

TULARE COUNTY SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY

DECEMBER 2017

CALIFORNIA STATE BOARD OF EQUALIZATION

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No. 2017/053

December 18, 2017

TO COUNTY ASSESSORS:

**TULARE COUNTY
SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY**

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

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

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee
Deputy Director
Property Tax Department

DRK: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 Tulare County Assessor/Clerk-Recorder's Office.¹

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 Tulare County Board of Supervisors, Grand Jury, and Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Roland P. Hill, Tulare County Assessor/Clerk-Recorder, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendixes.

¹ This report covers only the assessment functions of this office.

OBJECTIVE

The survey shall "...show the extent to which assessment practices are consistent with or differ from state law and regulations."² 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 Code³ section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team – based on objective standards defined in regulation – that there are no significant assessment problems in the county.

The BOE has elected to conduct a supplemental survey for Tulare County. The supplemental survey includes a review of the recommendations contained in the prior survey report, the assessor's written response to the recommendations, the assessor's current records pertaining to those recommendations, and interviews with the assessor and his staff. This supplemental survey is made to determine the extent to which the assessor has implemented the recommendations contained in the prior survey report and to identify areas where problems still exist.

This supplemental survey examined the assessment practices of the Tulare County Assessor's Office for the 2015-16 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.

² Government Code section 15642.

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

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

EXECUTIVE SUMMARY

As stated in the Scope of Supplemental Assessment Practices Surveys, the BOE has elected to perform a supplemental survey of Tulare County, addressing only the recommendations from the prior survey and whether the assessor has implemented those recommendations.

In the area of administration, we reviewed the prior recommendations identified in the assessor's workload, appraiser certification, staff property and activities, and exemptions programs.

In the area of real property assessment, we reviewed the prior recommendations identified in the assessor's California Land Conservation Act (CLCA), taxable possessory interests, and mineral property programs.

In the area of personal property and fixtures, we reviewed the prior recommendations identified in the assessor's aircraft and vessels programs.

OVERVIEW OF TULARE COUNTY

Tulare County is located just south of the center of California. Established in 1852, Tulare County encompasses a total area of 4,838 square miles, which consists of 4,824 square miles of land and 14 square miles of water. Tulare County is bounded on the north by Fresno County, on the east by Inyo County, on the south by Kern County, and on the west by Kings County.



As of 2015, Tulare County's population was 459,863. Tulare County has eight incorporated cities: Dinuba, Exeter, Farmersville, Lindsay, Porterville, Tulare, Visalia, and Woodlake. The county seat is the city of Visalia. Tulare County is home to Sequoia National Park.

In 2015, Tulare County led the nation in dairy production, with milk being its first agricultural commodity worth \$1.7 billion. In addition, Tulare County ranked number one as the largest agricultural producing county in the entire nation. The county's total gross production value in 2015 was \$6.9 billion.

Tulare County's local assessment roll value ranked 26 among the 58 counties in California for the 2015-16 roll year, with a total assessed value of \$30,601,861,000.

ADMINISTRATION: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following are the recommendations included in our January 2013 Assessment Practices Survey Report and the assessor's response to those recommendations. After each recommendation, we report the current status of the assessor's effort to implement the recommendation as noted during our supplemental survey fieldwork.

Workload

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

Original Findings:

During our 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* for years 2009-10 and 2010-11. In addition, when the assessor reported exemption statistics to the BOE on BOE-802, *Report on Exemptions*, he did not report the statistics by type as required on the form.

Assessor's Response:

The BOE alleges that we are not in compliance with current statute and implies that this is so due to our failure to report statistics and other information to the BOE as required. We wish to make it expressly clear that we have never failed to file the section 407 required 801 and 802 forms every year. There are certain data lines on Form 802 that we are not able to track in our system that prevents us from providing a detailed breakdown on lines 2, 3 and 5. All other data on Form 802 has been annually provided, as required by statute.

The BOE also alleges that we are out of compliance by not filing the annual BOE Report on Budgets, Workloads and Assessment Appeals. It is our understanding that this budget report is not a mandatory report and is submitted at the option of the Assessor. This Assessor feels that this workload report is of no particular use and benefit to our office and only provides the BOE with data to produce a report of questionable utility thus making the report a waste of valuable time and resources.

We expect and demand the BOE to retract the allegation that we are not in compliance with current statute as regarding this issue of compliance to section 407.

Current Status:

The assessor has not implemented this recommendation. The assessor did not report the requested statistics to the BOE on *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2011-12 through 2015-16, nor has the

assessor reported statistics by type on BOE-802, *Report on Exemptions*, as requested by the BOE for years 2011-15. The assessor believes there is no legal requirement for him to report the statistics for *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*, even though the BOE requests this information annually.

Section 407 not only requires that assessors file an annual statistical statement with the BOE, but also provides with broad authority the requirement of the assessor to supply any other information requested by the BOE. Requiring assessors to file statistical information on budgets and workloads is within the BOE's authority.

Appraiser Certification

RECOMMENDATION 2: Improve the appraiser certification program by:
(1) notifying the BOE of changes to certified appraisers' employment status, and (2) ensuring appraisers meet the annual training requirements in accordance with section 671.

(1) Notify the BOE of changes to certified appraisers' employment status.

Original Findings:

(1) We found that four of the appraisers listed on the BOE's training and certification records were no longer employed by the assessor. However, the assessor did not file BOE-743-A, *Report of Property Appraisers' Change in Employment Status*, notifying the BOE of the change in employment status of these appraisers. The BOE's training unit provides each assessor with an annual report, summarizing each appraiser's training and certification status. The assessor should review the report to ensure its accuracy.

Assessor's Response:

(1) Procedures are in place to timely notify BOE of certified appraiser employment status.

Current Status:

(1) The assessor has implemented this recommendation. The assessor has put procedures in place to better track employment status and is now timely sending employment status reports to the BOE.

(2) Ensure appraisers meet the annual training requirements in accordance with section 671.

Original Findings:

(2) In our review of the appraiser certification program, we noted 18 appraisers delinquent in continuing education hours. Section 671(a) provides that in order to retain a valid appraiser's certificate, an appraiser must complete 24 hours of training conducted or

approved by the BOE each year. Section 671(b) provides that appraisers with an advanced appraiser's certificate must complete 12 hours of training each year.

Assessor's Response:

(2) The assessor acknowledges that there were appraisers and auditor-appraisers deficient in training hours at time of survey. By close of fiscal year 2011/2012, twenty-five employees were current or had positive balances, four employees were deficient by less than three hours, and one employee was deficient by five hours. Procedures are in place to ensure that appraisal staff will stay in compliance with section 671.

Current Status:

(2) The assessor has implemented this recommendation. The assessor has put procedures in place to better track employee continuing education hours. We found that the assessor's certified staff now meets the annual training requirements.

Staff Property and Activities

RECOMMENDATION 3: Develop written procedures for the assessment of staff-owned property.

Original Findings:

We found that the assessor does not have written procedures in place to address the assessment of real and personal property in which staff in the assessor's office holds an interest.

Assessor's Response:

The Assessor will develop a comprehensive policy for the assessment of staff-owned properties.

Current Status:

The assessor has implemented this recommendation. The assessor now has written policies and procedures in place to properly address the assessment of real and personal property owned by staff in the assessor's office.

Exemptions

RECOMMENDATION 4: Improve the administration of the church and religious exemption by: (1) granting the church exemption only if the claimant files a claim each year, (2) granting the church exemption only for property exclusively used for qualifying purposes, (3) granting the religious exemption only for property used exclusively for qualifying purposes, and (4) conducting field inspections to ensure property is used exclusively for exempt purposes and to ensure the appropriate exemption is claimed based upon a property's use.

(1) Grant the church exemption only if the claimant files a claim each year.

Original Findings:

(1) We found that the assessor continually granted a church exemption, even though the claimant failed to file a claim. The assessor monitors annual filings of church exemptions with a comprehensive list of parcels that have been granted the church exemption. For the properties reviewed, the list did not indicate current 2010 filings, and the claim forms were not found in the property records files.

Assessor's Response:

(1) The Assessor will adopt the SBE's recommendations.

Current Status:

(1) The assessor has not implemented this part of the recommendation. We found several properties where the church exemption had been fully granted, even though an annual claim form had not been filed for the property.

Section 255 requires an annual affidavit for the church exemption to be filed between January 1 and 5 p.m. on February 15, with late-filing provisions to be applied if filed after that time. Section 260 states that if a person fails to follow the required filing procedures, the exemption is waived. Granting the church exemption without an annual filing by the claimant is contrary to statute and does not provide the assessor with information on current usage of the property to determine continuing eligibility for the exemption.

(2) Grant the church exemption only for property exclusively used for qualifying purposes.

Original Findings:

(2) We found that the assessor is granting the church exemption on property for uses other than religious worship and church parking. For example, the church exemption was granted on vacant parcels owned by the religious organization when the property was not

used for religious worship. Additionally, a structure in the back of one of the properties was not reported in the claim filings and its use is unknown.

Assessor's Response:

(2) The Assessor will adopt the SBE's recommendations.

Current Status:

(2) The assessor has implemented this part of the recommendation. We found that the assessor is properly granting the church exemption on properties used for religious worship and church parking, and correctly denying the church exemption on those properties (or portions of properties) not being used for a qualifying purpose.

(3) Grant the religious exemption only for property used exclusively for qualifying purposes.

Original Findings:

(3) We found that the assessor is granting the religious exemption on property for uses other than religious worship and operation of its schools. For example, one claim indicated that the religious exemption was granted not only to the religious worship buildings, but also to a number of other improvements on the parcel used for purposes other than religious worship. A field inspection report (FIR) stated a commercial coach located at the front of the property was not currently in use, but had previously been a thrift store and would eventually be a place where the church will provide clothing for the neighborhood. The FIR also stated a small office is rented to Community Services and Employment Training, a nonprofit organization with an OCC [*Organizational Clearance Certificate*]. The claim form submitted indicated Tulare County Office of Education leases a portion of the property, as well.

Assessor's Response:

(3) The Assessor will adopt the SBE's recommendations.

Current Status:

(3) The assessor has implemented this part of the recommendation. We found that the assessor is properly granting the religious exemption on properties being used exclusively for religious worship and operation of its schools, and correctly denying the religious exemption on those properties (or portions of properties) not being used for a qualifying purpose.

(4) Conduct field inspections to ensure property is used exclusively for exempt purposes and to ensure the appropriate exemption is claimed based upon a property's use.

Original Findings:

(4) We found that the assessor does not consistently conduct field inspections on church and religious exemption claims to verify property usage.

Assessor's Response:

(4) The Assessor will adopt the SBE's recommendations.

Current Status:

(4) The assessor has implemented this part of the recommendation. We found that the assessor performs field inspections on all first-time filings, and on annual filings as needed. During the field inspection, the assessor properly identifies the use of the property and lists the percentages of qualifying and non-qualifying uses on the field inspection report to allow for proper allocation of the exemption.

RECOMMENDATION 5: Improve the administration of the welfare exemption by: (1) requiring a valid OCC prior to granting the welfare exemption, and (2) allowing an exemption on vacant parcels for properties held by Habitat for Humanity in accordance with section 214.15.

(1) Require a valid OCC prior to granting the welfare exemption.

Original Findings:

(1) The assessor granted the welfare exemption to a religious organization for a parsonage when the organization does not have a valid OCC. The claimant submitted a blank OCC with handwritten information (not Board-issued) and the organization's corporate ID number was stated as the "BOE Ex. No." on the form.

Assessor's Response:

(1) The Assessor will adopt the SBE's recommendations.

Current Status:

(1) The assessor has implemented this part of the recommendation. The assessor verifies that the organization holds an OCC prior to granting the exemption and then verifies annually thereafter that the OCC remains valid.

(2) Allow an exemption on vacant parcels for properties held by Habitat for Humanity in accordance with section 214.15.

Original Findings:

(2) We found that exemption claims on property owned by a low-income housing builder, as defined in section 214.15, were denied the exemption on vacant parcels for two years, but were granted the exemption upon the start of construction.

Assessor's Response:

(2) The Assessor will adopt the SBE's recommendations.

Current Status:

(2) The assessor has implemented this part of the recommendation. We found that the assessor properly allows for the welfare exemption on vacant land that is owned by a low-income housing builder, as defined in section 214.15.

RECOMMENDATION 6: Improve the exemptions program by properly applying the provisions of sections 270 and 271 for exemption claims that are not timely filed.

Original Findings:

We found that in some instances the assessor granted 100 percent of the eligible exemption amount on property, even though the exemption claims were filed outside the deadline for a timely filed claim. For example, we discovered annual claims that were date stamped after February 15, but the assessor granted the full amount of the exemption. Additionally, we discovered property where the full amount of the exemption was granted, even though the claimants did not file any annual claim(s) for a year or more, but subsequently filed for the prior year(s). We also found that the assessor granted the full amount of the exemption on property acquired after the lien date, even though the first-time filing claims were not filed by the deadline as set forth in statute.

Assessor's Response:

The Assessor will adopt the SBE's recommendations.

Current Status:

The assessor has not implemented this recommendation. We found several instances where claims for exemption were filed outside the deadline for a timely filed claim, but the assessor granted the full exemption on the property without applying any late-filing provisions.

Section 270 provides for late-filing provisions for exemption on property when annual claims are filed outside the deadline for a timely filed claim. In addition, section 271 provides late-filing provisions for exemptions on property acquired after the lien date. The assessor's failure to correctly apply the late-filing provisions according to statutes results in the granting of property tax exemptions greater than allowed by statute.

RECOMMENDATION 7: Improve the administration of the disabled veterans' exemption by: (1) properly applying the provisions of section 276 for disabled veterans' exemption claims that are not timely filed, and (2) granting the disabled veterans' exemption on a prorated basis for the initial qualification year in accordance with sections 276.1 and 276.2.

(1) Properly apply the provisions of section 276 for disabled veterans' exemption claims that are not timely filed.

Original Findings:

(1) We found that in some cases the assessor granted first-time filers 100 percent of the eligible exemption amount on their property, even though they had filed outside the deadline for a timely filed claim.

Assessor's Response:

(1) The Assessor will adopt the SBE's recommendations.

Current Status:

(1) The assessor has implemented this part of the recommendation. The assessor properly applies the late-filing provisions of section 276 when a disabled veterans' claim for exemption is filed outside the deadline for a timely filed claim.

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

Original Findings:

(2) We found that in some cases the assessor has based the effective date of the exemption on the next lien date following the year of qualification, in which case the exemption would not be reflected until the ensuing fiscal year. We also found that in other cases the full amount of the exemption was granted on the supplemental and current assessment roll when it should have been prorated for the number of days eligible for that fiscal year.

Assessor's Response:

(2) The Assessor will adopt the SBE's recommendations.

Current Status:

(2) The assessor has implemented this part of the recommendation. The assessor is correctly applying the exemption as of the effective date and prorating the exemption for the number of days eligible for that fiscal year.

REAL PROPERTY ASSESSMENTS: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following are the recommendations related to the assessment of real property included in our January 2013 Assessment Practices Survey Report and the assessor's response to those recommendations. After each recommendation, we report the current status of the assessor's effort to implement the recommendation as noted during our supplemental survey fieldwork.

California Land Conservation Act Property

RECOMMENDATION 8: Improve the CLCA program by: (1) assessing vineyard trellising on lands under CLCA contract as unrestricted improvements, and (2) assessing restricted land improvements on CLCA properties pursuant to section 423.

(1) Assess vineyard trellising on lands under CLCA contract as unrestricted improvements.

Original Findings:

(1) The assessor assesses trellises as unrestricted improvements during the period when the vines are exempt. When the vines become taxable, he includes their value as a part of the vine value. He does not deduct from the income stream a charge for a return *on* or *of* the trellis investment. This results in the value of the trellises being improperly included in the restricted living improvements portion of the property value.

Assessor's Response:

(1) The Assessor disagrees with the BOE recommendation regarding the assessment of trellising. We assess those items separately until the vines themselves come out of the exempt period and then include them in the value assigned to the growing improvements. We believe trellising is an integral component of the growing improvement value, and the income of the vines is dependent on, not independent of the trellising. We have held this position since the inception of the CLCA.

Current Status:

(1) The assessor has not implemented this part of the recommendation. We found that the assessor is assessing trellises as unrestricted improvements during the period when the vines are exempt. When the vines become taxable, the assessor includes their value as a part of the vine value. The assessor does not deduct from the income stream an improvement charge; which allows for a return *on* or *of* the trellis investment. This results

in the value of the trellises being improperly included in the restricted living improvements portion of the property value.

Pursuant to Assessors' Handbook section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521), the assessor should deduct an improvement charge for a return *on* and *of* the value of trellis improvements from the income stream before capitalizing the residual income into the value of the restricted property. This step is necessary because the income to be capitalized in open-space valuation is the net income attributable only to the land and to the restricted living improvements. Although section 423(c) provides that CLCA contracts may allow nonliving improvements to be valued as restricted property, Tulare County does not have such a provision in its contracts. As nonliving improvements, trellises are not restricted and should not be valued by the restricted valuation method prescribed in section 423.

The assessor's practice leads to underassessments because the trellis improvements are valued as if they were restricted rather than unrestricted. In addition, the removal of the value of the trellises from the assessment roll when the vines become taxable results in the omission and miscalculation of supplemental assessments when there is a change in ownership.

(2) Assess restricted land improvements on CLCA properties pursuant to section 423.

Original Findings:

(2) When estimating the total restricted land value, the assessor incorrectly adds the factored base year value of mounding to the restricted land value.

Assessor's Response:

(2) The Assessor's method of dairy grading valuation stems from a lack of reliable dairy rental information. The Assessor will attempt to discover economic rent information for these properties and apply it appropriately in the future.

Current Status:

(2) The assessor has partially implemented this part of the recommendation. While the assessor has developed new procedures to no longer add the factored base year value of the mounding to the restricted land value, we still found several examples where the assessor has not implemented this procedure. According to the assessor, staff is implementing the new procedure on a case by case basis when there is a change in ownership of the property. However, all other CLCA properties not involved in a change in ownership remain unchanged, with the factored base year value of the mounding being added to the restricted land value.

As required by section 423, land is valued by a prescribed capitalization of income method. Since mounding is part of the restricted land and classified as such, the mounding should be valued as part of the restricted land value using the capitalization of income method in section 423 and not enrolled as an addition to the restricted land value

at its factored base year value. The assessor's procedure does not follow the requirements of section 423 and results in inaccurate restricted land value determinations.

Taxable Possessory Interests

RECOMMENDATION 9: Remove incorrect language from the *Tax Exempt Agency Cover Letter To Possessory Interest Data Sheets* used by the assessor to obtain possessory interest data from public agencies.

Original Findings:

In an effort to obtain possessory interest data, the assessor sends a *Tax Exempt Agency Cover Letter To Possessory Interest Data Sheets* to the various public agencies. This cover letter and data sheet are a revised version of the Board-prescribed and approved form BOE-502-P, *Possessory Interests Annual Usage Report (Usage Report)*. We found that the cover letter contains the following incorrect statements, "This report is not a public document. The information contained herein will be held secret by the Assessor (section 451 of the Revenue & Taxation Code); it can only be disclosed to the District Attorney, Grand Jury, and other agencies specified in section 408 of the Revenue & Taxation Code."

Assessor's Response:

The Assessor will adopt the SBE's recommendations.

Current Status:

We discovered the assessor has not implemented this recommendation. Since the forms process under Government Code section 15606(d) is monitored by the Assessment Services Unit within the County-Assessed Properties Division, we will not be addressing this matter in this assessment practices survey.

Mineral Property

RECOMMENDATION 10: Improve the mineral property assessment program by: (1) matching reserves to the current market value estimate, (2) escalating the value per production unit by the annual BOE inflation factor, and (3) appraising mineral properties as a single appraisal unit.

(1) Match reserves to the current market value estimate.

Original Findings:

(1) Each year the assessor makes an estimate of the current market value of a mining property for comparison to its adjusted base year value. However, the reserve estimate when estimating current market value does not always match the adjusted base year reserve estimate.

Assessor's Response:

(1) The Assessor will adopt the SBE's recommendations.

Current Status:

(1) The assessor has not implemented this recommendation. The assessor's current procedure over adjusts the base year value due to depletion and incorrectly subtracts the current market value of the prior year's reserves to arrive at the current year's value of reserves added.

Rule 469(e)(2)(A) provides the method of value calculation for the base year value or the adjusted base year value of mineral rights as quantified by proved reserves for the current year's lien date. When there is a difference between the current market value estimate of reserves and the adjusted base year value estimate of reserves, the adjusted base year value estimate needs to be further adjusted to reflect the current market value estimate. When the current market value estimate is greater, it results in new reserves added to the base year value. When the current market value estimate is lower, an additional downward adjustment beyond depletion must be made.

The depletion adjustment is a percentage depletion of the base year value. The adjusted base year value of the base year reserves will approach zero, but should never be less than zero. If the adjusted base year value of reserves becomes negative, it indicates that there is an error in the calculation. New reserves are to be added at the difference between the current market value and the current market value of the property without the new reserves. The current market value without the new reserves is typically calculated using the prior year's market value calculation adjusting the calculation for the prior year's production. The assessor's method adds the entire current market value as new reserves if the adjustment to the base year reserve value drops below zero.

Failure to adjust base year reserves to reflect the current market reserve estimate may result in adjusted base year value errors. This error could lead to incorrect measurement of the decline in the appraisal unit value.

(2) Escalate the value per production unit by the annual BOE inflation factor.

Original Findings:

(2) The assessor's worksheet for adjusting the base year values of mineral rights uses a depletion value that is calculated based on a historic value per unit of production (\$/ton).

Assessor's Response:

(2) The Assessor will adopt the SBE's recommendations.

Current Status:

(2) The assessor has implemented this recommendation. The assessor escalates the value per production unit by the annual BOE inflation factor.

(3) Appraise mineral properties as a single appraisal unit.

Original Findings:

(3) The assessor separately values mineral rights and the fixtures and equipment associated with the property. The assessor does not combine these values when determining whether to enroll the factored base year value or the current market value.

Assessor's Response:

(3) The Assessor will adopt the SBE's recommendations.

Current Status:

(3) The assessor has implemented this recommendation. The assessor correctly appraises mineral properties as a single appraisal unit.

PERSONAL PROPERTY AND FIXTURES ASSESSMENTS: PRIOR RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following are the recommendations related to the assessment of personal property included in our January 2013 Assessment Practices Survey Report and the assessor's response to those recommendations. After each recommendation, we report the current status of the assessor's effort to implement the recommendation as noted during our supplemental survey fieldwork.

Aircraft

General Aircraft

RECOMMENDATION 11: Properly apply a 10 percent adjustment to the *Bluebook* average retail value in accordance with the guidelines set forth in Assessors' Handbook section 577, *Assessment of General Aircraft (AH 577)*.

Original Findings:

According to AH 577, a 10 percent adjustment should be applied to the *Bluebook* average retail value. However, we found that the assessor applies the 10 percent adjustment at the end of the calculation after applying adjustments for the individual aircraft airframe, engine hours, added equipment, and sales tax.

Assessor's Response:

In prior years, the assessor has been applying the 10% reduction to the total value of the aircraft, including condition adjustments, engine time, sales tax, etc. Depending on the adjustments, this may have led to an over assessment or underassessment. Steps have been taken to resolve this issue for the future.

Current Status:

The assessor has implemented this recommendation. When valuing general aircraft, the assessor properly applies a 10 percent adjustment to the *Bluebook* average retail value and then applies adjustments for individual aircraft airframe, engine hours, added equipment, and sales tax.

Historical Aircraft

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

Original Findings:

We reviewed a sampling of historical aircraft and found instances where the assessor granted the exemption, even though not all conditions had been met as required in section 220.5. In one instance, the assessor granted the full exemption for the 2009-10 roll year when the claimant did not own the aircraft as an individual at the time of filing in January 2009. The assessor also granted the full exemption on this aircraft for the 2010-11 roll year, even though the claimant did not file for the exemption as an individual until August 4, 2010. In another instance, the assessor granted full exemptions for three aircraft that were being displayed for an event at the same airport. Two of the aircraft being displayed were owned by the owner of the airport. This owner was also the event coordinator and signed the display schedule for this event that did not appear to be sufficiently advertised to the general public.

Assessor's Response:

The Assessor will adopt the SBE's recommendations.

Current Status:

The assessor has implemented this recommendation. The assessor grants the historical aircraft exemption only for those aircraft that have met all conditions pursuant to section 220.5.

Vessels

RECOMMENDATION 13: Improve the vessel assessment program by: (1) using Board-prescribed assessment form BOE-576-D, *Vessel Property Statement*, and (2) mailing BOE-576-D, *Vessel Property Statement*, annually to all owners of vessels costing \$100,000 or more in accordance with section 441.

(1) Use Board-prescribed assessment form BOE-576-D, *Vessel Property Statement*.

Original Findings:

(1) The assessor uses a county-developed form, *Boat and Motor Information Request*, in lieu of Board-prescribed form BOE-576-D, *Vessel Property Statement*.

Assessor's Response:

(1) The Assessor will use the Board-prescribed form beginning with the 2013/2014 fiscal year and will ensure that owners of vessels costing \$100,000 or more will annually receive a Vessel Property Statement.

Current Status:

(1) The assessor has implemented this recommendation. The assessor uses Board-prescribed form BOE-576-D to obtain information from vessel owners.

(2) Mail BOE-576-D, *Vessel Property Statement*, annually to all owners of vessels costing \$100,000 or more in accordance with section 441.

Original Findings:

(2) We found that the assessor did not mail an annual *Vessel Property Statement* to two taxpayers that had a vessel with a cost of \$100,000 or more.

Assessor's Response:

(2) The Assessor will use the Board-prescribed form beginning with the 2013/2014 fiscal year and will ensure that owners of vessels costing \$100,000 or more will annually receive a Vessel Property Statement.

Current Status:

(2) The assessor has implemented this recommendation. The assessor sends Board-prescribed form BOE-576-D to all owners of vessels with a cost of \$100,000 or more.

APPENDIX A: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

Tulare County

Chief

David Yeung

Survey Program Director:

Diane Yasui

Manager, Property Tax

Survey Team Supervisor:

David Dodson

Supervisor, Property Tax

Survey Team:

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Isaac Cruz

Senior Specialist Property Auditor-Appraiser

Michael Ash

Associate Property Appraiser

Nancy Le

Associate Property Auditor-Appraiser

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 Tulare County Assessor's response begins on the next page.

Section 15645 also allows the Board to include in the report comments regarding the assessor's response. Our comments follow the assessor's response.

Roland P. Hill

**ASSESSOR/CLERK-RECORDER
COUNTY OF TULARE**
County Civic Center – Room 102-E
Visalia, California 93291-4593



Tim Kochendarfer
Assistant Assessor/ Clerk-Recorder

November 8, 2017

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

RECEIVED

NOV 27 2017

County-Assessed Properties Division
State Board of Equalization

Subject: Tulare County Supplemental Practices Survey

Dear Mr. Yeung,

In accordance with Section 15645 of the California Government Code, we are employing our privilege to respond to the State Board of Equalization's 2017 Supplemental Assessment Practices Survey Report of Tulare County.

The supplemental survey indicated some areas of non-compliance most of which have been redressed by implementing the Board's recommendations. Of the original thirteen recommendations in the survey we have implemented all of the Board's suggestions, with the exception of those on which we hold dissenting opinions.

In recommendation one, the Board asserts that the broad powers given under Section 407 allow them to solicit any desired information from Assessors. While we recognize the authority of the Board under section 407, we strongly feel the information requested should be of some actual usefulness and thereby not a needless taxation of the Assessor's staff and time. Our prior affirmation stands; the BOE Report on Budgets, Workloads and Assessment Appeals has little value for either the submitting county, the BOE, or any other county that examines its pages.

We also still hold our historical opinion on recommendation eight (assessing vineyard trellising on lands under CLCA contract as unrestricted improvements). Trellising is an inseparable component of the growing improvement value. Production of an income stream without the presence of trellising would not be possible. As such, it is our firm belief that when vines leave the exempt period; trellising should be properly assessed in the income attributable to the growing improvement. The Board's assertion that a deduction be made for the trellising in the income stream, before capitalization, fails to reach a mark of logical connection with market facts. Because the trellising is such an integral part of the income stream, assessing it as a separate unrestricted improvement would result in an unintentional double assessment. Additionally, any attempt to deduce the portion of the income stream specifically associated with the trellising would be tantamount to a snipe hunt.

Due to the two-year delay of this report, the current 2017 status of our implementation of the BOE recommendations is not reflected. Of the thirteen recommendations, we have implemented eleven and held a varying stance on two.

I would like to thank the survey team members for their efforts and professionalism. As always, we look forward to working cooperatively with the Board while trying to uniformly administer the laws of this great state.

Sincerely,



Roland Hill
Tulare County Assessor-Clerk/Recorder

BOE COMMENTS TO ASSESSOR'S RESPONSE

Recommendation 8, part 1: Improve the CLCA program by: (1) assessing vineyard trellising on lands under CLCA contract as unrestricted improvements.

Assessor's Response Recommendation 8, part 1: We also still hold our historical opinion on recommendation eight (assessing vineyard trellising on lands under CLCA contract as unrestricted improvements). Trellising is an inseparable component of the growing improvement value. Production of an income stream without the presence of trellising would not be possible. As such, it is our firm belief that when vines leave the exempt period; trellising should be properly assessed in the income attributable to the growing improvement. The Board's assertion that a deduction be made for the trellising in the income stream, before capitalization, fails to reach a mark of logical connection with market facts. Because the trellising is such an integral part of the income stream, assessing it as a separate unrestricted improvement would result in an unintentional double assessment. Additionally, any attempt to deduce the portion of the income stream specifically associated with the trellising would be tantamount to a snipe hunt.

BOE Comments to Assessor's Response on Recommendation 8, part 1:

Although the Tulare Assessor continues to hold his historical opinion, the Board reiterates its rationale of segregating the assessment of vineyard trellising from growing improvements. Property under a CLCA contract must be valued pursuant to section 423 et seq. Although section 423(c) provides that CLCA contracts may allow nonliving improvements to be valued as restricted property, Tulare County does not have such a provision in its contracts. As nonliving improvements, trellises are not restricted and should not be valued by the restricted valuation method.