



STATE BOARD OF EQUALIZATION  
PROPERTY AND SPECIAL TAXES DEPARTMENT  
450 N STREET, SACRAMENTO, CALIFORNIA  
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064  
916 445-4982 • FAX 916 323-8765  
[www.boe.ca.gov](http://www.boe.ca.gov)

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No. 2005/022

March 16, 2005

TO COUNTY ASSESSORS AND INTERESTED PARTIES:

PROPERTY TAX RULE 1045,  
ADMINISTRATION OF THE ANNUAL RACEHORSE TAX

In Letter To Assessors 2004/018 we announced a project to amend Property Tax Rule 1045, *Administration of the Annual Racehorse Tax*. The primary purpose for amending Rule 1045 was to raise the threshold dollar amount for mandatory audits of racehorse accounts to conform to the provisions of Revenue and Taxation Code section 469.

At a public hearing held on December 14, 2004, the Board adopted amendments to Rule 1045. Enclosed is a copy of amended Rule 1045; the amendments are effective March 19, 2005. Significant amendments include:

- Raising the threshold dollar amount for mandatory audits of racehorse accounts from a gross tax liability that exceeds \$2,000 in each of four consecutive calendar years to \$4,000.
- Deleting provisions relating to functions of the auditor and tax collector.

If you have questions regarding this rule, please contact Ms. Sherrie Kinkle at (916) 322-2921 or [sherrie.kinkle@boe.ca.gov](mailto:sherrie.kinkle@boe.ca.gov).

Sincerely,

/s/ David J. Gau

David J. Gau  
Deputy Director  
Property and Special Taxes Department

DJG:sk  
Enclosure

State of California  
BOARD OF EQUALIZATION  
PROPERTY TAX RULES

Chapter 1. State Board of Equalization — Property Tax  
Subchapter 12. Miscellaneous

**RULE 1045. ADMINISTRATION OF THE ANNUAL RACEHORSE TAX.**

Authority Cited: Section 15606, Government Code; and Section 5781, Revenue and Taxation Code.

References: Sections 469, 5701, 5721, 5765, 5768, 5781, and 5790, Revenue and Taxation Code.

**(a)** The annual tax imposed by section 5721 of the Revenue and Taxation Code on the privilege of breeding, training, caring for, or racing racehorses in this state shall be administered as provided herein.

**(b)** Submission of Forms for Board Approval. (1) Annually, on or before October 15, the assessor shall notify the board, on a form provided by the board:

(i) of the assessor's intent to reproduce (a) the Annual Racehorse Tax Return form BOE-571-J (8-03) and (b) the Annual Report of Boarded Racehorses form BOE-571-J1 (8-03) by a photocopy process from the current prototype forms and instructions distributed by the board for use for the succeeding reporting period; or

ii) of the forms and/or instructions which the assessor will produce by means other than a photocopy of the prototype for use for that period; or

(iii) that the assessor will have no need for the forms.

(2) When filing a notification that the assessor will use a form and/or instructions which the assessor will produce by means other than a photocopy of the prototype, the assessor shall submit to the board in duplicate for approval a draft copy of each form and/or instructions. The copies shall be submitted together with the board-prescribed property statement forms required to be submitted by Regulation 171 of this title. The provisions of Regulation 171 relative to arrangement and variation of content of such property statement forms shall also be applicable to these forms.

**(c)** Distribution of Forms and Retention of Reports. (1) Copies of the forms prescribed by the board for reporting the tax due and for reporting the names of persons whose racehorses are boarded with others shall be furnished by the assessor no later than December 15 prior to the calendar year in which the tax is due by mailing them to persons believed to be required to use them and by making them available at the assessor's office to any person requesting them.

(2) The assessor shall maintain a record of those persons believed to be liable for the annual racehorse tax to whom the assessor has furnished copies of the forms. A copy of the record shall be delivered to the tax collector within 10 days of the date when copies of the forms are furnished so that the tax collector can be cognizant of the taxpayers who can reasonably be expected to file returns.

(3) The assessor shall retain a copy of all tax returns filed by taxpayers for a period of five years from the date the returns became due. They shall be arranged or identified so as to indicate whether or not an audit is required under subsection (d) of this regulation.

**(d) Audits.** (1) The assessor shall audit the tax records relative to his or her county of any racehorse owner who, according to the assessor's records, had a gross tax liability (before addition of any penalties) that exceeds \$4,000 for each of four consecutive calendar years. This audit shall be performed within five years of the date on which the annual racehorse tax first became due and shall include, but need not be limited to, a comparison of the annual racehorse tax return with records maintained by the taxpayer. The assessor, when performing an audit pursuant to this regulation of a taxpayer's records of racehorses taxable at a home ranch or other business location, may also audit records of the same taxpayer pertaining to personal property and fixtures on property having tax situs at the same location.

**Rule 1045. (Continued)**

(2) When an assessor schedules an audit of the records of any racehorse owner, whether as part of an audit required by section 469 of the Revenue and Taxation Code or independently thereof, the assessor shall advise the assessor of any other county in which racehorses of the taxpayer were taxable, as shown in the Annual Racehorse Tax Return or in any other source, of the date on which the audit will be performed. Upon completion of the audit, the assessor shall make that portion of the audit findings relevant to the annual racehorse tax available to the assessor of any other county in which racehorses of the taxpayer were taxable.

(3) On discovery that horses escaped taxation, the assessor shall determine whether they were subject to the annual racehorse tax, were subject to the property tax, or were exempt. If determined taxable, the assessor shall either provide the tax collector with copies of the audit workpapers so that a determination of additional racehorse tax due can be calculated, or enroll an ad valorem assessment of escaped personal property.

(e) Nothing herein shall be construed to prohibit the assessor from auditing the records of taxpayers for which audits are not required by this regulation.

History: Adopted October 26, 1972, effective December 1, 1972.  
Amended October 18, 1973, effective November 25, 1973.  
Amended December 7, 1982, effective March 4, 1983.  
Amended December 14, 2004, effective March 19, 2005.