

YOLO COUNTY ASSESSMENT PRACTICES SURVEY

JANUARY 2016

CALIFORNIA STATE BOARD OF EQUALIZATION

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January 19, 2016

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No. 2016/005

TO COUNTY ASSESSORS:

**YOLO COUNTY
ASSESSMENT PRACTICES SURVEY**

A copy of the Yolo 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 each county and city and county 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 Freddie Oakley, Yolo 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 Yolo County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from January through February 2014. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

The former Yolo County Assessor, Mr. Joel Butler, and his staff gave their complete cooperation during the survey fieldwork. 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

TABLE OF CONTENTS

INTRODUCTION.....	1
OBJECTIVE	2
SCOPE AND METHODOLOGY	2
EXECUTIVE SUMMARY	4
OVERVIEW OF YOLO COUNTY	5
FINDINGS AND RECOMMENDATIONS	6
ADMINISTRATION	8
EXEMPTIONS	8
ASSESSMENT OF REAL PROPERTY	9
CHANGE IN OWNERSHIP.....	9
NEW CONSTRUCTION	11
TAXABLE POSSESSORY INTERESTS	13
MINERAL PROPERTY	14
ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES.....	16
AUDIT PROGRAM	16
BUSINESS PROPERTY STATEMENT PROGRAM.....	19
MANUFACTURED HOMES	20
APPENDIX A: STATISTICAL DATA	23
TABLE 1: ASSESSMENT ROLL	23
TABLE 2: CHANGE IN ASSESSED VALUES	23
TABLE 3: GROSS BUDGET AND STAFFING	24
TABLE 4: ASSESSMENT APPEALS	25
TABLE 5: EXEMPTIONS – WELFARE	25
TABLE 6: CHANGE IN OWNERSHIP	26
TABLE 7: NEW CONSTRUCTION	26
TABLE 8: DECLINES IN VALUE.....	27
APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP	28
APPENDIX C: RELEVANT STATUTES AND REGULATIONS	29
ASSESSOR'S RESPONSE TO BOE'S FINDINGS	30

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 every county assessor's office. This report reflects the BOE's findings in its current survey of the Yolo 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 Yolo 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 Freddie Oakley, Yolo County Assessor, elected to file her 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 the 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, review each county's property assessment practices and procedures once every five years, and publish 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.

This survey examined the assessment practices of the Yolo County Assessor's Office for the 2013-14 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 Yolo County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contacts with officials in other public agencies in Yolo 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

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.

descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

We conducted reviews of the following areas:

- Administration

We reviewed the assessor's administrative policies and procedures that affect both the real property and business property assessment programs. Specific areas reviewed include the assessor's budget and staffing, workload, staff property and activities, assessment appeals, disaster relief, low-value property exemption, 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 aircraft assessments.

EXECUTIVE SUMMARY

We examined the assessment practices of the Yolo County Assessor's Office as for the 2013-14 assessment roll. This report offers recommendations to help the assessor correct assessment problems identified by the survey team. The survey team makes recommendations when assessment practices in a given area are not in accordance with property tax law or generally accepted appraisal practices. An assessment practices survey is not a comprehensive audit of the assessor's entire operation. The survey team does not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment. In terms of current auditing practices, an assessment practices survey resembles a compliance audit – the survey team's primary objective is to determine whether assessments are being made in accordance with property tax law.

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

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

In the area of personal property and fixtures assessment, the assessor has an effective program for assessing aircraft. However, we made recommendations for improvement in the audit, business property statement, business equipment valuation, 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 Yolo 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, Yolo County continues to be eligible for recovery of costs associated with administering supplemental assessments.

OVERVIEW OF YOLO COUNTY

Yolo County is located in California's Central Valley. The county encompasses an area of 1,024 square miles, consisting of 1,015 square miles of land area and 9 square miles of water area. Created in 1850, Yolo County was one of California's original 27 counties. Yolo County is bordered by Colusa County to the north, Sutter and Sacramento Counties to the east, Solano County to the south, Napa and Lake Counties to the west.



As of 2013, Yolo County had a population of 204,593. Yolo County has four incorporated cities: Davis, West Sacramento, Winters, and Woodland. The county seat is the city of Woodland.

Much of the land in Yolo County is used for agricultural purposes. The total gross production value of agricultural commodities in 2012 was \$645 million, with tomatoes being the leading crop at \$111 million.

FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the Yolo 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.

RECOMMENDATION 1:	Improve the administration of the welfare exemption by consistently notifying claimants in writing when a property is denied the welfare exemption.	8
RECOMMENDATION 2:	Improve the change in ownership program by correctly implementing the penalty process in accordance with section 482(a).....	9
RECOMMENDATION 3:	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).	10
RECOMMENDATION 4:	Improve the new construction program by: (1) properly classifying septic systems as structural improvements in accordance with Rule 124 and (2) granting new construction exclusions for claims for disabled access improvements only upon compliance with section 74.6.....	12
RECOMMENDATION 5:	Improve the taxable possessory interest program by reappraising taxable possessory interests with month-to-month tenancies in accordance with section 61(b)(2).....	14
RECOMMENDATION 6:	Measure declines in value for mining properties using the entire appraisal unit as required by Rule 469.....	15
RECOMMENDATION 7:	Improve the audit program by: (1) performing the minimum number of audits of professions, trades, and businesses pursuant to section 469, (2) modifying the audit selection procedure to correctly develop the pool of largest assessments as defined by Rule 192, (3) informing the taxpayer of their right to appeal the results of an audit as required by Rule 305.3 and their right to claim cancellation or refund under section 469(c)(4), and (4) consistently mailing the <i>Notice of Enrollment of Escape Assessment</i> as required by section 534.	17

RECOMMENDATION 8: Improve the business property statement program by: (1) accepting only properly signed business property statements and (2) ensuring that a certified appraiser reviews all business property assessments prepared by noncertified staff.19

RECOMMENDATION 9: Improve the manufactured homes program by: (1) applying penalties to resident-owned parks when they fail to provide the assessor with a timely and complete annual ownership report as outlined in section 62.1(b)(5), (2) enrolling supplemental assessments for each change in ownership within a resident-owned park, and (3) valuing residents' interest in manufactured home parks using the residual approach described in Letter To Assessors No. 99/87.21

ADMINISTRATION

Exemptions

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

Our review of the assessor's exemptions program included the church and religious, welfare, and disabled veterans' exemptions. The assessor maintains an overall effective exemptions program. However, we did find one area in the assessor's welfare exemption program in need of improvement.

RECOMMENDATION 1: Improve the administration of the welfare exemption by consistently notifying claimants in writing when a property is denied the welfare exemption.

We found that the assessor does not always notify claimants in writing when a property is denied a welfare exemption. Staff occasionally notifies a claimant of a welfare exemption that has been completely denied via telephone or email. Staff does not provide any notification when only a portion of the property is denied the exemption.

Section 254.5(c)(2) provides that if the assessor finds the claimant's property ineligible for the welfare exemption, the assessor must notify the claimant in writing of that finding. The notification must include the following information: (1) that property is ineligible for the exemption, (2) that the claimant may seek a refund of property taxes by filing a claim for refund with the county board of supervisors, and (3) that if the claim for refund is denied, the organization may file a refund action in superior court.

By not consistently notifying claimants in writing when all or a portion of the property is denied exemption, the assessor is not providing proper notification to the claimant.

⁴ 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>.

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.⁵

We examined several recorded documents and found that the assessor conducts a proper and thorough review for identifying and processing changes in ownership. In addition, we found that the assessor has an efficient valuation program in place for reappraising properties having undergone a change in ownership. However, we found areas in need of improvement.

Penalties

We found an area in need of improvement when applying the penalty process for failure to timely file a BOE-502-AH, *Change of Ownership Statement (COS)*.

RECOMMENDATION 2: Improve the change in ownership program by correctly implementing the penalty process in accordance with section 482(a).

We found the assessor does not consistently assess the mandatory section 482(a) penalty when a COS is not timely returned within the specified 90 days of written request mailed by the assessor. It is the policy of the assessor to allow appraisers to determine whether penalties should be applied according to their own judgment. The Yolo County Board of Supervisors has not adopted a resolution to abate penalties automatically without the need for the matter to go before the assessment appeals board.

Section 482(a) provides that if a person or legal entity 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 is applied. When the property owner fails to return the COS timely, the assessor must notify the property owner of the penalty being applied and inform them of the abatement process as described in section 483(a).

The information contained in a properly completed COS is important because it assists the assessor in making an accurate assessment of a property. The assessor's current practice of

⁵ 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>.

allowing appraisers to determine whether a penalty should be applied after the 90-day timeframe is contrary to statute and results in unequal treatment of taxpayers.

Legal Entity Ownership Program (LEOP)

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

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

Sections 480.1, 480.2, and 482 set forth the filing requirements and penalty provisions for reporting of legal entity changes in control under section 64(c) and changes in ownership under section 64(d). A change in ownership statement must be filed with the BOE within 90 days of the date of change in control or change in ownership; reporting is made on BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities* (BOE-100-B). Section 482(b) provides for application of a penalty if a person or legal entity required to file a statement under sections 480.1 and 480.2 does not do so within 90 days from the earlier of (1) the date of change in control or ownership or (2) the date of written request by the BOE. 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.

We reviewed records involving legal entities having experienced a change in control or a change in ownership. We found areas in need of improvement.

RECOMMENDATION 3: 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).

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

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

Section 64(c)(1) provides that when a person or a legal entity acquires controlling interest of another legal entity by obtaining more than 50 percent of the voting stock or a majority ownership interest in that legal entity, there is a change in ownership of the real property owned by the legal entity being acquired. Section 64(d) provides that a change in ownership occurs when cumulatively more than 50 percent of the original co-owners' interest in the legal entity is transferred through one or more transactions, and the property that was previously excluded under section 62(a)(2) shall be reappraised.

By not reassessing properties owned by legal entities identified as having undergone a change in control or ownership, the assessor may be enrolling incorrect assessments for those properties.

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

We found that the assessor is not applying the penalties required by section 482(b) when BOE-100-Bs are filed late.

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. Section 482(b) provides that if a person or legal entity fails to file a BOE-100-B within 90 days of a change in control or ownership or within 90 days of a written request from the BOE, whichever occurs earlier, they are subject to a 10 percent 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-100-Bs to identify entities with late-filings or failures to file and apply penalties accordingly. By failing to apply the required section 482(b) penalty, the assessor is not following statutory requirements and is not treating all taxpayers equitably.

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.⁶

We reviewed several new construction records and found the assessor's program for the discovery and assessment of new construction to be generally well administered. The assessor's property records were well documented, showing construction in progress assessed as of the lien

⁶ 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>.

date, completed new construction assessed as of the date of completion, and supplemental assessments issued as of the date of completion, when applicable. In addition, we found that the assessor is properly administering exclusions for active solar systems. However, we found areas in need of improvement.

RECOMMENDATION 4: Improve the new construction program by: (1) properly classifying septic systems as structural improvements in accordance with Rule 124 and (2) granting new construction exclusions for claims for disabled access improvements only upon compliance with section 74.6.

Properly classify septic systems as structural improvements in accordance with Rule 124.

We found examples where the assessor incorrectly enrolled the value for new construction of a septic system as land value. Rule 124(b)(2) provides that buried tanks are classified as improvements. While some components of septic systems include grading that could be classified as land, in general, septic systems are generally classified as improvements and should be valued as such. By classifying and assessing septic systems as land, the assessor is underassessing the structural improvements and overassessing the land. This may also result in incorrect special assessments.

Grant new construction exclusions for claims for disabled access improvements only upon compliance with section 74.6.

The assessor excludes new construction performed for making a building or structure more accessible to or more usable by a disabled person without the information 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 indicating the permit description. The assessor does not assess the new construction nor request BOE-63-A, *Claim for Disabled Accessibility Construction Exclusion from Assessment*, be filed to qualify for the exclusion.

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. 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).

To receive the exclusion, the following shall be submitted to the assessor: (1) notification by the property owner prior to, or within 30 days of, completion of any project that the property owner intends to claim the exclusion for improvements making the building or structure more accessible to, or usable by, a disabled person, (2) a statement from the property owner, primary contractor, civil engineer, or architect identifying those portions of the project making the

building or structure more accessible to, or usable by, a disabled person, and (3) all documents necessary to support the exclusion, filed by the property owner, no later than six months after the completion of the project.

Use of BOE-63-A facilitates this process. This form guides the property owner in providing the assessor the statements and certifications necessary to receive the exclusion. If the information required by section 74.6 is not provided, the assessor is not authorized to exclude new construction from assessment for improvements intended to provide accessibility or usability for a disabled person. Failure to obtain the necessary information required by section 74.6 may result in the assessor granting exclusions for new construction that would otherwise be taxable.

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.⁷

Yolo County had 198 taxable possessory interests on the 2013-14 roll with a total assessed value of \$82,338,028. The assessor's program for discovering taxable possessory interests includes an annual polling of approximately 33 public agencies by letter to request current information on new or changed tenancies and rents.

We reviewed a number of taxable possessory interest records. All of the appraisal records we examined contained a copy of the lease for the interests being assessed. Our examination also revealed that the assessor deducts operating expenses from the gross income before converting the income stream into a value; takes into consideration any reductions in value due to change in rent, stated term of possession, or any other factors causing a decline in value; and enrolls possessory interests at the lower of the factored base year value or the current fair market value. We found the assessor is properly developing capitalization rates consistent with Rule 8 and issuing supplemental assessments on the unsecured roll for new construction.

Overall, the possessory interest assessment program is well managed and thorough. However, we found an area in need of improvement.

⁷ 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>.

RECOMMENDATION 5: Improve the taxable possessory interest program by reappraising taxable possessory interests with month-to-month tenancies in accordance with section 61(b)(2).

We found that the assessor reappraises some taxable possessory interests with month-to-month contracts (tenancies) prior to the end of the reasonably anticipated term of possession used by the assessor to initially value the taxable possessory interest. For example, we found instances in which the assessor reappraised the taxable possessory interest on an annual basis, establishing a new base year value each year as if there had been a change in ownership, even though a reasonably anticipated term of possession of five years had been used by the assessor to initially value the taxable possessory interest.

Section 61(b) provides that a change in ownership, as defined in section 60, includes the creation, renewal, extension, or assignment of a taxable possessory interest in tax-exempt real property. However, section 61(b)(2) further provides that the renewal or extension of a taxable possessory interest during the reasonably anticipated term of possession used to value the interest does not result in a change in ownership until the end of the reasonably anticipated term of possession. At that time, the assessor should establish a new base year value based on a new reasonably anticipated term of possession determined by the assessor.

By not reappraising taxable possessory interests at the end of the reasonably anticipated term of possession used by the assessor to initially value the interest, the assessor does not comply with statutory provisions and may be enrolling incorrect assessments.

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.⁸

Yolo County has assessable mineral properties, both petroleum (natural gas) and mining properties. There are no assessable high temperature geothermal properties located in Yolo County. A senior appraiser appraises the mineral properties in the county.

Mining Property

After reviewing the assessor's mining property program, we have one recommendation.

⁸ 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>.

RECOMMENDATION 6: Measure declines in value for mining properties using the entire appraisal unit as required by Rule 469.

We found that when measuring for declines in value for mineral properties, the assessor does not combine the values for mineral rights, improvements (including fixtures), and land into a value for a total appraisal unit value when determining whether to enroll the adjusted base year value or the current market value. Instead, fixtures are treated as a separate appraisal unit for determining a decline in value. This procedure conflicts with the intent of Rule 469(e)(2)(C).

Under article XIII A of the California Constitution, all real property receives a base year value and, on each lien date, the taxable value of the real property unit should be the lesser of its adjusted base year value or current market value. Section 105 defines fixtures as a type of improvement and, hence, as real property.

For most properties, fixtures are treated as a separate appraisal unit for determining a decline in value. Mineral properties, however, are treated differently. Rule 469(e)(2)(C) specifically defines the appraisal unit of a mineral property to include land, improvements including fixtures, and reserves. The assessor should use this unit for measuring a possible decline in value.

To determine which value to enroll, the assessor should determine the current market value of the entire appraisal unit and compare it to the adjusted base year value of the entire appraisal unit, enrolling the lower of the two values. To properly determine the adjusted base year value of the appraisal unit, the adjusted base year value of the fixtures needs to be tracked and added to the adjusted base year value of the other components of the appraisal unit.

Failure to properly determine the decline in value of a mineral property using the entire mineral property appraisal unit could result in an underassessment of the fixtures and equipment or an overassessment of the mineral rights.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

Audit Program

County assessors are required to annually audit 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 at least 50 percent of those to be selected from a pool of those taxpayers with the largest assessments.⁹

Rule 192 prescribes the computation establishing minimum required audit production and provides the basis for the audit selection process. According to Letter To Assessors (LTA) No. 2009/049, the statute requires the assessor to complete a minimum of 59 audits per year hereafter. Of the 59 audits, half of the audits should be conducted from the pool of taxpayers with the largest assessments. The assessor only completed 58 audits for the 2009-10 fiscal year, 57 audits for the 2010-11 fiscal year, 67 audits for the 2011-12 fiscal year, and 68 audits during the 2012-13 fiscal year. Given recent audit production levels, the assessor has failed to meet the minimum number of significant audits required, as defined by section 469, two out of the past four years.

Audit Quality

We reviewed audits for audit quality to ensure that the assessor performs change in control (ownership) reviews, verifies leased equipment, accounts for supplies, and properly classifies equipment during the audit process. We sampled several recently completed audits and found that in all cases audits were accurate and well documented. The assessor's audit quality is further enhanced by a standardized review process where every completed audit is reviewed by the chief deputy assessor. Furthermore, the assessor prepares roll corrections to be enrolled for each year in which an escape assessment took place. Overall, the assessor's audit program is effectively managed. However, we found areas in need of improvement.

⁹ 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>.

RECOMMENDATION 7: Improve the audit program by: (1) performing the minimum number of audits of professions, trades, and businesses pursuant to section 469, (2) modifying the audit selection procedure to correctly develop the pool of largest assessments as defined by Rule 192, (3) informing the taxpayer of their right to appeal the results of an audit as required by Rule 305.3 and their right to claim cancellation or refund under section 469(c)(4), and (4) consistently mailing the *Notice of Enrollment of Escape Assessment* as required by section 534.

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 59 audits required under the provisions of section 469 for two out of the past four years.

An audit program is an essential component of an equitably administered assessment program. A weak audit program can leave a business property assessment program with no means of verifying the accuracy of taxpayer reporting or correcting noncompliant reporting practices. Furthermore, experience shows that the further removed the audit is from the year being audited, the more difficult it is to obtain the records necessary to substantiate accurate reporting. Therefore, timeliness of the audit is an important factor in an effective audit program and ultimately a well-managed assessment program.

By failing to conduct a significant number of audits in a timely manner each year, the assessor does not comply with section 469 for those years and risks the possibility of allowing taxable property to escape assessment.

Modify the audit selection procedure to correctly develop the pool of largest assessments as defined by Rule 192.

When comparing the audit production schedules to the audit group schedule generated by the assessor's property tax program, we found that a many audits listed on the audit production schedule were erroneously classified as belonging to the pool of taxpayers with the largest assessments. We believe this is the result of a flawed audit selection procedure. The assessor's audit selection procedure requires that the pool of the largest assessments be generated through an antiquated *Personal Property Mandatory Audit Report*. This report generates a list of assessments with values of \$400,000 or more.

Under the current audit selection criteria defined in Rule 192, the assessor's pool of largest audits should contain no more than 118 accounts. A list of the largest assessments generated through the *Personal Property Mandatory Audit Report* contain substantially more accounts than the statutory 118. Because the assessor has relied on the pool of largest assessments generated from the Personal Property Mandatory Audit query, the assessor has mistakenly included a number of taxpayers from the pool of "all other audits" in the pool of largest audits. We recommend that the assessor correct this audit selection procedure by eliminating the use of the *Personal Property*

Mandatory Audit Report in developing the list of largest audits and instead rely on an audit group schedule, ranking the accounts annually, starting with the highest assessment, and limiting the pool to 118 accounts as provided in Letter To Assessors No. 2009/049.

By continuing to rely on the *Personal Property Mandatory Audit Report* to develop the pool of largest assessments, the assessor risks not complying with section 469.

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

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

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

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

When taxpayers are not advised of their appeal rights in relation to a net overassessment or a "no change" audit finding, they have no knowledge of their entitlement to equalization on the entire property for the year of such escape, regardless of whether or not the assessor actually enrolls an escape assessment.

Consistently mail the *Notice of Enrollment of Escape Assessment* as required by section 534.

The assessor has set up his property tax program to print the *Notice of Enrollment of Escape Assessment* fourteen days after the *Notice of Proposed Escape Assessment* has been mailed. Once the fourteen days elapse, the *Notice of Enrollment of Escape Assessment* is printed and the assessor mails the notice to the taxpayer as required. We found that this procedure contains a flaw that results in the *Notice of Enrollment of Escape Assessment* form not being generated and subsequently not being mailed to the taxpayer. Both the assessor and the auditor work off the

same menu in the property tax program for issuing the *Notice of Enrollment of Escaped Assessments* and generating bills. As a result, the auditor is able to generate a bill prior to the fourteen-day period. When this happens, the *Notice of Enrollment of Escape Assessment* is not printed automatically and the assessor is unable to mail the required notice. We identified instances where the auditor issued a bill prior to the fourteen-day period resulting in the *Notice of Enrollment of Escape Assessment* not being mailed.

The assessor does not comply with section 534 in these instances where the assessor fails to provide the taxpayer with the *Notice of Enrollment of Escape Assessment*. By failing to provide this notice, the assessor does not adequately inform the taxpayers of their right to file an appeal contesting the assessment.

Business Property Statement Program

Section 441 requires that each person owning taxable personal property (other than a manufactured home) having an aggregate cost of \$100,000 or more annually file a business property statement (BPS) with the assessor; other persons must file a BPS if requested by the assessor. Property statements form the backbone of the business property assessment program.¹⁰

We reviewed the assessor's practices and files relevant to the BPS program to ensure that the assessor complies with statutory guidelines. We reviewed a sampling of BPSs to verify that the assessor uses Board-prescribed forms; utilizes certified staff for processing BPSs; ensures that BPSs are properly filled out; ensures appropriate penalties are applied; ensures that real property and business property staff coordinate in the assessment of trade fixtures, leasehold improvements, and structures; and adheres to an appropriate record retention policy.

Overall, the assessor's BPS processing program is effectively managed. However, we found areas in need of improvement.

RECOMMENDATION 8: Improve the business property statement program by: (1) accepting only properly signed business property statements and (2) ensuring that a certified appraiser reviews all business property assessments prepared by noncertified staff.

Accept only properly signed business property statements.

Our review found several BPSs that were not signed by a qualified person and the required assessee's written authorization was not on file with the assessor. According to Rule 172, BPS and mineral production report forms that are Board-prescribed and filed with the assessor shall be signed by the assessee, a partner, a duly appointed fiduciary, or an agent. When signed by an agent or employee other than a member of the bar, a certified public accountant, a public

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

accountant, an enrolled agent, or a duly appointed fiduciary, the assessee's written authorization allowing the agent or employee to sign the BPS on behalf of the assessee must be filed with the assessor. A BPS or a mineral production report that is unsigned does not constitute a valid filing. Rule 172(d) prohibits the assessor from knowingly accepting any signed BPS that is not executed in accordance with the requirements of this section. Written authorization calls attention to the fact that corporate assesseees are liable for any consequences of reporting errors by an employee or agent. It also assures that the assessor may rely upon that BPS. By requiring such written authorization, the assessor will ensure that the BPS was the taxpayer's official response.

Ensure that a certified appraiser reviews all business property assessments prepared by noncertified staff.

The assessor utilizes noncertified assessment clerks for processing BPSs including inputting reported cost into the valuation schedules contained in the property tax program. Assessment clerks are given the authority to input costs related to all BPSs with the exception of leasing companies, vessels, aircraft, and complex properties. Certified appraisers review some of the work conducted by the assessment clerks. However, the vast majority of accounts where assessment clerks input historical cost are not reviewed by a certified appraiser.

Section 670(a) provides that no person shall perform the duties or exercise the authority of an appraiser for property tax purposes unless they are the holder of a valid appraiser's or advanced appraiser's certificate issued by the BOE. In addition, Letter To Assessors 2011/013, dated March 25, 2011, provides that while assistants may input the year of acquisition and cost information from source documents and select and apply full value and percent good factors, such actions are subject to instruction and review by a certified appraiser.

By allowing noncertified staff to value property without review by a certified appraiser, the assessor is allowing unqualified persons to exercise the authority of an appraiser, which is contrary to the provisions of section 670(a).

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.¹¹

In Yolo County, there were 1,363 manufactured homes enrolled for the 2013-14 roll year, with a total assessed value of \$35,160,700. The assessor properly classifies manufactured homes not affixed to permanent foundations as personal property and enrolls them on the secured roll. All

¹¹ 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>.

manufactured homes in the county are valued by real property appraisers and assigned by geographical area. Yolo County has one resident-owned manufactured home park.

We reviewed several manufactured home assessments, including transfers, supplemental assessments, accessories, new construction, new installations, and assessments within the resident-owned park. We found areas in need of improvement.

RECOMMENDATION 9: Improve the manufactured homes program by: (1) applying penalties to resident-owned parks when they fail to provide the assessor with a timely and complete annual ownership report as outlined in section 62.1(b)(5), (2) enrolling supplemental assessments for each change in ownership within a resident-owned park, and (3) valuing residents' interest in manufactured home parks using the residual approach described in Letter To Assessors No. 99/87.

Apply penalties to resident-owned parks when they fail to provide the assessor with a timely and complete annual ownership report as outlined in section 62.1(b)(5).

The assessor has been receiving an annual ownership statement from the one resident-owned park in the county. However, in some instances, the reports have been incomplete and filed after the February 1 deadline. The reports have not contained information regarding the date the ownership interest was acquired and have not included information on Department of Housing and Community Development (HCD) decal numbers, serial numbers, and whether the manufactured home is subject to a vehicle license fee or local property taxation. The assessor has not added a penalty to the assessment of the resident-owned park for failing to provide a complete annual ownership statement and for failing to provide the statement prior to the February 1 deadline.

Section 62.1(b)(5) requires resident-owned manufactured home parks that do not utilize recorded deeds to transfer ownership interest in the spaces or lots to file, by February 1 of each year, a report with the county assessor's office that contains the following: (a) the full name and mailing address of each owner, stockholder, or holder of an ownership interest in the manufactured home park; (b) the situs address, including space number of each unit; (c) the date the ownership interest was acquired; (d) the HCD decal number or serial number, or both, and whether the manufactured home is subject to the vehicle license fee or the local property tax.

Section 62.1(b)(7) requires the assessor to apply a penalty on the assessment of the manufactured home park pursuant to section 482 in cases where the manufactured home park fails to provide a timely complete report as outlined in section 62.1(b)(5).

Information related to the date the ownership interest was acquired is critical to the assessor's ability to enroll timely supplemental assessments. Information related to HCD decal numbers, serial numbers, and whether the manufactured home is subject to the vehicle license fee or local property tax allows the assessor to ensure that individual manufactured homes within the resident-owned park are properly assessed.

Enroll supplemental assessments for each change in ownership within a resident-owned park.

We found that the assessor accumulates all of the reassessments resulting from changes in ownership of resident-owned manufactured home park interests and creates only one supplemental assessment in December of each year. Section 75.11 provides that the assessor should enroll separate supplemental assessments for each change in ownership event using the actual date of transfer. LTA No. 99/87, question nine, illustrates the proper method of calculating the supplemental assessments. Failure to enroll supplemental assessments as of the date of each change in ownership, when appropriate, may result in lost property tax revenue.

Value residents' interests in manufactured home parks using the residual approach described in Letter To Assessors No. 99/87.

We found that the assessor uses a comparable sales approach to determine the average residents' interest valuation in resident-owned manufactured home parks without giving consideration to the sale prices when those interests transfer.

LTA No. 99/87, question three, states that assuming the reported purchase price represents the collective fair market value of the manufactured home and the underlying interest in the park, the most reasonable way to allocate the value would be to deduct the market value of the manufactured home from the purchase price and allocate the remainder of the purchase price to the interest in the park.

We recommend the assessor value interests in resident-owned manufactured home parks using the residual approach described in LTA No. 99/87.

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following table displays information pertinent to the 2013-14 assessment roll:¹²

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	\$6,785,591,620
	Improvements	\$13,313,701,096
	Personal Property	\$242,514,706
	Total Secured	\$20,341,807,422
Unsecured Roll	Land	\$20,704,302
	Improvements	\$653,750,755
	Personal Property	\$565,667,878
	Total Unsecured	\$1,240,122,935
Exemptions¹³		(\$907,094,942)
	Total Assessment Roll	\$20,674,835,415

Table 2: Change in Assessed Values

The next table summarizes the change in assessed values over recent years:¹⁴

ROLL YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2013-14	\$20,674,835,000	4.1%	4.3%
2012-13	\$19,860,807,000	-0.3%	1.4%
2011-12	\$19,921,401,000	-0.8%	0.1%
2010-11	\$20,084,498,000	-1.9%	-1.9%
2009-10	\$20,472,620,000	-0.3%	-2.4%

¹² Statistics provided by BOE-822, *Report of Assessed Values By City*, 57 Yolo County for year 2013.

¹³ The value of the Homeowners' Exemption is excluded from the exemptions total.

¹⁴ State Board of Equalization Annual Report, Table 7.

Table 3: Gross Budget and Staffing

The assessor's budget has increased from \$2,544,262 in 2009-10 to \$2,762,387 in 2013-14.

As of the date of our survey, the assessor had 26 budgeted permanent positions. Those positions consisted of the assessor, 2 chief deputy assessors, 1 principal appraiser, 9 appraisers, 2 auditor-appraisers, 1 cadastral mapping technician, and 3 assessment technicians, 7 assessment specialists.¹⁵

The following table identifies the assessor's budget and staffing over recent years:¹⁶

BUDGET YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2013-14	\$2,762,387	8.4%	26
2012-13	\$2,548,969	4.7%	26
2011-12	\$2,435,354	-3.7%	27
2010-11	\$2,527,947	-0.6%	27
2009-10	\$2,544,262	-0.8%	27

¹⁵ Information provided by Yolo County Assessor's Organization Chart as provided by the assessor in the presurvey material. Also, see Yolo County Assessor's Annual Report for year 2013-14, as provided by the assessor in the presurvey material.

¹⁶ Statistics for the Gross Budget and Permanent Staff are from the Yolo County Assessor's Annual Report for years 2009-10 through 2013-14, as provided by the assessor in the presurvey material. Years 2009-10 through 2011-12 represent the actual gross budget and funded permanent staff, while years 2012-13 and 2013-14 represent the recommended gross budget and recommended number of staff.

Table 4: Assessment Appeals

The following table shows the number of assessment appeals filed in recent years:¹⁷

YEAR	ASSESSMENT APPEALS FILED
2013-14	644
2012-13	580
2011-12	642
2010-11	1,138
2009-10	1,244

Table 5: Exemptions – Welfare

The following table shows welfare exemption data for recent years:¹⁸

YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2013-14	301	\$752,985,948
2012-13	304	\$732,560,753
2011-12	288	\$697,030,513
2010-11	274	\$658,101,566
2009-10	259	\$663,664,415

¹⁷ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2009-10 through 2013-14.

¹⁸ Statistics provided by BOE-802, *Report on Exemptions*, for years 2009 through 2013.

Table 6: Change in Ownership

The following table shows the total number of reappraisable transfers due to changes in ownership processed in recent years.¹⁹

YEAR	REAPPRAISABLE TRANSFERS
2013-14	3,523
2012-13	4,003
2011-12	3,780
2010-11	3,427
2009-10	4,257

Table 7: New Construction

The following table shows the total number of new construction assessments processed in recent years.²⁰

YEAR	NEW CONSTRUCTION ASSESSMENTS
2013-14	1,168
2012-13	3,906
2011-12	2,970
2010-11	2,460
2009-10	980

¹⁹ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2009-10 through 2013-14.

²⁰ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2009-10 through 2013-14.

Table 8: Declines in Value

The following table shows the total number of decline-in-value assessments in recent years.²¹

YEAR	DECLINE-IN-VALUE ASSESSMENTS
2013-14	11,861
2012-13	18,290
2011-12	20,128
2010-11	18,503
2009-10	16,438

²¹ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2009-10 through 2012-13.

APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

Yolo County

Chief

David Yeung

Survey Team Supervisor:

David Dodson

Supervisor, Property Tax

Survey Team:

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Andrew Austin

Senior Specialist Property Appraiser

Michael Ash

Associate Property Appraiser

Jennifer Prince

Associate Property Appraiser

Brian Salmon

Associate Property Appraiser

Molly Bolar

Assistant Property Appraiser

Cheron Burns

Assistant Property Appraiser

Isaac Cruz

Senior Specialist Property Auditor-Appraiser

Dany Lunetta

Associate Governmental Program Analyst

APPENDIX C: RELEVANT STATUTES AND REGULATIONS

Reference	
<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 370	Random selection of counties for representative sampling.
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 Yolo County Assessor's response begins on the next page. The BOE has no comments on the response.



YOLO COUNTY ASSESSOR

Freddie Oakley, County Clerk, Recorder, Assessor

625 Court Street, Room 104
Woodland, CA 95695
530.666.8213

October 8, 2015

Mr. Benjamin Tang, Chief
County Assessed Properties Division
State Board of Equalization
P.O. Box 942879
Sacramento, CA 95279

RE: Yolo County Assessment Practices Survey

Dear Mr. Tang,

In accordance with Section 15646 of the California Government Code, enclosed is the Yolo County Clerk/Recorder/Assessor's response to the recommendations contained in the Assessment Practices Survey of the 2013-2014 assessment roll conducted by the State Board of Equalization.

Please find attached a copy of our responses to the recommendations which we wish to see included in the final report of the Assessment Practices Survey. We concur with all of the recommendations and are incorporating procedures and changes necessary to achieve each of the recommendations listed.

We sincerely appreciate the SBES's survey team's time and effort in the review of Yolo County. We value the positive comments regarding our area of administration, real property assessment and personal property and fixture assessment. Thank you for the productive feedback from your staff as well, as we view the recommendations as an outstanding opportunity to improve our performance and better serve the taxpayers of Yolo County.

Sincerely,

Freddie Oakley

Yolo County Clerk/Recorder/Assessor

Yolo County Assessment Practices Survey Responses

Recommendation 1: Improve the administration of the welfare exemption by consistently notifying claimants in writing when a property is denied the welfare exemption.

We concur with the recommendation and are working to incorporate this recommendation into our welfare exemption procedures and practices.

Recommendation 2: Improve the change in ownership program by correctly implementing the penalty process in accordance with 482(a).

We concur and are implementing this recommendation and levying appropriate penalties.

Recommendation 3: Improve the LEOP program by reassessing all properties owned by legal entities and have undergone a change in control or ownership and applying appropriate penalties in accordance with section 482(b).

We agree with the recommendation. Revisions have been made to our system to track the changes of ownership of properties owned by legal entities. Additionally, we are implementing the penalty process in accordance with section 482(b).

Recommendation 4: Improve the new construction program by properly classifying septic systems as structural improvements in accordance with Rule 124 and granting new construction exclusions for claims for disabled access improvements only upon compliance with section 74.6

We concur with these recommendations. We are working to improve properly classifying septic systems as structural improvements in accordance with Rule 124. In addition, we are now granting exclusions for claims for disabled access improvements if compliance with section 74.6 is satisfied.

Recommendation 5: Improve the taxable possessory interest program by reappraising taxable possessory interests with month-to-month tenancies in accordance with section 61(b)(2).

We agree with this recommendation and have updated our practice in valuation of taxable possessory interest program to include reappraisal of month-to-month tenancy possessory interests in accordance with section 61(b)(2). We will also be training additional staff so that more time can be dedicated to the valuation of possessory interests.

Recommendation 6: Measure declines in value for mining properties using the entire appraisal unit as required by Rule 469.

We concur and new procedures have been implemented to measure declines in the value for mining properties.

Recommendation 7: Improve the audit program by performing the minimum number of audits or professions, trades and businesses pursuant to section 469, modifying the audit selection procedure to correctly develop the pool of largest assessments as defined by Rule 192, informing the taxpayer of their right to appeal the results of an audit as required by Rule 205.3 and their right to claim cancellation or refund under section 469(c)(4) and consistently mailing the *Notice of Enrollment of Escape Assessment* as required by section 534.

We concur with the recommendation. Over the last year the Yolo County Assessor's Office has been able to steadily increase the number of staff assigned to performing audits. This measure will ensure that the minimum number of mandatory audits will be completed and correct this deficiency. We also are working on executing the other recommendations regarding the audit program.

Recommendation 8: Improve the business property statement program by accepting only properly signed business property statements and ensuring that a certified appraiser reviews all business property assessments prepared by noncertified staff.

We agree and have established procedures to satisfy this recommendation.

Recommendation 9: Improve manufactured homes program by applying penalties to resident-owned parks when they fail to provide the assessor with a timely and complete annual ownership report as outlined in section 62.1(b)(5), enrolling supplemental assessments for each change in ownership within a resident-owned park, and valuing residents' interest in manufactured home parks using the residual approach described in Letter to Assessors No. 99/87.

We agree and have implemented measures to apply penalties to resident owned parks when they fail to provide ownership reports timely. We also have begun to enroll supplemental assessments for each change of ownership within a resident-owned park and valuing residents' interest in manufactured home parks using the residual approach described in Letter to Assessors No. 99/87.