-15 roll year.

Current Status:

Implementation of the recommendation could not be fully determined as in our review we did not find any claims warranting the removal of an exemption due to a veteran no longer occupying the residence. However, based on the interview, the county staff stated it is their procedure to remove the exemption from the property if it is no longer the veteran's principal place of residence.

Article XIII A Annual Inflation Factor

RECOMMENDATION 6: Apply the appropriate inflation factor as required by section 51.

Original Findings:

While reviewing various files during our survey, we found that for the 2011-12 roll year, the assessor applied an incorrect inflation factor to the assessed values from the 2010-11 roll year. For the 2011-12 roll year, the annual CCPI announced by the BOE was 1.00753. However, we found that the assessor incorrectly applied an inflation factor of 1.01007.

Original Assessor's Response:

We concur and have corrected the error.

Current Status:

The assessor has implemented this recommendation. The assessor corrected the inflation factor input error.

Change in Ownership

RECOMMENDATION 7: Improve the change in ownership program by properly processing changes in ownership due to the death of a property owner.

Original Findings:

We discovered that the assessor is incorrectly processing changes in ownership due to the death of a property owner when the property owner was the last original transferor in the joint tenancy of the property or the present beneficiary in a trust. We found several examples where the assessor properly transferred title per the recorded affidavit of death of joint tenant or trustee; however, the property was never coded for reassessment due to the death of the property owner, even though the transfer did not qualify for an exclusion from reassessment.

Original Assessor's Response:

We concur and will work to improve the change in ownership program.

Current Status:

The assessor has implemented this recommendation. A review of records shows the assessor's office does a thorough job reviewing and processing changes in ownership due to the death of a property owner when the property owner was the last original transferor in the joint tenancy of the property or present beneficiary in a trust. When the last surviving original transferor is deceased then the appraiser will request that the assistant assessor value the property for reassessment and to send out supplemental tax statements. The appraiser and the assistant assessor use the date of death date as the transfer date upon the death of a real property owner. Additionally, the appraiser reaches out to the representative of the estate to inform them that a change in title cannot occur until an affidavit of death of joint tenant or trustee is recorded.

RECOMMENDATION 8: Improve the change in ownership program by implementing an effective tracking system to monitor the progress of a requested COS.

Original Findings:

The assessor has indicated that she has a tracking system in place to monitor the progress of a COS sent to a property owner for failure to file a PCOR at the time of recording. However, the assessor was unable to provide any examples of this process to support these statements. An effective tracking system would allow the assessor to obtain files that contained previously requested COSs.

Original Assessor's Response:

We concur and will work to improve the tracking of COS requests.

Current Status:

The assessor has partially implemented this recommendation. The assessor has implemented a COS tracking system to monitor the mailings of a COS sent to a property owner for failure to file a PCOR at time of recording. However, several files reviewed, which had a COS mailed out to the taxpayer, were not on the COS log which indicated that the assessor is not using the COS log consistently. Refer to Change in Ownership - Penalties section.

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

(1) Reassess all properties owned by legal entities that have undergone a change in control or ownership.

Original Findings:

We found several properties owned by legal entities having undergone a change in control or ownership that had not been reassessed, even though the assessor had been notified of the change through the BOE's LEOP program.

Original Assessor's Response:

We concur and will work to improve the LEOP program.

Current Status:

The assessor has implemented this part of the recommendation. Trinity County has a very limited number of change in control (CIC) or change in ownership (CIO) LEOP transfers during any given year. The assessor has reassessed and noted the ownership name changes of real property held by legal entities that had a CIO or a CIC during our survey period.

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

Original Findings:

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

Original Assessor's Response:

We concur and will work to improve the LEOP program.

Current Status:

The assessor has not implemented this part of the recommendation. Refer to Change in Ownership LEOP section.

RECOMMENDATION 10: Timely reassess those properties experiencing a change in ownership when the property owner has failed to provide a section 63.1 claim for exclusion as requested.

Original Findings:

It is the assessor's practice to allow a property owner up to three years to file a section 63.1 claim for an exclusion from reassessment before reassessing the property. According to the assessor, the reason for this practice is to avoid having to prepare roll corrections if the property owner later provides a claim and qualifies for an exclusion from reassessment within the three-year time period allowed by statute to file the claim.

Original Assessor's Response:

We concur and will work to improve the exclusion program for section 63.1 claims.

Current Status:

The assessor has implemented this recommendation. We found that the assessor's office does a thorough job reviewing and processing 63.1 claim forms and found them to be properly processed. Staff reviews all section 63.1 applications and determine if the exclusion will be granted or denied. If a PCOR indicates a transfer may be between a parent(s) and child(ren) or from grandparent(s) to grandchild(ren) and a claim form was not submitted, the appraiser sends a form to the property owner advising of a possible exclusion from reassessment and codes the computer to indicate the form was mailed out. If a claim form has not been returned in 45 days of the initial mailing, then another claim is sent. If the claim form has not been received by 90 days after the initial claim form was mailed, then the property is reassessed.

RECOMMENDATION 11: Improve the change in ownership program by:
(1) providing documentation to support enrolling the purchase price as current market value, and (2) reassessing all properties having undergone a change in ownership due to a foreclosure.

(1) Provide documentation to support enrolling the purchase price as current market value.

Original Findings:

We found that the assessor does not provide documentation or sales data in the property record to support enrolling the purchase price as current market value. According to the assessor, she does not have the staff to perform an appraisal on each reappraisable transfer, so for those transfers involving a sale with a reported purchase price, the assessor or the appraiser typically enrolls the purchase price as current market value in accordance with Rule 2, without providing any supporting evidence. The assessor indicated that it is not necessary to perform an appraisal, since the assessor and the

appraiser are both familiar with the areas in Trinity County and know whether or not the reported purchase price is market value simply by looking at it.

Original Assessor's Response:

We concur and will implement your recommendation as time and resources become available.

Current Status:

The assessor has not implemented this part of the recommendation. Refer to Valuation topic.

(2) Reassess all properties having undergone a change in ownership due to a foreclosure.

Original Findings:

We discovered foreclosed properties that were not reassessed as of the date of foreclosure. The property records were updated to reflect the new ownership, but the enrolled value remained the same until the subsequent transfer after the foreclosure.

Original Assessor's Response:

We concur and will implement your recommendation as time and resources become available.

Current Status:

The assessor has implemented part of this recommendation. The assessor has implemented a process where the AARC identifies a property as having undergone a change in ownership due to a foreclosure, values and enrolls that value of the foreclosed property and updates their records with the new ownership.

New Construction

RECOMMENDATION 12: Value new construction at its fair market value.

Original Findings:

We found several instances in which the assessor valued CIP and completed new construction using the permit value rather than using one of the three accepted approaches to value when determining the fair market value to be enrolled.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has implemented this recommendation. A review of property records with building permits shows when valuing construction in progress and completed new construction the assessor primarily uses cost data from the Assessors' Handbook Section 531, *Residential Building Costs*, (AH 531), Assessors' Handbook Section 534, *Rural Building Costs*, (AH 534), and *Marshall & Swift Valuation Service*. When *Marshall & Swift Valuation Service* is used to value new construction, or a source other than the handbook, it is the assessor's practice to document the property record. We found that the building record was appropriately documented with the source of cost data for commercial and industrial properties.

Declines in Value

RECOMMENDATION 13: Improve the declines in value program by: (1) developing a comprehensive appraisal program for discovering properties that experience a decline in value, (2) annually reviewing all decline-in-value properties pursuant to section 51(e), and (3) including all required information on the value change notice pursuant to section 619.

(1) Develop a comprehensive appraisal program for discovering properties that experience a decline in value.

Original Findings:

The assessor does not have a proactive declines in value program in place to discover or identify properties on the roll that are in excess of current market value. The assessor relies primarily on informal requests for review from taxpayers and assessment appeals to discover properties that have declined in value. However, we found that the assessor has a backlog of taxpayer submitted informal requests for review and has not resolved any assessment appeals in several years. In addition, while the assessor reduces the value on some properties based on the appraiser's knowledge of the area, the vast majority of the properties experiencing a decline in value are discovered when the taxpayer files an informal request for review. When a property is discovered to have experienced a decline in value by performing an informal request for review, the assessor does not review any neighboring properties for potential declines in value.

Original Assessor's Response:

We concur and will implement your recommendation as time and resources become available.

Current Status:

The assessor has not implemented this recommendation. Refer to Declines in Value topic.

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

Original Findings:

We found that for properties already in decline-in-value status, the assessor does not perform annual reviews for each of these properties in accordance with section 51(e).

Original Assessor's Response:

We concur and will implement your recommendation as time and resources become available.

Current Status:

The assessor has not implemented this recommendation. Refer to Declines in Value topic.

(3) Include all required information on the value change notice pursuant to section 619.

Original Findings:

We found that the letters being utilized to notify assesseees of a value change to their assessed values do not contain all information required by section 619.

Original Assessor's Response:

We concur and will implement your recommendation as time and resources become available.

Current Status:

The assessor has not implemented this recommendation. Refer to Declines in Value topic.

While following up on the prior recommendations we found an additional area in need of improvement. We discovered a large number of decline-in-value assessments that had no support for the value estimates determined and enrolled. Although the assessor maintains a spreadsheet containing comparable sales data, there was no data found in many of the appraisal records we reviewed to support the values enrolled. Refer to Declines in Value topic.

California Land Conservation Act Property

RECOMMENDATION 14: Improve the CLCA program by: (1) annually computing the restricted values for CLCA properties in accordance with section 423, and (2) correctly valuing CLCA properties subject to terminating restrictions in accordance with section 426.

(1) Annually compute the restricted values for CLCA properties in accordance with section 423.

Original Findings:

As previously stated, the assessor has not calculated the restricted values for the CLCA properties in many years, nor has she annually estimated the current market value of the CLCA properties, which is necessary in order to make the three-way comparison between the section 423 value, the factored base year value, and the current market value, and then properly enrolling the lowest of these three values. Instead, the assessor has let the restricted value remain constant over recent years, even though market rents, expenses, and the BOE's annual interest component have changed.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has not implemented this recommendation. Refer to the California Land Conservation Act Property topic.

(2) Correctly value CLCA properties subject to terminating restrictions in accordance with section 426.

Original Findings:

We found that the assessor does not always use the correct annual interest component in the valuation of CLCA properties that are in nonrenewal status of their CLCA contracts. Instead, the assessor consistently uses an interest component of 4.5 percent, even though, for example, the annual interest component for 2012 was 4.0 percent.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has not implemented this recommendation. Refer to the California Land Act Property topic.

Taxable Possessory Interest Program

RECOMMENDATION 15: Improve the taxable possessory interest program by: (1) obtaining current copies of all lease agreements or permits for taxable possessory interests, (2) deducting allowed expenses from gross income when valuing taxable possessory interests by the direct income approach, (3) using proper methods to develop the appropriate capitalization rate when valuing taxable possessory interests, (4) assessing all taxable possessory interests located at the fairgrounds, (5) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, (6) reappraising taxable possessory interests in compliance with section 61(b)(2), and (7) assessing only private uses on publicly-owned real property in accordance with Rule 20.

(1) Obtain current copies of all lease agreements or permits for taxable possessory interests.

Original Findings:

We found that the majority of the taxable possessory interest files we reviewed did not contain copies of leases for the interests being assessed. The assessor relies on tenant lists, historical information, information obtained from Trinity County, or information obtained on BOE-502-P, *Possessory Interests Annual Usage Report*, to value taxable possessory interests. The assessor does not typically request copies of leases.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has implemented this recommendation. We found copies of leases in the assessor's files, copies of the various emails responding to the assessor's request for leases, 502 forms, and data pertaining to terms for the files reviewed.

(2) Deduct allowed expenses from gross income when valuing taxable possessory interests by the direct income approach.

Original Findings:

When valuing taxable possessory interests by the direct income approach, the assessor typically capitalizes the gross rental income without making any deductions from the gross rental income for management and other operating expenses incurred by the public lessor.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has implemented this recommendation. The assessor is now making deductions from the gross rental income for management and other operating expenses incurred by the public lessor.

(3) Use proper methods to develop the appropriate capitalization rate when valuing taxable possessory interests.

Original Findings:

The assessor uses several components to develop a capitalization rate when valuing taxable possessory interests. The assessor starts with a 5 percent interest component, and then adds a 0.5 percent component for risk and a 1 percent component for property taxes to develop a total capitalization rate of 6.5 percent.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has implemented this recommendation. The assessor is now in the process of working through the taxable possessory files and utilizing a published rate to capitalize taxable possessory interests.

(4) Assess all taxable possessory interests located at the fairgrounds.

Original Findings:

We found that the assessor does not request vendor or concessionaire information from the Trinity County Fairgrounds. We obtained data from the fairgrounds and found that, even though the county has a low-value resolution exempting real and personal property of \$2,000 or less from assessment, there are several potential taxable possessory interests having values over the \$2,000 low-value limit that should be assessed.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has not implemented this recommendation. Refer to the Taxable Possessory Interest topic.

(5) 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 these taxable possessory interests were not reviewed for possible declines in value. Instead, the assessor simply enrolled the factored base year value each year.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has implemented this recommendation. The assessor now reviews taxable possessory interests with stated terms of possession for possible declines in value.

(6) 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 initially value the taxable possessory interest.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has implemented this recommendation. We found that the assessor consistently reappraises taxable possessory interests at the end of the reasonably anticipated term of possession used by the assessor to initially value the taxable possessory interest.

(7) Assess only private uses on publicly-owned real property in accordance with Rule 20.

Original Findings:

We found that the assessor is currently assessing several grazing permits as taxable possessory interests, even though the property is owned by Sierra Pacific Industries, which is a privately-owned entity.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

We found the assessor has implemented this recommendation. We discovered the properties on Sierra Pacific Industries lands that were being assessed as taxable possessory interests are no longer being assessed as taxable possessory interests.

Mineral Property Program

RECOMMENDATION 16: Improve the mining property program by: (1) adding the present worth of the future rental payments to the sale price of an unpatented mining claim, (2) establishing base year values for unpatented mining claims, and (3) assessing the mineral rights of all mining properties.

(1) Add the present worth of the future rental payments to the sale price of an unpatented mining claim.

Original Findings:

There are over 600 active unpatented mining claims located in Trinity County. These are classified and assessed as taxable possessory interests. The county has a low-value resolution exempting real and personal property with an assessed value of \$2,000 or less, and many of the mining claims fall below this threshold. The assessor's current procedure for valuing these claims is to use the direct comparison method of the comparative sales approach to value, using prior sales of claims to determine an average sale price for a 20-acre claim. This average sale price is then scaled up for any association claims. However, we found that the assessor does not add the present worth of the future rental payments to the average sale price of the unpatented mining claims.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has implemented this recommendation; however, there are some errors in the assessor's implementation. The assessor has determined that a reasonably anticipated term of possession for these claims is fifteen years. The assessor is using incorrect discount factors to determine the present worth of the future maintenance fees. The assessor is using a factor that gives the current value of a sum paid fifteen years in the future instead of the factor that determines the present worth of fifteen annual payments. This method under values the present worth component of the possessory interest value

and can result in some properties prematurely falling below the low value ordinance threshold.

(2) Establish base year values for unpatented mining claims.

Original Findings:

The assessor does not establish base year values for unpatented mining claims. Unpatented mining claims are taxable possessory interests and, as such, are classified as real property. Pursuant to section 110.1, a base year value should be established for such interests when they are first created or subsequently undergo a change in ownership. Change in ownership provisions with respect to taxable possessory interests are prescribed in section 61.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

This part of the recommendation has not been implemented. Refer to Mineral Property topic.

(3) Assess the mineral rights of all mining properties.

Original Findings:

There are several sand and gravel producers located in Trinity County. Due to limited resources and a lack of information from taxpayers, the assessor has failed to establish estimates of mineral reserves and base year values for these properties. Mineral rights represent the right to enter in or upon land for exploration, development, or production of minerals. Mineral rights are a real property interest and, as such, assessable.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has not implemented this recommendation. Refer to Mineral Property topic.

Audit Program

RECOMMENDATION 17: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

Original Findings:

The assessor failed to conduct the minimum number of audits required under the provisions of section 469.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has not implemented this recommendation. Refer to Audit Program topic.

RECOMMENDATION 18: Request a waiver of the statute of limitations when an audit will not be completed in a timely manner.

Original Findings:

The assessor does not request waivers of the statute of limitations on all scheduled audits that will not be completed timely.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

We are not repeating this recommendation. The assessor now requests a statute of limitations waiver letter to property owners when appropriate.

RECOMMENDATION 19: Improve the audit program by: (1) removing incorrect language advising taxpayers of their appeal rights from the Notice of Proposed Escape Assessment, and (2) sending a Notice of Enrollment of Escape Assessment as required by section 534.

(1) Remove incorrect language advising taxpayers of their appeal rights from the *Notice of Proposed Escape Assessment*.

Original Findings:

When the assessor initiates an escape assessment, a *Notice of Proposed Escape Assessment* is sent to notify taxpayers of the change to the assessed value on their property. The notice correctly includes the information as required by section 531.8.

However, the assessor includes incorrect information regarding appeal rights on the *Notice of Proposed Escape Assessment*.

Original Assessor's Response:

We concur and have implemented this recommendation.

Current Status:

We are not repeating this recommendation. The assessor removed incorrect information regarding appeal rights from the *Notice of Proposed Escape Assessment* during our field review.

(2) Send a *Notice of Enrollment of Escape Assessment* as required by section 534.

Original Findings:

The assessor does not properly notify taxpayers when enrolling an escape assessment. The only notice taxpayers receive from the assessor related to escape assessments is the *Notice of Proposed Escape Assessment*.

Original Assessor's Response:

We concur and have implemented this recommendation.

Current Status:

The assessor has implemented this recommendation. The assessor now sends a *Notice of Enrollment of Escape Assessment* as required by section 534 when enrolling escape assessments.

Business Property Statement Program

RECOMMENDATION 20: Improve the business property statement (BPS) program by:
(1) valuing taxable business property in accordance with section 501 when a taxpayer fails to file a BPS, and
(2) accepting only properly signed BPSs.

(1) Value taxable business property in accordance with section 501 when a taxpayer fails to file a BPS.

Original Findings:

When a completed BPS is submitted late, the assessor correctly calculates the current market value of known taxable business property owned and controlled by the taxpayer and applies the statutorily-defined 10 percent penalty. However, we found that when the business owner fails to file a BPS, the assessor applies a pre-determined escalation rate of 10 percent to the previous year's enrollment. A 10 percent penalty is then applied to this escalated assessment. In addition, we found that the assessor sets no formal limits on the number of consecutive years a business property owner may fail to file a BPS before the assessor either visits the location of the taxable property or conducts an audit.

Original Assessor's Response:

We concur and have implemented this recommendation.

Current Status:

The assessor has implemented this recommendation. When a business owner fails to file a BPS, the assessor applies the current valuation factors to the most recently reported costs and assesses a 10 percent non-filing penalty in accordance with section 463. In addition, the assessor has begun, and is currently in the process of, tracking business account filings to identify habitual non-filers.

(2) Accept only properly signed BPSs.

Original Findings:

Our review found property statements processed that were not signed by a qualified person and the required assessee's written authorization was not on file with the assessor.

Original Assessor's Response:

We concur and have implemented this recommendation.

Current Status:

The assessor has implemented this recommendation. The assessor obtains written authorizations for agents to sign property statements on behalf of the property owner when required.

Manufactured Homes Program

RECOMMENDATION 21: Improve the manufactured homes program by: (1) excluding site value from the reported purchase price of a manufactured home on rented or leased land when determining the current market value to be enrolled, and (2) periodically reviewing manufactured home assessments for declines in value.

(1) Exclude site value from the reported purchase price of a manufactured home on rented or leased land when determining the current market value to be enrolled.

Original Findings:

We found that the assessor typically values a recently purchased manufactured home on rented or leased land by enrolling the HCD reported purchase price, without making an adjustment to exclude any site value that may be included in that purchase price.

Original Assessor's Response:

We concur and will implement your recommendation as time and resources become available.

Current Status:

The assessor has not implemented this recommendation. Refer to the Manufactured Homes topic.

(2) Periodically review manufactured home assessments for declines in value.

Original Findings:

The assessor does not currently have a program in place to discover declines in value of manufactured homes. When a change in ownership occurs for a manufactured home, the assessor determines the value of the manufactured home and enrolls the value as a fixture on the secured roll. The enrolled value then remains stagnant on the roll until another change in ownership occurs or the property owner requests an informal review of their current assessed value. No inflation factor is applied to the base year value for subsequent years and the manufactured home is never reviewed for a potential decline in value unless requested by the property owner.

Original Assessor's Response:

We concur and will implement your recommendation as time and resources become available.

Current Status:

The assessor has not implemented this recommendation. Refer to the Manufactured Homes topic.

Vessels Program

RECOMMENDATION 22: Improve the vessels program by: (1) sending an annual *Vessel Property Statement* to the owners of vessels having an aggregate cost of \$100,000 or more pursuant to section 441, (2) annually assessing all vessels at current market value, and (3) adding sales tax as a component of market value.

(1) Send an annual *Vessel Property Statement* to the owners of vessels having an aggregate cost of \$100,000 or more pursuant to section 441.

Original Findings:

We found that the assessor does not send annual *Vessel Property Statements* to the owners of vessels having an aggregate cost of \$100,000 or more.

Original Assessor's Response:

We concur and have implemented this recommendation by sending statements to the 4 vessels that fall into this category.

Current Status:

The assessor has implemented this recommendation. The assessor now sends an annual *Vessel Property Statement* to the owners of vessels having an aggregate cost of \$100,000 or more.

(2) Annually assess all vessels at current market value.

Original Findings:

We found a number of instances where vessel assessments were not annually valued to reflect current market value. The assessor will value the vessel and then leave the value unchanged on the roll for several years.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has implemented this recommendation. The assessor now utilizes the BOE vessel valuation factors published annually in Letters To Assessors to value all current vessels in the county.

(3) Add sales tax as a component of market value.

Original Findings:

The assessor initially values vessels by referring to widely recognized value guides. However, because these vessel guides have national application, their listed values do not include California sales tax, which must be included to obtain the full market value. We could find no examples showing that the assessor had included a sales tax component over and above the published value indicator.

Original Assessor's Response:

We concur and will implement this recommendation with the 2014-15 roll year.

Current Status:

The assessor has implemented this recommendation. The assessor now obtains full market value by including a sales tax component to the published value indicators used to initially value new and used vessels entering the county.

APPENDIX C: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

Trinity County

Deputy Director

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Survey Team Supervisor:

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APPENDIX D: RELEVANT STATUTES AND REGULATIONS

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

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



TRINITY COUNTY

Shanna S. White

County Clerk/Recorder/Assessor

Julie K. Barcellona

Assistant County Clerk/Recorder/Assessor

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NOV 07 2019

County-Assessed Properties Division
State Board of Equalization

October 28, 2019

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

Dear Mr. Yeung:

Thank you for the opportunity to respond to the September 2019 Trinity County Assessment Practices Survey. Pursuant to Government Code § 15645, I have included responses to the recommendations and ask that you include my responses in the published survey.

I would like to thank the Survey team lead by Andrew Austin for their profession and courteous manner in which they conducted the survey. The recommendations are appreciated, as we continually work towards improving our assessment program.

In closing, I would like to thank my staff for their dedication, professionalism and commitment to serving the citizens of Trinity County.

Sincerely,

A handwritten signature in blue ink that reads "Shanna S. White".

Shanna S. White
Trinity County
Clerk/Recorder/Assessor

**Trinity County Assessor
Responses to California State Board of Equalization
Assessment Practices Survey September 2019**

RECOMMENDATION 1: Improve the workload program by reporting statistics as requested by the BOE pursuant to section 407

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

RECOMMENDATION 2: Modify the appeals withdraw letter to remove incorrect language.

RESPONSE: We concur and have implemented the recommendation.

RECOMMENDATION 3: Request the Board of Supervisors revise the disaster relief ordinance to conform to the current provisions of section 170.

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

RECOMMENDATION 4: Improve the exemptions program by: (1) conducting field inspections on properties for all first filing claims and ensure field inspection or verification of use notes are properly maintained in the property record , (2) applying late-filing penalties for exemption claims that are not timely filed in accordance with section 270, and (3) properly notifying claimants when the welfare exemption is partially denied.

RESPONSE: We concur and will implement the recommendations as time and resources permit.

RCOMMENDATION 5: Apply the correct penalty amount in accordance with Revenue and Taxation Code section 276.

RESPONSE: We concur and have implemented the recommendation.

RECOMMENDATION 6: Improve the change in ownership program by: (1) properly notifying taxpayers of appropriate due dates when requesting a Change in Ownership Statement Death of Real Property Owner to be filed as required by section 482(a), and (2) applying a penalty for an unreturned or late filed COS in accordance with section 482(a).

RESPONSE: We concur and will implement the recommendations as time and resources permit.

RECOMMENDATION 7: Apply the appropriate penalty as required by section 482(b) if a BOE-100-B is not filed timely.

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

RECOMMENDATION 8: Improve the change in ownership program by: (1) properly enrolling values for partial interest transfers, and (2) properly maintaining documentation in the property record to support enrolling the purchase price as current market value under Rule 2(b).

RESPONSE: We concur and have implemented the recommendation.

RECOMMENDATION 9: Improve the new construction program by: (1) valuing construction in progress at current market value as of the lien date as required by section 71, (2) applying the inflation factor as required by section 51, (3) properly maintain documentation and data in the property record for new construction assessments, (4) classifying and enrolling septic systems as structural improvements and wells as land in accordance with Rule 124, and (5) only granting new construction exclusions for disabled access improvements when the required claim forms are filed in compliance with sections 74.3 and 74.6.

RESPONSE:

- (1) We concur and will implement this recommendation as time and resources permit.
- (2) We concur and will implement this recommendation as time and resources permit.
- (3) We concur and have implemented this recommendation.
- (4) We concur and have implemented this recommendation.
- (5) We concur and have implemented this recommendation.

RECOMMENDATION 10: Improve the declines in value program by: (1) developing a program for discovering properties that experience a decline in value, (2) annually reviewing all decline-in-value properties pursuant to section 51(e), (3) including all required information on the value change notice pursuant to section 619 and, (4) including documentation in the property record to support market value conclusions for properties experiencing a decline in value.

RESPONSE:

- (1) We concur and will implement the recommendation as time and resources permit.
- (2) We concur and will implement this recommendation as time and resources permit.
- (3) We concur and have implemented this recommendation.
- (4) We concur and will implement this recommendation as time and resources permit

RECOMMENDATION 11: Improve the CLCA program by: (1) annually calculating the restricted values for CLCA properties in accordance with section 423, and (2) applying the correct annual interest component to value CLCA properties in nonrenewal status.

RESPONSE: We concur and will implement the recommendations as time and resources permit.

RECOMMENDATION 12: Assess all taxable possessory interests located at the fairgrounds.

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

RECOMMENDATION 13: Improve the mining property program by: 1) properly developing the discount rate to be applied to future maintenance payments for unpatented mining claims; and, 2) using correct discounting factors to capitalize payments and (3) establish base year values for mineral reserves.

RESPONSE: We concur and will implement the recommendations as time and resources permit.

RECOMMENDATION 14: Improve the audit program by (1) performing the minimum number of audits of professions, trades, and businesses pursuant to section 469; and (2) informing taxpayers of their right to appeal as required by Rule 305.3.

RESPONSE: We concur and have implemented these recommendations.

RECOMMENDATION 15: Improve the manufactured home program by: (1) excluding site value from the reported purchase price of a manufactured home on rented or leased land when determining the current market value to be enrolled, and (2) periodically reviewing manufactured home assessments for declines in value.

RESPONSE: We concur and will implement the recommendations as time and resources permit.