



**STATE BOARD OF EQUALIZATION**

1020 N STREET, SACRAMENTO, CALIFORNIA  
(P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808)

(916) 445-4982

**GEORGE R. REILLY**  
First District, San Francisco

**ERNEST J. DRONENBURG, JR.**  
Second District, San Diego

**WILLIAM M. BENNETT**  
Third District, San Rafael

**RICHARD NEVINS**  
Fourth District, Pasadena

**KENNETH CORY**  
Controller, Sacramento

**DOUGLAS D. BELL**  
Executive Secretary

March 12, 1982

TO COUNTY ASSESSORS:

No. 82/41

THE BOARD'S ROLE IN DISCOVERING CHANGES IN OWNERSHIP  
OF CORPORATIONS, PARTNERSHIPS, AND OTHER LEGAL ENTITIES

Chapter 1141 of the Statutes of 1981, signed by the Governor on October 1, 1981, requires this Board to participate in discovering changes of ownership or control of corporations, partnerships, and other legal entities (hereafter referred to as entities). We have received several inquiries concerning our plans for implementing AB 152. Although some of our plans are still tentative, here is an outline of the program as we view it today.

The amendment to Section 480 and the addition of Sections 480.1 and 480.2 have not diminished your responsibilities for discovering and processing changes in ownership. Assembly Bill 152 provides additional techniques for discovering entity changes in ownership; it does not substitute a Board program for assessors' program(s).

Franchise Tax Returns

The first phase of the program consisted of inserting germane questions and instructions on franchise tax returns for corporations (Form 100) and partnerships (Form 1065) for the 1981 calendar year and later years. This phase was completed last fall. The returns ask whether the entity owns real property in California and whether a change in ownership of the entity has occurred since March 1, 1975. The Franchise Tax Board provides us with the names, addresses, and other identifiers of entities appropriately responding to the questions or not answering them at all.

Corporate responses are now being provided to us on a monthly basis. Partnership responses will be provided annually late in the calendar year. In turn we will make further inquiries and mail change-in-ownership questionnaires to entities identified by the Franchise Tax Board.

Change-in-Ownership Questionnaires

The second phase of the program involves development of one or more change-in-ownership questionnaires and other inquiry material. The questionnaires are being designed to determine whether a change in ownership or control of an entity has occurred since March 1, 1975, the

date of any such change, and the location(s) of its real property and mobilehomes in California.

#### Board Processing of Questionnaires

Detailed planning for processing questionnaires began in early January. Board staff will determine from the inquiry material, the questionnaires, or follow-up work whether a change in ownership of the entity has occurred. The new owners will be advised of the Board's decision and will be provided a reasonable time for response.

When we have determined that a change in ownership has occurred, we will transmit our recommendation to the assessors of the counties where the entity owns real property. All notices regarding change in ownership of entities will be transmitted to you via a special series of letters subject to the confidentiality requirements of Section 481 of the Revenue and Taxation Code.

#### Estimated Workload

Franchise Tax Board's records indicate the existence of approximately 800,000 legal entities in California. Historically the number of entities has annually grown by about 10 percent. For budgetary purposes we have estimated that some 80,000 entities change ownership each year. We have further estimated that approximately 26,000 of the entities changing ownership own real property.

#### Determinations and Findings of the Board

After evaluating the data supplied by responding entities, we are required by AB 152 to determine whether a change in ownership did, in fact, occur. If we determine there was a change in ownership, we will notify the assessors of the affected counties of our findings.

#### Assessment Penalties

Paragraph (b) of Section 482 provides that if an entity fails to file a timely change in ownership statement after a request by the Board or the response is inadequate, a penalty of 10 percent of the real property taxes based on the new assessment, or 10 percent of the current year's real property taxes if no change in ownership occurred, must be added to the assessment roll. There is no maximum penalty, except that the 10 percent penalty cannot be imposed more than once for the same transaction in each county where real property exists. If this Board recommends the penalty, it must be added to the assessment roll, unless you have previously added a penalty for failure to respond to the same transaction. In order for the penalty to be abated, the entity must file with this Board a written application for abatement within 60 days after notification of the penalty. The Board will notify the county that abatement is or is not recommended. The county will make the final decision regarding abatements of penalty.

Interaction Between the Board and Assessors

A great deal of cooperation on everyone's part will be necessary to make this program successful. Here is a brief summary of subprograms which will be developed in the near future and which involve interaction between the assessors and the Board.

1. Transactions Discovered and Processed by the Assessor

Because a significant number of entity changes in ownership have already been discovered, analyzed, and processed by the assessors, it would be impractical to ask you to send us listings of such completed transactions. However, we will probably ask you to notify us of any entity changes which you process from here on.

2. Audit Program

At this time we are not funded for an audit function for the AB 152 program. Consequently, we hope that you will make change-in-ownership determinations routine parts of your property tax audits. If your audit staff discovers an unreported change in ownership of an entity which has real property in California, the Board should be notified so other assessors may be advised if necessary.

3. Generation of Questionnaires

The Board's funding for the AB 152 program is keyed specifically to the responses noted on the franchise tax returns. We also feel it is appropriate for the Board to send questionnaires based on other sources, such as assessors' written requests and information obtained from publications, but only to the extent that such sources substitute for the primary source--the Franchise Tax Board.

Timing

Although AB 152 became effective January 1, 1982, no funding for the program is available until July 1, 1982. As soon as the questionnaires are designed and adopted by the Board and a processing system has been devised, we will begin mailing inquiry material and questionnaires. We hope to be in full operation shortly after July 1.

Program Responsibility

To carry out this program, we anticipate setting up a work unit within the Assessment Standards Division under the direction of a senior level staff member. We will keep you advised and seek your input as specific plans are formulated over the next few months.

TO COUNTY ASSESSORS

-4-

March 12, 1982

Please contact Don Brower at (916) 445-4982 if you have questions or comments regarding this letter.

Sincerely,

A handwritten signature in cursive script that reads "Verne Walton".

Verne Walton, Chief  
Assessment Standards Division

VW:cam  
AL-08- 1337A