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IT'S A GOOFY TAX

By: David Gangloff Jr., Esq., President

Every year since 1918 thousands upon thousands of Boston Red Sox fans have said, "This is the year we will win the World Series again." And year after year until 2004, thousands upon thousands of Red Sox fans were wrong in their opinion. What does this have to do with property taxes, you might ask? Read on for the answer.

We are often asked by taxpayers to prepare and file their property statements. When we do file on behalf of clients we tell them that we will have to check the accuracy of the resulting assessments. We also tell them that more often than not the assessments will be wrong and we will be filing appeals.

At this point our conversation goes something like this:

Client - "Wait a minute, we thought you were experts. Why would you have to file appeals if you filed the return correctly?"

PTA - "We didn't say that there would be anything wrong with the way we filed the returns."

Client - "You mean the assessor makes that many mistakes when processing the return?"

PTA - "We didn't say that either."

Client - "Well, why would you more often than not file an appeal?"

PTA - "Because even if we file the return 100% correctly and the assessor makes no mistakes in processing the return, the resulting opinion of value is still simply not correct."

Most taxpayers are used to a taxing system that relies on the accuracy of the tax return to determine their tax liability. If the return is filed correctly the resulting tax is correct. This is just not accurate for property taxes.

This, of course, is the reason for the headline, "IT'S A GOOFY TAX." No other tax is based entirely on an opinion. Granted, that opinion is supposed to be a reasoned opinion based on facts. Unfortunately, that is not always the case when valuing business personal property. When the assessor is processing the property statement he is using a mass appraisal technique with very little real world information to accurately appraise the property. Basically, the assessor's opinion of value pretty much boils down to a WAG, (Wild \$#@! Guess). The assessor, being the assessor, naturally tends to have a WAG that is considerably higher than most taxpayers' opinion of value or independent appraisers'.

The bottom line is that like the Sox fan whose taxpayers' opinion for the last eighty years or so was that "this is the year" that the Sox will win the World Series, the assessor's opinion as to the value of the property is rarely right. And this is the reason that we tell our clients that even if we correctly report the property and even if the assessor accurately processes the report, there is every possibility of reducing the resulting assessment through the appeals process. Of course, just like the Boston fan, the assessor's opinion is right occasionally - about once every eighty years or so.



TAX SAVING OPPORTUNITIES

Michael Barton, VP PTA Real Estate Tax Division

The editor of this publication (let's call her Lisa H.) noticed that I had been dragging my feet about submitting an article for this, our latest edition. She pointed out that some people have a keen interest in what I have to say. "And who would those "keen" people be?" says I.

"Well" she says, "there's me...I am the editor. Then, there's your wife, who I'm sure hopes you will remain employed here. And there are the people who read the newsletter."

"Which brings us to a total of four." I didn't actually say that...not wanting to see any office furniture broken on my account.

Now, in the midst of all this pressure, our CEO (let's call him Lisa H's brother) expects me to generate both substantial revenue from existing projects and help sign up new clients along the way. Which brings us to you, our loyal audience/readers:

YOU HAVE GOT TO START COMING UP WITH MORE PROJECTS FOR US TO WORK ON HERE AT PTA*

Perhaps, the problem is that there are some potential issues of which you are unaware.

In my experience, one of the most neglected property tax saving opportunities is where triple net (NNN) tenants occupy all or a major portion of a shopping center, warehouse or office building. When the building ownership or management receives the tax bill and passes the tax expense along, they may not wish to deal with the time and expense of pursuing a fair and equitable assessed value on behalf of the tenants. As an "affected party", the tenants generally have the right to retain the services of , well, me for example, to seek reductions on their behalf. Absent a specific prohibition in your lease, you, as a NNN occupant, have the right to pursue fair assessments.

Another area of potential savings for NNN properties is the duplicate assessment, particularly for newly leased properties. Here, the landlord frequently offers a tenant improvement allowance to new lessees. This allowance may take at least three forms: a cash disbursement directly to the tenant, direct payment for build-out up to the agreed to amount by the landlord, or reimbursement to the tenant for build-out for which the tenant pays. Landlord reports, tenant reports, tax collector is paid twice for the same items.

And, let's not forget the "shining star" of potential duplicate assessments. Each assessor's office in California has two valuation divisions, one for real property (rp) and one for business personal property (bp). Very often, a piece of property takes on characteristics of both, offering a huge opportunity for the same item(s) to show up twice on the tax roll, having been "picked-up" by both divisions. The real problem here is the lack of communication between the two divisions. In most jurisdictions, rp and bp don't seem to like each other at all (think of Red Sox/Yankees or Rush Limbaugh and Al Franken). I could offer numerous examples of my personal experience here but our CEO's sister hates it when I become too wordy. (*Editor's Note: I can see what David and Michael are both thinking about these days, do you think they would rather be at a baseball game? Lisa Henry*)

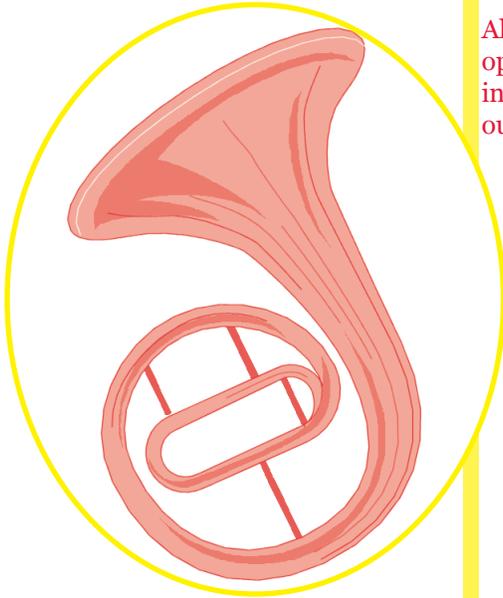
The point here is when you are billed for both (rp) and (bp) or have multiple potential taxpayers for the same property, or are a NNN tenant, the likelihood of duplicate assessments is something to think about. Or, don't think about it and just call me.

*Note: I would apologize to my English teachers for the grammar but they don't read this, either.

A graphic with a yellow border containing the text "Happy Birthday AMERICA". "Happy Birthday" is written in a red, cursive script, and "AMERICA" is written in large, red, 3D block letters with a white outline and a slight shadow effect.

Happy Birthday
AMERICA

TOOTING OUR HORN!



Although this is an informational newsletter, we would like to take the opportunity to brag about a sampling of our successes, from various industries, in the last quarter. These are the amounts of the refunds that our clients have received from the county, due to our work.

<i>Computer Hardware</i>	\$237,663.36
<i>DVD Manufacturing</i>	\$68,536.60
<i>Semi Conductor</i>	\$26,977.34
<i>Dairy Farm</i>	\$27,207.54
<i>Grocery Chain</i>	\$158,237.15
<i>Plumbing Fixture</i>	\$144,547.52
<i>Food Manufacturing</i>	\$270,967.94
<i>Electronics Manufacturing</i>	\$435,606.88
<i>Apartment Communities</i>	\$387,983.55

Tax Tidbits

You May be Richer than You Think!

The State of California holds over 4 billion dollars in unclaimed property. The State acquires unclaimed property through the Unclaimed Property Law in California. The law requires property holders, for example businesses and financial institutions, to report and deliver property to the Controller's Office after there has been no customer contact for three years. You can check to see if you or any family members have any forgotten property at this website, scoweb.sco.ca.gov/UCP/.

Appeal Filing begins July 2nd and ends September 15 or November 30, depending on the county you are in.

What is business Personal Property?

It is included but not limited to: machinery, computers, equipment, telephones, furniture, desks & chairs, FAX machines, bookcases, photocopiers & supplies. It is valued annually as of Jan 1st.

Sand

Sand in my swimsuit,
Sand in my hair,
When I go to the beach
Sand gets everywhere!

I wonder, I wonder,
Oh, how can there be
Sand left at the beach
When there's so much on me?

by Helen H. Moore



Quotes

Be yourself

Be who you are and say what you feel, because those who mind don't matter, and those who matter don't mind.

—Dr. Seuss

On friendship

A real friend is one who walks in when the rest of the world walks out.

—Walter Winchell

On living

Live as if you were to die tomorrow. Learn as if you were to live forever.

—Mahatma Gandhi

Man cannot discover new oceans unless he has the courage to lose sight of the shore.

—Andre Gide

You are never too old to set another goal or to dream a new dream.

—C.S. Lewis

It is not only what we do, but also what we do not do, for which we are accountable.

—Moliere

On business

My own business always bores me to death; I prefer other people's.

—Oscar Wilde

Driving

Everyone driving slower than you is an idiot. Everyone driving faster than you is a maniac.

—George Carlin

Property Tax Update

Printing Industry Decline

Gilbert Arciba, Tax Consultant

The Printing Industry is suffering from an economic downturn that does not appear to be any where near recovery. The recession coupled with the attacks of the September 11th further complicated the problems plaguing this industry. These factors create a problem of valuation for the tangible personal property, mainly the printing presses.

The California Assessors' Association (CAA) issues Business Assessment Factors which are to be utilized by all California Assessors' in the mass appraisal approach to arrive at the market value of a company's business property. Based on CAA guidelines, the printing industry is assessed on a 15-year table. As part of the cost approach, we need to consider these factors impacting the value of this equipment and address these issues in order to arrive at the Fair Market Value (FMV).

Economic obsolescence is a loss in value resulting from adverse factors external to the property that decrease the desirability of the property. This type of depreciation may include the loss of value due to: inflation, high interest rates, legislation, environmental factors, reduced demand for the product, increased competition, changes in raw material supplies, and increasing costs of raw material, labor or utilities without a corresponding price increase of the product. Loss on value attributable to economic obsolescence is usually beyond the owner's control and is mostly atypical depreciation (Assessors' Handbook 504).

It is apparent the recommended CAA guidelines do not account for the general economic malaises afflicting the printing industry. As a result of the economic conditions, many printing companies have been forced to close their doors. Subsequently, these closures have contributed to a saturation of printing equipment on the open market. Being that the market for used printing presses is a global market; 3rd world countries are the only ones willing to invest in these used presses as they can take advantage of the cheap labor and reap a profit.

Economic conditions are likely to remain difficult for the next couple years in this industry. With Assessment Appeal deadlines rapidly approaching, it is in the interest of all Printing Businesses in California that they file protective appeals with their respective counties. Property Tax Assistance has had success in reducing tax liabilities for numerous clients in this industry and is eager to assist all Printing Businesses being impacted by the current economic conditions.

An Honest Man

Cincinnati Red's closer Danny Graves lost his wallet recently during a trip to the West Coast for a game. Graves just assumed his wallet was gone forever. The wallet contained about \$1,400, credit cards and Grave's driver's license.

Graves didn't know it, but he had lost his wallet on the bus that took the Reds to the airport. Lucky for Graves, the man who cleaned that bus was an honest man. The man didn't just return the wallet to Graves, he went to a lot of trouble to make sure the ball player got everything back safely. The bus cleaner took the cash in and exchanged it for traveler's checks so that it wouldn't get stolen in the mail. The man also overnighted the wallet to Graves. And what did this honest man want in return?

He sent his name and address and asked for an autograph for his father.

—adapted from The Rugged Elegance Inspirational Network Web site



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Property Tax Update

Tax Seminar

The annual Property Tax Seminar given by:
The Professionals at
Property Tax Assistance Co., Inc.
Will be held again this year at the:

Embassy Suites Hotel
2120 Main St.
Irvine, CA
Thursday, October 27, 2005
8:00am-5:00pm
The Cost:
\$200.00 for one individual or, \$150.00 per person for two or more from the same company. The cost includes lunch and snacks. CPE credit is available for CPA's

For early registration please call or email
Lisa Henry, 562-920-1864 or
lhenry@property-taxes.com

Early Registration