

PTA

PROPERTY TAX UPDATE

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FALL

2009

A Commercial Real Estate Rebound in 2011?

Linda Boehme, Senior Consultant

According to UCLA Anderson Forecast senior economist , Jerry Nickelsburg, "There is nothing happening in California that will help pull the state out of recession in advance of the nation." UCLA Anderson Forecast is one of the most widely watched and often-cited economic outlooks for California and the nation.

The forecast for California is for very little growth in the last six months of 2009. The economy should begin to pick up in 2010 and return to more normal levels of growth in 2011. Unemployment is expected to hover around 10% through 2011.

According to Mr. Nickelsburg, "The office market survey results, combined with economic models of demand, show potential turning points in the Los Angeles and San Francisco markets. The dynamics of demand and supply in these markets indicate light at the end of the tunnel in late 2010 or early 2011. For the Silicon Valley, however, the data are less clear, but may suggest later in 2011."

"For the balance of the office markets, the surveys clearly indicate a longer-term adjustment process. The near term outlook for new construction in industrial markets does not look encouraging either, but could change rapidly if those 'green shoots' elsewhere in the economy turn into enough new consumption growth."

"New permits for industrial markets have taken a nose dive in California since the fall of 2008. New industrial building permits in April were less than 30% of the value of permits in August 2008 and less than 20% of one year previous. After the collapse of consumption in September, manufacturing, retail, wholesale and imports all collapsed and the demand for new manufacturing and warehousing space dropped with it."

"Industrial rental rates and occupancy rates in three years time will be lower than they are today in each of Los Angeles Co, Orange Co and the Inland Empire."

"Continued weakness in the balance of California's office markets and in Southern California industrial space markets, where fundamentals are anything but buoyant, is also evident in the survey results."

For more details see: <http://www.uclaforecast.com/allenmatkinsCRES/index.asp>



Recovering the 10% Late Payment Penalty

Ronald W. Gangloff, Esq., Vice President / Principal

Good Luck. A recent Los Angeles Superior Court decision denied a taxpayer's request for \$250,000 penalty abatement due to employee error. The payment was two days late due to the fault of a new employee, as well as complications stemming from an electronic payment system. Out of the litigation came several facts that should be startling to any property tax payer in California. If a taxpayer pays one second past the delinquency date, a late payment penalty is imposed.

Los Angeles County alone penalizes over 250,000 taxpayers a year for late payment of tax. Every year, many taxpayers make an attempt to recover penalties, mostly to no avail. In every instance the road to recover the penalty is extremely difficult, even if the penalty was assessed due to fault of the county. For example, the county may have misapplied the timely payment to the wrong property. What should be a simple fix ultimately gets caught up in a bureaucratic nightmare which typically leads to frustration.

Many times taxpayers just give up as the government is just too difficult to work with. Fairness does not come into play when the county reviews excuses for late payment. The bottom line is that the late payment penalty is a huge revenue source to the county, which they are reluctant to give up. Barring flood, fire, or calamity, no excuse that includes any fault of the taxpayer will suffice, no matter how reasonable. The best way to avoid the penalty is to pay early. Do not play around with the delinquency date as that is akin to playing with fire. Keep copies of payment checks and post-marked envelopes. Pay early and verify receipt of payment by the county so that if it is not received, it can be re-sent. Obviously, the more tax liability at issue, the more potential penalty, and the more diligent you need to be in getting the tax in on time.

Marriage by the numbers

Marriage seems to be alive and well, according to the 2002 National Survey of Family Growth. In a study that included over 12,000 people ages 15 to 44 (almost 5,000 men and 7,600 women), researchers found that only 17 percent of women haven't gotten married by age 35, along with 25 percent of men.

The likelihood that a woman will marry by age 25 is 50 percent, though the odds of marriage for males does not reach 50 percent until age 27. By age 40, the probability of marriage is 86 percent for women and 81 percent for men.

Have a happy 'family' at work

Your co-workers aren't your family, but the same rules that ensure a warm relationship with family members can apply to the workplace.

Here are some guidelines for communication and respect that will create a positive atmosphere at work:

- Respect boundaries. Understand that people have their own concepts of personal space and privacy. Just as you wouldn't go into your sister's room without her permission, don't assume you can open someone's desk to look for a pen or a piece of candy. Stay out of your colleagues' personal lives, and don't share too much of your own.
- Keep promises. Family members and co-workers both want to know they can depend on you. Don't make commitments you can't keep. If something prevents you from doing what you've said you will, be honest and explain it at once. And do everything reasonable to live up to the promises you make. You'll build a reputation for trustworthiness that will aid your career.
- Don't waste people's time. We're all busy with our jobs or our chores. Although a certain amount of informal chat helps build and maintain a friendly atmosphere, don't overdo it, and don't let your co-workers waste your time on irrelevant discussions. Keep an eye on your priorities, and other people's, so everyone can concentrate on getting work done.
- Pay attention to people. No one likes to be ignored, whether it's by your father reading the paper while you're trying to talk about your day or by a co-worker checking his or her BlackBerry during a meeting. Give people your full attention when they're speaking to you. Eliminate distractions. This shows you respect their time and intelligence.

SHOULD YOU FILE AN APPEAL TO CLAIM YOUR REFUND?

Sean P. Keegan, Vice President / Principal

We have seen continuing changes in California property values during 2008 and 2009. We have witnessed dramatic changes affecting industries including automotive, banking, consumer goods, insurance, mortgage, real estate, retail, and many others. As businesses and individuals who own property look for ways to reduce costs, annual property tax liabilities are costs which may provide an opportunity to realize tax savings. This tax liability is based on the Assessor's Property Value which is then multiplied by the tax rate.

Does the Assessor's Value exceed your estimate of fair market value for your Real Property, Personal Property (Equipment) or Fixture (Leasehold Improvements) Valuation?

In the California Assessor Offices, there are two divisions. The Real Property Division establishes values for land and improvements and establishes the base year valuation after new construction of improvements or after ownership changes. For properties built or acquired during the period of 2003 through 2008, it is probable that the property values have decreased compared to the County enrolled values. The 2009 County Assessor Value may not reflect any value decrease contrary to the real estate market downturn during 2007-2008. A claim form or a 2009 Assessment Appeal Application must be filed with the County Assessment Appeals Board to protect your rights. This claim for or Appeal application will preserve your opportunity for a value review by a County Appraiser and to have the application scheduled for hearing.

The Business Division (Business Personal Property) processes the Business Property Statement (Form 571-L) issuing a personal property and fixture assessment based on the costs reported by asset classification and asset acquisition year. Since certain industries, facilities, equipment, or improvements may have abnormal issues or accelerated value loss, there may be tax savings opportunities by contesting the valuation with filing an appeal.

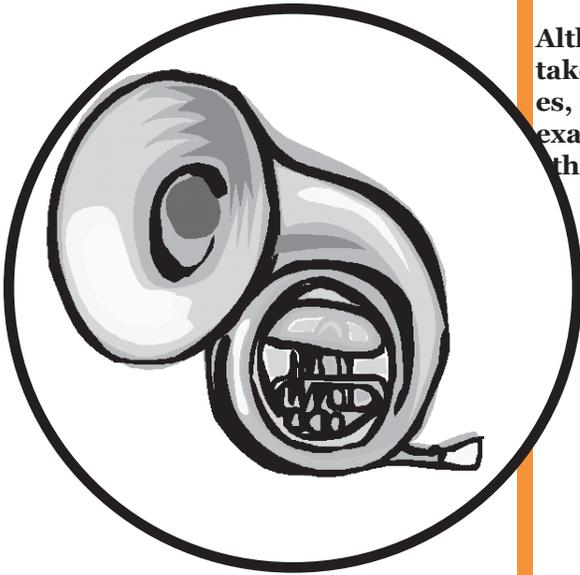
Did the County Assessor Value your Property correctly?

It is important to determine whether the Assessor knows the facts, any limitations, or the changes associated with your property. If the Assessor is relying primarily on leasing information (rent roll report) as contracted without making adjustments where the taxpayer is providing several months of free rent to retain a tenant due to current market conditions, then the resulting value estimates will require adjustment. Also, actual vacancy may differ from the Assessor's estimates. The California Code of Regulations outlines in Rule 8(a), the Income Approach to Value is "used in conjunction with other approaches when the property under appraisal is typically purchased in anticipation of a money income ...". The Assessor's Handbook (AH) 501 states "[T]he income used in rate derivation must be the investor's anticipated income, because the decision to invest in property is directly related to its anticipated return." If the anticipated income is not reasonably accurate for the subject property or a comparable property, it can create a flawed value result.

The comparative sales approach "[M]ay consider listings, offers, options, and the opinions of owners, realtors, and appraisers as to the selling prices that properties could command." (AH 501-85). These documents may provide indications that your property value requires a closer review or that the Assessor's market value opinion does not reflect the proper adjustments. For certain properties, sale transactions may be limited for 2009 compared to prior years. In some cases, the Assessor prefers the comparative sales approach which requires caution since the prior years have properties transferring at much higher prices.

If your 2009/2010 Assessment(s) exceed your estimate of Fair Market Value on January 1, 2009, we recommend filing an Application for Decline in Value (Proposition 8) with the County Assessment Appeals Board by September 15, 2009 (for Alameda, Inyo, Kings, Orange, Placer, San Francisco, San Luis Obispo, Santa Clara, Sierra, and Sutter County) or by November 30, 2009 for all other counties. This step starts the process which may lead to your property tax refund.

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 a few examples of the refunds that our clients have received from the county, due to our work.

<i>Aircraft Part Mfg</i>	\$86,295.77
<i>Cement Mfg</i>	\$341,973.48
<i>Electronics Mfg</i>	\$20,560.22
<i>Food Mfg</i>	\$44,855.96
<i>Grocery Stores</i>	\$114,327.14
<i>Hotel</i>	\$72,432.51
<i>Marine Cargo Handler</i>	\$267,281.8
<i>Medical Device Mfg</i>	\$58,741.00
<i>Metal Can Mfg.</i>	\$108,675.27
<i>Optical Equipment</i>	\$56,098.46
<i>Packing and Crating</i>	\$25,911.35
<i>Printng Industry</i>	\$114,763.91
<i>Roofing Tile Company</i>	\$339,907.77
<i>Semiconductor Manufacturer</i>	\$46,839.8
<i>Textile and Apparel Services</i>	\$28,703.99
<i>Video & Audio Equipment</i>	\$45,838.00
<i>Mid-Rise Office Building</i>	\$120,573.00
<i>Office Buildings</i>	\$48,579.00
<i>Retail Building</i>	\$29,765.00

TaxTidbits

Cal-Tax

Founded in 1926, the California Taxpayers' Association is a non-partisan, non-profit organization. It was started to protect taxpayers from unnecessary taxes and to promote government efficiency. They research and are advocates for taxpayers, on significant tax and spending issues in the legislative, executive and judicial branches of government.

Proposition 90

Proposition 90 extends Proposition 60 by allowing California counties to elect to accept transfers of Proposition 13 valuations from other counties. Thus, if a senior (age 55 or older) wants to move from Los Angeles County to say Orange County, now the senior can take his or her old lower Proposition 13 assessed value to a new replacement residence of equal or lesser value to any of the following Seven (7) California counties presently accepting proposition 90:

1. Alameda; 2. Los Angeles; 3. Orange; 4. San Diego; 5. San Mateo; 6. Santa Clara; and 7. Ventura



Quotes

Take the first step in faith. You don't have to see the whole staircase, just take the first step.

—Martin Luther King Jr.

I still find each day too short for all the thoughts I want to think, all the walks I want to take, all the books I want to read, and all the friends I want to see.

—John Burroughs

People often say that motivation doesn't last. Well, neither does bathing—that's why we recommend it daily.

—Zig Ziglar

I think I've discovered the secret of life -- you just hang around until you get used to it.

—Charles M. Schulz

Do not dwell in the past, do not dream of the future, concentrate the mind on the present moment.

—Buddha

The moment of victory is much too short to live for that and nothing else.

—Martina Navratilova

If you don't go after what you want, you'll never have it. If you don't ask, the answer is always no. If you don't step forward, you're always in the same place.

—Nora Roberts

Property Tax Update

Avoid dwelling on conditions beyond your control

Psychologist Robert Brooks shared a story on his Web site about the time he was consulting with a group of teachers. They were stressed out and close to quitting. Brooks tried asking the group what they thought they could do on their own to make their jobs less stressful.

Their answers were: "If the students came from less dysfunctional families ... If the parents placed a higher value on education ... If the student experienced more discipline at home ... If the students would develop a more responsible attitude toward school ..."

Brooks said nothing. After a moment of silence, one of the teachers finally realized the contradiction: They were still concentrating on factors they had no control over.

Brooks made light of the situation by suggesting that the teachers place newspaper advertisements:

"I am a teacher looking to work in a school that only has students from functional families who are already motivated to learn, have already developed self-discipline, and place a very high value on education and respecting teachers."

After a good laugh, the teachers went on to start focusing on what they could do to create a more successful classroom environment.

Don't let stress stand in the way of success

Stress is a fact of life. How you handle it, though, is up to you.

Here are a few tips for keeping stress and anxiety under control in turbulent times:

- **Focus on right now. Worries about the past or the future can undermine your attempt to accomplish anything in the present. When you feel yourself growing anxious, concentrate on what you can do right now, and do it.**
- **Identify your fears. Sort out your feelings so you know exactly what you're worried about. Overcoming a vague dread is difficult, but once you've got a specific target, you'll be able to find ways to deal with your fear directly.**
- **Look for positive energy. Don't hang out with people whose anger or depression spills over onto you—find friends who support you and offer encouragement. Watch hopeful movies, listen to upbeat music. The more positive energy in your life, the better you'll be able to keep stress at bay.**

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Property Tax Update

October gave a party;

The leaves by hundreds came -
The Chestnuts, Oaks, and Maples,
And leaves of every name.
The Sunshine spread a carpet,
And everything was grand,
Miss Weather led the dancing,
Professor Wind the band.

~George Cooper, "October's Party"