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Property Tax Update



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Have A Tasty Thanksgiving!

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RECORD \$1.2 BILLION IN REDUCED VALUES FOR ORANGE COUNTY, CALIFORNIA CHIPMAKER

The Orange County Assessor has agreed to significantly reduce the assessments for Conexant Systems' semi-conductor manufacturing facility in Newport Beach, California. The reductions were for years covering 1999-2004 with total refunds in excess of \$17 million. Even though the assessments for the plant were already on the roll using the fast depreciation schedule recommended for semi-conductor equipment, the reductions amounted to approximately 57% of the total value that had been on the roll.

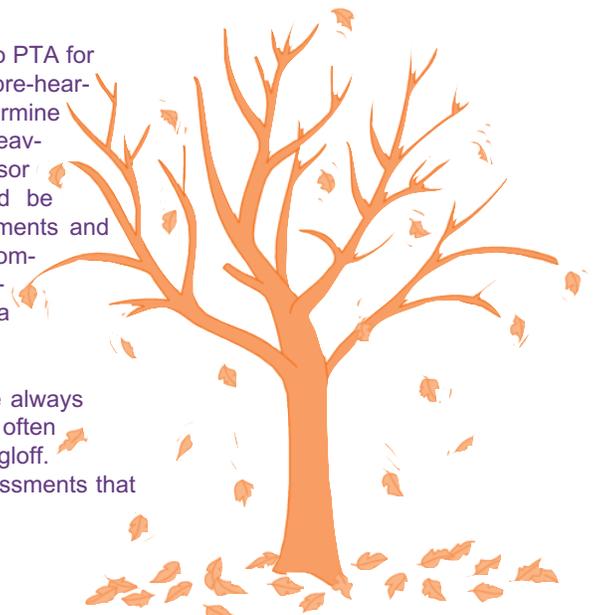
According to Dave Walker, tax manager for Conexant Systems Inc., as he reflected on the assessment issues associated with the final result, "Several other consultants missed the big picture and settled for minor reductions. We tried to resolve these issues with the assessor but had no success. Ron and Dave Gangloff, and Property Tax Assistance Co., Inc., made all the difference between a mediocre outcome and a fantastic result."

During the years 1999 to 2001, appeals were filed to reduce the Conexant assessments for the Newport Beach fab. Even though all of the information that was needed to support large reductions was available at this time, the decision was made to accept relatively small reductions to settle the appeals.

When Conexant hired Mr. Walker as its tax manager and the county started a routine audit for the 1999-2003 tax years, Mr. Walker recognized that Conexant's property had been over assessed because of the economic decline that was pervasive in the semi-conductor industry during the audit period and because Conexant had sold the facility in 2002 for substantially less than the assessed values during the audit years. During the course of the audit, the Assessor determined that some property had not been reported and the result of the audit increased the assessed value of the property by \$325 million with the additional related taxes amounting to \$5.5 million including interest.

Frustrated with the efforts of several different consultants, Conexant turned to PTA for help. PTA filed the necessary appeals on the escape assessments. Several pre-hearing conferences were scheduled with the Assessment Appeals Board to determine some preliminary issues and to set the ground work for extensive future endeavors. During the course of these hearings it was determined by both the Assessor and Conexant's representatives that a reasonable middle ground could be reached. The Assessor ultimately agreed to eliminate the escape assessments and reduced the original assessments by \$875 million. "We couldn't have accomplished this without the help of Ron and Dave" said Walker. "Their help, knowledge and experience were pivotal in working with the Assessor to arrive at a result that was fair to Conexant and the Assessor" he said.

"Preparation is the key to our success and the assessors know that we are always prepared," said David Gangloff. "Because we are prepared the assessor will often rather settle than continue a fight that will eventually be lost," added Ron Gangloff. "After all, the assessor would rather spend his resources on defending assessments that are not as vigorously pursued and have a higher likelihood of success."



Protesting the Valuation of Leased Equipment

Ben Clark, Regional Manager, Northern California

A lessee pays the property tax on leased equipment in one of three ways. In each option, the lessee is the party affected by the tax, and has the right to protest the assessment.

1. Pass-through of property tax by a separate bill from the lessor.
2. Direct assessment by the county for property leased through a bank or qualified financial corporation (a "finance lease").
3. Administrative "uplift" included in monthly lease payment that covers taxes and insurance.

Taxes paid by option 2 are the easiest to appeal, since the assessed value, account and assessment numbers are known.

Taxes paid via option 1 are sometimes more difficult to appeal. The lessee may have only received a bill from the lessor without any detail. At the very least, the assessed value and the lessor's account and assessment number are needed to file an application. The lessor maybe reluctant to provide this information, and the lease contract may prohibit proceeding with an appeal without permission. In addition, any refund obtained will go to the lessor as the payer of the tax, and a credit will have to be requested once the refund is received. Depending on the assessment, it may be worth the effort.

In option 3, a lessee's "appeal" is really with the lessor. "Administrative uplifts" are a goose that lays golden eggs for the lessor. The lessor will pay less tax as the equipment ages, but the lessee will generally pay the same uplift throughout the lease. Request an adjustment if you're being overcharged, based on the market value of the equipment.



Confused?

- Why is the third hand on the watch called the second hand?
- If a word is misspelled in the dictionary, how would we ever know?
- If Webster wrote the first dictionary, where did he find the words?
- Why do we say something is out of whack? What is a whack?
- Why do "slow down" and "slow up" mean the same thing?
- Why do "fat chance" and "slim chance" mean the same thing?
- Why do "tug" boats push their barges?
- Why do we sing "Take me out to the ball game" when we are already there?
- Why are they called "stands" when they are made for sitting?
- Why is it called "after dark" when it really is "after light"?
- Doesn't "expecting the unexpected" make the unexpected expected?
- Why are a "wise man" and a "wise guy" opposites?
- Why do "overlook" and "oversee" mean opposite things?
- Why is "phonics" not spelled the way it sounds?
- If work is so terrific, why do they have to pay you to do it?
- If all the world is a stage, where is the audience sitting?

Quotes

On children

There are few things more satisfying than seeing your children have teenagers of their own.

—Doug Larson

The trouble with children is that they're not returnable.

—Quentin Crisp

On being liked

I told my psychiatrist that everyone hates me. He said I was being ridiculous—everyone hasn't met me yet.

—Rodney Dangerfield

I can win an argument on any topic, against any opponent. People know this, and steer clear of me at parties. Often, as a sign of their great respect, they don't even invite me.

—Dave Barry

On believing in yourself

Once we believe in ourselves, we can risk curiosity, wonder, spontaneous delight, or any experience that reveals the human spirit.

—E.E. Cummings

On conceit

The smaller the mind the greater the conceit.

—Aesop

On fear

Remember that fear always lurks behind perfectionism. Confronting your fears and allowing yourself the right to be human can, paradoxically, make you a far happier and more productive person.

—David M. Burns

Property Tax Update

Ten Questions to Ask a Prospective Tax Consultant

To find a good tax consultant, you might ask other companies similar in trade to yours what tax consultant firm has successfully represented them. An even better suggestion is to ask the appraisers at the local deputy assessors' office in your jurisdiction. They deal with tax consultants on a regular basis and will be able to tell you what firms are well prepared, respected and successful.

Keep in mind these 10 questions to ask prospective tax consultants:

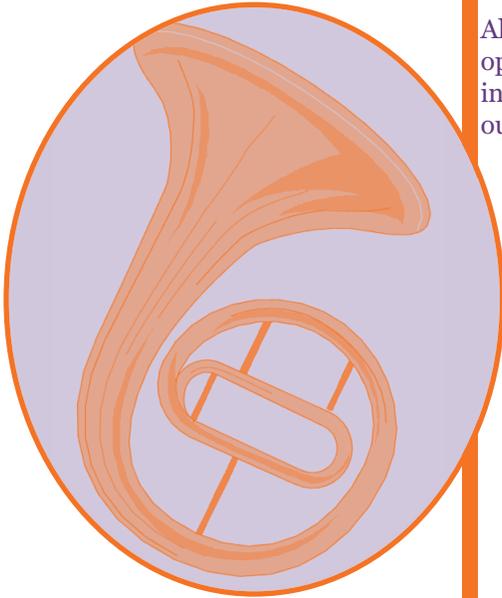
- 1) **What's their professional background?** Just as in any interview, you need to know their qualifications. Most tax consultants are either property tax attorneys or former certified tax assessors.
- 2) **What's their general consulting experience?** Ask how many years of experience they have in this field. Also ask how they keep abreast of the latest trends in property tax laws. Ask them to share a recent challenge that proved successful.
- 3) **What's their consulting experience in (your) company's industry?** If you don't feel they've represented enough companies similar to yours, keep looking.
- 4) **Can they provide a list of current references that fall within (your) company's industry?** Contact the owners / managers who work closely with the consultants. Ask about their work, and if they've been successful in challenging assessments.
- 5) **Which states are they licensed / registered in?** Since licensing and registration for tax consultants differ from state to state, it is important to know if they will be able to handle all of your locations. If you are unsure, check with the secretary of state's office.
- 6) **What are their fees?** Some charge an hourly rate, others on contingency (percentage). The average contingency rate is 33 1/3%.
- 7) **What's their average success rate in appealing assessments?** A firm that takes on only credible cases should have a 60-80% success rate.
- 8) **After an initial evaluation, what percentage of assessments do they actually challenge?** Don't waste your time with a firm that files frivolous appeals. They are not thorough and usually have only a 10-20% success rate.
- 9) **How many times a year do they testify at a formal appeals board hearings?** It is important that the consultants have solid experience in testifying at formal hearings. Assessors become familiar with consulting firms, and who is well prepared. Often this holds more credence with the hearing board.
- 10) **What are their basic procedures for challenging an assessment?** Have them outline the steps they will take in analyzing your case. Ask what records, documents, evidence, and even photos might be required. This will help you see how thorough their case preparation will be.

The best advice? Do not wait until the final hour to hire your consultant. Shopping for the best possible representation prior to tax bill time can prove well worth your time and effort.

Taken from the article: How to Hire a Good Tax Consultant to Challenge Assessment
From the publication: Shopping Center Management Insider, November 2000
Originally written by: Johnathan P. Mollod, Esq., Brownstone Publishers, Inc.,
New York, NY
Insider Sources: Kenneth A. Larson, Esq., Head, Seifert & Vander Weide,
Minneapolis, MN Michael Barton, Vice President, Real Estate
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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>Aerospace</i>	\$25,902.92
<i>Attorney</i>	\$38,242.25
<i>Automotive Parts Mfg.</i>	\$34,163.00
<i>Computer Mfg</i>	\$305,653.37
<i>Pharmaceuticals Mfg.</i>	\$46,244.95
<i>Distribution Co.</i>	\$91,202.11
<i>Foods Mfg.</i>	\$68,975.32
<i>Grocery</i>	\$10,000.00
<i>Healthcare</i>	\$29,445.16
<i>Motion Picture Services</i>	\$29,995.53
<i>Plastics Mfg.</i>	\$208,301.14
<i>Post Production</i>	\$111,619.98
<i>Printing</i>	\$27,795.48
<i>Scientific & Tech Instruments</i>	\$126,814.80
<i>Textile</i>	\$135,357.54
<i>Wireless Communication</i>	\$319,346.47
<i>Office Building, Brisbane, CA</i>	\$133,712.44
<i>Apartment Community, LA, CA</i>	\$485,613.86

Tax Tidbits

Taxable Property

Taxable property in California is:

1. Land including all things naturally occurring on, in, or above the land;
2. Buildings and other changes or improvements that are permanently part of the land; and
3. Tangible personal property.

A Place in Space

All taxable property has a physical dimension to it, a specific piece of space which that property occupies and no other property can include. Real property extends from the center of the earth to the sky, and is defined by vertical walls around the surface area of the parcel as stated in the assessor's parcel map. Real property is fixed in position, and doesn't move or change over time.

Tangible personal property, which is not fixed in position, is defined by its physical outline also. No other tangible property can occupy that space at a point in time.

Turkey Day Treats

A Thanksgiving poem

May your stuffing be tasty
 May your turkey plump,
 May your potatoes and gravy
 Have nary a lump.
 May your yams be delicious
 And your pies take the prize,
 And may your Thanksgiving dinner
 Stay off your thighs!
 —Anonymous



INTERFAMILY TRANSFERS - REAPPRAISAL EXCLUSIONS

Linda Boehme, Sr. Tax Consultant

1. Interspousal Transfers are excluded from Reappraisal

2. Parent/Child Transfer Excluded under Proposition 58 (Effective 11/6/86):

Transfers of primary residences between parents and children.

A "child" for purposes of Proposition 58 includes:

- *Any child born of the parent(s).
- *Any stepchild or spouse of that stepchild while the relationship of stepparent and stepchild exists.
- *Any son-in-law or daughter-in-law of the parent(s).
- *Any adopted child who was adopted before the age of 18.

Transfers of the first \$1 million of real property other than the primary residences between parents and children.

It is the Proposition 13 value (factored base-year value) just prior to the date of transfer. Usually this is the taxable value on the assessment roll.

Transfers of real property must be between eligible parents and children, not legal entities, such as a family partnership.

Time filing requirements of Proposition 58:

Generally, a claim must be filed with the county assessor's office by the earliest of the following:

1. Within three years of the transfer.
2. Prior to transferring to a third party.
3. Within six months of the mailing of a notice of supplemental or escape assessment.

3. Grandparent/Grandchild Transfer Excluded under Proposition 193 (Effective 3/27/96):

Transfers from grandparent to grandchild under the strict condition that both parents of the grandchild are deceased as of the date of transfer or purchase. Grandchild is defined as the offspring of any qualified child defined in Prop. 58.

4. Proposed Legislation: Sibling Transfer Exclusion:

This legislation would add subdivision (q) to Section 62 to provide that a "change in ownership" does not include any transfer between siblings. The exclusion would apply to a transfer occurring on or after January 1, 2007. This bill would become operative only if voters approve a companion constitutional amendment at the November 7, 2006 statewide election.