

PTA

PROPERTY TAX UPDATE

Property Tax Assistance Co., Inc. ♦ 16600 Woodruff Ave., Bellflower, CA 90706 ♦ 562-920-1864 ♦ www.property-taxes.com

SPRING

2009

Economic downturn in the Printing Industry

J.P. Patel, Senior Tax Consultant

The Printing Industry is suffering from an economic downturn that does not appear to be anywhere 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 the factors impacting the value of this equipment and address the 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 decreases 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).

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 cheap local labor and reap a profit.

Economic conditions are likely to remain difficult for the next few years in this industry. With Assessment Appeal deadlines rapidly approaching, it is in the interest of all Printing Businesses in California to file protective appeals with their respective counties. Property Tax Assistance Co, Inc. 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.





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Property Tax Update

**Does the economy have
your company down?**

**Would you like to save
some tax dollars, with no
money out of
pocket?**

Call Lisa Henry 562-920-1864 ext.209

Useless facts

This trivia can help you win bets at the bar, or maybe \$1 million dollars if you're ever on a game show:

- Cats have over a hundred vocal sounds, while dogs only have about 10.
- Our eyes are always the same size from birth, but our nose and ears never stop growing.
- The Boston University Bridge is the only place in the world where a boat can sail under a train driving under a car driving under an airplane.
- Barbie's measurements, if she were life size: 39–23–33.
- February 1865 is the only month in recorded history not to have a full moon.
- Many hamsters only blink one eye at a time.
- The Pentagon has twice as many bathrooms as necessary. When it was built in the 1940s, the state of Virginia, where it's located, still had segregation laws requiring separate toilet facilities for blacks and whites.
- No word in the English language rhymes with month.
- Isaac Asimov is the only author to have a book in every Dewey-decimal category.
- Cat's urine glows under a black light.
- The first Ford cars had Dodge engines.
- Leonardo Da Vinci invented scissors.
- In the last 4,000 years, no new animals have been domesticated.
- Babies are born without kneecaps. They don't appear until the child reaches 2–6 years of age.
- The highest point in Pennsylvania is lower than the lowest point in Colorado.
- Nutmeg is extremely poisonous if injected intravenously.
- The most common name in the world is Mohammed.
- The first toilet ever seen on television was on *Leave it To Beaver*.
- Frank Lloyd Wright's son invented Lincoln Logs.
- Only one person in two billion will live to be 116 or older.
- The name Wendy was made up for the book *Peter Pan*.

Feeling at odds with the world?

If you've hit a snag and feel as if it's you vs. the world, ask yourself one question: "Am I struggling against something that is unchangeable?"

Ask this question of each of your "battles": your desire for more feedback from your boss, your irritation with the consistently bad produce at your nearby grocery store, your annoyance with impolite people. Will your boss change because you want her to? Probably not. Is the grocery store going to start selling better produce? Unlikely. Will those impolite people start practicing good manners? Maybe, maybe not. In each of these cases, though, you have the power to control how you feel.

You may not be able to change the situations, but that doesn't mean you have to accept them either. Make it easier for your boss to give you feedback by asking her specific questions about your work performance. Go to a different grocery store. Ignore slights from strangers.

The key is to adjust your expectations of others and determine how critical it is to win each of your battles. If something isn't going to change, then why keep railing against it? Move on. Feel better. And remember: Doing the same thing repeatedly and expecting different results is the definition of insanity.

Happiness is catching

If you want to be happy, try getting close to other happy people. Happiness isn't just an experience or choice, reports a study in the *British Medical Journal*. It depends on how happy those directly and indirectly connected to you are, and requires close proximity in order to spread. For instance, if you have a happy friend who lives within a mile of you, you're 25 percent more likely to be happy yourself, the researchers say. Proximity is key: A person is 42 percent more likely to be happy if a friend who is happy lives less than half a mile away. The effect declines the farther away a happy friend is.

Quotes

Overcoming

A Successful person is one who can lay a firm foundation with the bricks that others throw at him or her.

-David Brinkley

Change

They say that time changes things, but you actually have to change them yourself.

-Andy Warhol

Out of your comfort zone

The truth is that our finest moments are most likely to occur when we are feeling deeply uncomfortable, unhappy, or unfulfilled. For it is only in such moments, propelled by our discomfort, that we are likely to step out of our ruts and start searching for different ways or truer answers.

-M. Scott Peck

Love in return

Love life and life will love you back. Love people and they will love you back.

-Arthur Rubenstein

Choose!

You don't get to choose how you are going to die. Or when. You can only decide how you're going to live. Now.

-Joan Baez

Teamwork

When spider webs unite, they can tie up a lion.

-Ethiopian Proverb

Dogs

If you think dogs can't count, try putting three dog biscuits in your pocket and then give him only two of them.

-Phil Pastoret

CLIMATE CHANGE

Michael Barton, VP Real Estate Tax Services

No....not GLOBAL climate change. That topic is the subject of considerable debate.

The "Change" to which I refer involves Real Estate - or, more to the point, the Assessment of Real Estate.

By mid-2008, Investors, Lenders, Developers and Appraisers were well aware of the changes in demand for Real Estate as reflected by rents, occupancy, operating statements and sales. In fact, only some of our friends at the local Assessor's Offices failed to recognize the decline (collapse???) in values. And isn't that a shock?

Of course, it is our duty here at Property Tax Assistance Company to ensure that Assessors from Seattle to San Diego are fully informed and advised of the significant loss of value experienced by many of our clients' properties.

*Having said that, I also have a word or two for taxpayers: **BE PATIENT***

In some jurisdictions, we are still finishing up 2007 appeals, for which the date of value is January 1, 2007 and most of the relevant rents, transactions and operating statements were those generated during 2006.

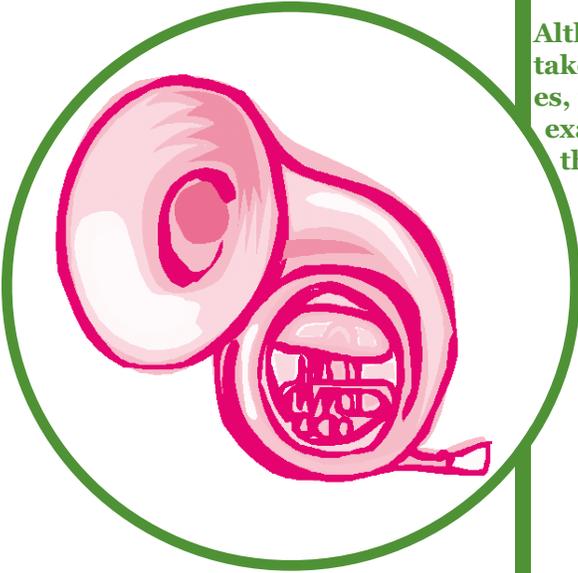
When we move on to the 2008 appeals, the date of value is January 1, 2008, and most of the relevant data came from 2007. Many of the pending 2008 appeals will not be resolved until late summer or early fall due to increased volume for the Assessment Appeals Boards and manpower issues at the Assessor's Offices.

As for 2009, the formal appeal opportunity opens up in July. Meanwhile, we can submit informal appeals, and are preparing to do so. By the time you read this, we will have contacted Deputy Assessors in every major county in California regarding \$2 or \$3 billion in assessed value. However, the Assessors are under no obligation to adjust values now. And, in my experience, they generally do not reduce major property assessments voluntarily, but prefer to wait for a formal appeal and subsequent hearing date. Even when they do offer a reduction based on an informal appeal, the reduction or abatement is a fraction of what is deserved. Therefore, it may be late 2009 or even early 2010 before many 2009 assessments are adjusted to reflect the market changes.

The bottom line here is that we must avail ourselves of every opportunity to ensure fair assessments for our clients. And that typically requires a formal appeal. We all seek a reduction... and sooner rather than later...but we must obtain the appropriate reduction. And the County is not likely to issue a tax refund or abatement of \$100,000 to \$400,000 on a property based a phone call.

Good tax work is, in a way, somewhat like food preparation....or as I tell my friends when they drop by for dinner: "Good food takes time"...

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>Commercial Printer</i>	\$47,135.93
<i>Corrugated Box Manufacturer</i>	\$11,672.00
<i>Dairy Processing</i>	\$189,887.26
<i>DVD/CD Manufacturer</i>	\$59,884.98
<i>Food Manufacturer</i>	\$108,041.91
<i>Grocery Stores</i>	\$174,990.90
<i>Injection Molding</i>	\$61,660.09
<i>Motor Vehicle Supplies</i>	\$102,889.02
<i>Post Production</i>	\$53,663.30
<i>Turbine Manufacturer</i>	\$44,682.74
<i>Golf Course</i>	\$67,265.
<i>Cold Storage Building</i>	\$162,000.
<i>Retail Property</i>	\$77,852.

TaxTidbits

Richmond's Business Inventory Tax Challenged in Court

California law (Revenue and Taxation Code Section 219) prohibits a property tax on business inventories. Yet the city of Richmond proposed such a tax and voters approved it last fall. The tax is 0.25 percent of the value of products used in the manufacturing process. Since the tax is based on value, it violates state law relating to inventories. For other products, it violates Proposition 13's limit of 1 percent, enforced on personal property through California Constitution Article XIII, Section 2. Therefore, it was not surprising that Chevron filed suit February 26 in Contra Costa County Superior Court to void these illegal taxes. Gayle McLaughlin, a Green Party member and mayor of Richmond, said she is "confident this measure will hold up in court." (Source: San Francisco Chronicle, February 27.)

Assemblyman Rescues Two From Burning Vehicle.

Minutes after returning to his Sacramento apartment after a late-night budget session, Republican Assemblyman Curt Hagman rescued two people from a burning car on February 16. The car, traveling about 55 miles per hour down a two-lane residential street, plowed into a parked pickup, and the driver and passenger of the car were trapped inside as the vehicles burst into flames. Mr. Hagman heard the loud crash and rushed to help, prying open a door and helping the occupants out of the car. Minutes later, the car exploded. The driver was arrested on suspicion of drunken driving. (Source: Inland Valley Daily Bulletin, February 17.)



Port Cargo Levels Sinking Fast

Albert P. Zamarripa, Regional Director, Northern CA

Containerized cargo has been impacted by the current recession which is affecting the entire United States and World for that matter. As discussed in a recent article I read pertaining to Cargo levels, the realities of the projections once forecasted by oceanic shipping companies is not holding true.

As an example, in the Port of Long Beach which is one of the busiest in the world, in 2006 (the last year of the boom for this industry) there was employment for 1,100 to 1,200 union and non-union workers on each day, for each shift. This number would even go as high as 1,500 on extremely busy days. In February 2009, this number slipped to an average of 660 per day/shift and the slowest day only required 384 workers.

This extreme decline in demand for containerized cargo has a ripple effect throughout the economy since the ports are where a majority of imports/exports are received throughout the country. The profound declines experienced by the Port of Long Beach are being felt by ports throughout the United States.

Since 2001, port operators have experienced extensive demand for containerized cargo volumes. The demand was so great that most articles you would read discussed congestion at the ports and increasing capacity to sustain the demand for containerized cargo. The ongoing demand led to forecasts of increases in imports/exports of 8.5% per year for 2001-2006 and an additional 7.3% per year for 2007-2012.

Shipping lines eager to capture the increase in market demand expanded operations, by increasing port area and investing in larger more efficient cargo handling systems. These expansions were very expensive in nature, ranging in multi-million dollar investments per site.

February 2009 was the worst month in the Port of Long Beach with an 18.1% decline compared to a year ago. Many "hope" that the stimulus package introduced by the new administration will have substantial effects on the economy as a whole, however if it does not this will be devastating to port operators that have millions of dollars in investments at stake.

Now port operators, like many others, are faced with the grim realities of the declining economy and record-setting recession levels. Port operators across the country have extensive excess capacity sitting at the docks, since not only is the demand for containerized cargo declining but the forecasts once predicted are heading in the opposite direction. This phenomenon is known as economic obsolescence and does have a direct impact on the value of fixed assets. Just like real estate or possessory interest, the value of fixed assets and fixtures will decline in an environment such as the one that exist today.

We could all use the Wizard's help

E. Y. Harburg, song lyricist for the classic 1939 film The Wizard of Oz, was once asked why he thought film fans loved the character of the Cowardly Lion. Harburg believed it was because the audience had sympathy for this vulnerable character.

"We're in a world we don't understand," said Harburg. "When the Cowardly Lion admits that he lacks courage, everybody's heart is out to him."