

PTA

PROPERTY TAX UPDATE

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

FALL

2011

"SPLIT ROLL" NEWS

Sean P. Keegan, EVP & Principal

ARE CALIFORNIA'S PROPOSITION 13 PROTECTIONS IN JEOPARDY WITH THE NEW FUNDING BILL?

California's Proposition 13 Protections, which have been in place for more than 30 years, are being reviewed as California's budget issues are unresolved. California's budget issues and Proposition 13 Protections were not resolved with Proposition 25 being in place this year. Proposition 25 allows the California Budget to be passed by a simple majority. However, the voting requirement for tax increases is still 2/3rds or a "Supermajority".

We have heard a faint church bell ringing over the years sounding that Proposition 13 could be overturned. The bell's sound has grown louder this year with various Assembly Bills being pushed through the system. California Governor Brown was questioned on the "Split Roll" topic recently when speaking to Apartment Owners & Developers in San Francisco, CA. He said that "I would expect there will be efforts to accelerate the reassessment of commercial property tax" (Los Angeles Times PolitiCal blog, 06/23/11).

"Split-Roll" proposals would affect future California property values and property taxes (non-homeowner properties). The "Split-Roll" initiatives typically come in two versions, the first type is where a reassessment is allowed for non-homeowner property to reflect the current fair market value annually. The other version, which is modeled after other states, would propose a higher tax rate for commercial properties.

Now, the latest alert circulating is for California Assembly Bill 946 (Butler), titled Property Tax Administration Loan Program, which is being introduced since the County Assessors have complained that they may not have the staff available to properly implement a "Split Roll" program. AB 946 outlines a funding option that "[A]n eligible county, as defined ... to elect to participate in the State-County Property Tax Administration Program" may receive "[A] loan from the state, ...for the purposes of providing supplemental funding for the that county's administration of the ad valorem property tax." At print, AB 946 is pending vote.

For 2012/2013 property tax planning and up to date information pertaining to these topics, we encourage you to view these websites.

California State Board of Equalization: <http://www.boe.ca.gov/>
California Taxpayer Assn. (CalTax):
<http://caltax.org>; and specific site:
<http://www.caltax.org/SplitRoll.htm>
Howard Jarvis Taxpayers Assn: <http://www.hjta.org/>



Are you Reporting Application Software?

Brent Buskirk, Tax Consultant

Your “application software” is exempt from taxes.

When it comes to reporting personal property, software can often times cause problems for taxpayers. All too often, businesses report application software on their business property statements, usually as computer equipment, not knowing that it is exempt from taxation. According to Section 995 of the California Revenue and Taxation Code, "storage media for computer programs shall be valued on the 1972 lien date and thereafter as if there were no computer program on such media except basic operational programs. Otherwise, computer programs shall not be valued for purpose of property taxation."

It is important to note that this exemption applies only to "application software." Application software does not include the computer's basic input output system (BIOS). This program is necessary to the operation of the computer, and is therefore taxable. Common programs that qualify for the exemption include Windows, UNIX, various types of accounting software, AutoCAD, and software for test equipment.

From our experience, we have noticed that this problem usually arises because some businesses do not separate computers and software in their accounting. Since all of these assets are grouped in the same account, all costs are reported as such to the Assessor each year. This practice results in overassessment, and ultimately, the taxpayer paying more than his or her fair share.

There is also a more complicated issue that we dealt with recently where the software was embedded in the equipment. A client purchased a piece of equipment for over \$3.6 million, with a significant portion of that cost being attributed to application software. However, the entire cost of the machine was put on the books, and reported to the Assessor each year since its acquisition.

Looking at this piece of equipment, it seems natural to think that the entire cost of the machine should be reported. However, if the costs for hardware and software can be individually indentified, it needs to be done. In this case, we were able to contact the manufacturer to get further details on this purchase. We researched and analyzed the many costs that comprised this asset, and we learned that the equipment was in fact 65% application software. This information was compiled into a detailed report that we presented to the Assessor. After some negotiations, we received an adjustment of just under \$2.4 million. Since we had four years under appeal, our total reduction in value was nearly \$10 million. Because we were able to identify that portion of the equipment that was exempt, the client not only received refunds of over \$100,000, but also considerable savings into the future.

***A great pleasure in life is doing
What others say you can't!***

Chinese Fortune Cookie

TOOTING OUR HORN!

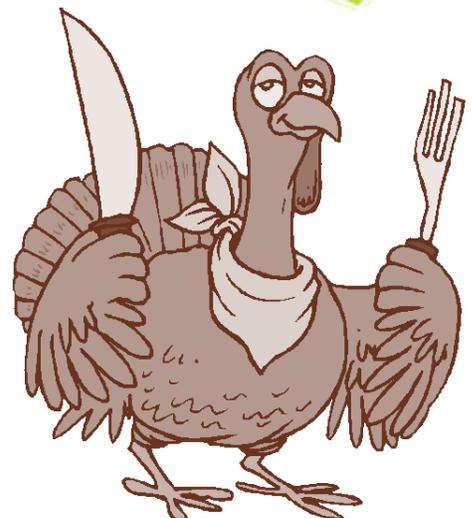
Although this is an informational newsletter, we would like to take the opportunity to brag about a sampling of our successes, from various industries, in the last quarter. These are a few examples of the refunds that our clients have received from the county, due to our work.

Personal Property

<i>Adhesive Manufacturing</i>	\$44,113.
<i>Advertising and Marketing</i>	\$107,969.
<i>Aerospace Manufacturing</i>	\$209,220.
<i>Campgrounds</i>	\$54,990.
<i>Commercial Printing</i>	\$49,796.
<i>Concrete Manufacturing</i>	\$328,460.
<i>Container/Packaging</i>	\$105,337.
<i>Entertainment</i>	\$158,139.
<i>Film & Video</i>	\$40,857.
<i>Food Manufacturer</i>	\$621,749.
<i>Fruit & Vegetable Canning</i>	\$30,783.
<i>Grocery</i>	\$166,437.
<i>Marine Load & Unload</i>	\$188,085.
<i>Newspapers</i>	\$96,803.
<i>R&D</i>	\$57,545.
<i>Rubber & Plastic Mfg.</i>	\$41,889.
<i>Semi-Conductor</i>	\$32,709.

Real Property

<i>Shopping Center</i>	\$98,921.
<i>Multifamily Property</i>	\$54,725.
<i>Industrial Property</i>	\$58,675.
<i>Multifamily/Condo Property</i>	\$84,419.
<i>Hotel Property (2 Properties)</i>	\$37,005.
<i>Industrial Property</i>	\$25,988.
<i>Retail Properties (3 Properties)</i>	\$225,399.
<i>Industrial Property</i>	\$33,526.
<i>Storage Property (2 Properties)</i>	\$20,220.
<i>Multifamily Property</i>	\$55,091.
<i>Nursing Home Property</i>	\$22,874.
<i>Residential Land</i>	\$14,650.
<i>Multifamily (3 Properties)</i>	\$121,031.
<i>Retail Property</i>	\$107,061.



Assessment of Contaminated Real Estate

Linda Boehme, Tax Consultant

More and more real estate is being found to contain significant contamination. Contamination originating from a neighboring property or, from a current or prior use on the particular property may be present. There are few worse situations for a property owner to find himself in. But, for those who already own or are about to purchase this kind of property the Mola Development Corporation v. Orange County Assessment Appeals case (2000) 80 Cal. App. 4th 309 goes a long way in clarifying how contaminated properties are to be assessed.

Some of the more pertinent conclusions from the case were:

1. In the absence of open market sales of comparable contaminated properties, the property should be valued by estimating the "fair market value" uncontaminated, and then making a downward adjustment for clean up and stigma.
2. Cleanup cost estimates are an acceptable way to measure the cost to cure the contamination.
3. Stigma is a legitimate downward adjustment. After all, there will always be the fear that not all the pollution has been cleaned up and therefore a certain "reserve" would be prudent.
4. Although the buyer may have been indemnified by the seller or other third party, the existence and amount of such indemnity should not be a consideration in determining the value of the property.
5. There is no requirement for the property to be under a governmental order to clean up contamination in order to recognize its detrimental affect.

Tax Tidbits

Appeal Filing Deadlines for California

September 15 is the deadline for the following counties:

Alameda
Inyo
Kings
Orange
Placer

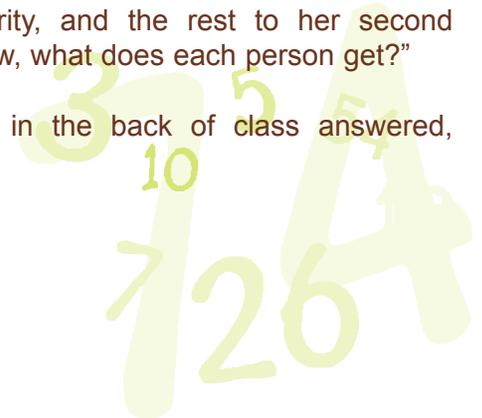
San Francisco
San Luis Obispo
Santa Clara
Ventura

For all the remaining counties the deadline is November 30. If you find yourself in a bind call us so we can assist you.

New math

A sixth-grade teacher was giving her class an arithmetic problem: "A wealthy woman died with an estate worth \$10 million. She left one-fifth to her daughter, another one-fifth to her son, one-sixth to charity, and the rest to her second husband. Now, what does each person get?"

A smart kid in the back of class answered, "A lawyer."



Cue the mood music

A minister was preoccupied with worry over how to persuade his congregation to donate money for repairs to the church's leaking roof. Just before the service was due to begin, he learned that his regular organist was sick, and he asked his wife to fill in. "Here's a copy of the service," he said. "You'll have to think of something to play after I make my appeal for donations."

About halfway through the service, the minister made his pitch: "Brothers and sisters, we are in great need. The roof repair is going to cost twice as much as we budgeted for, and we need \$2,000 more. Any of you who can pledge \$100 or more, please stand up."

And right then, the minister's wife began playing "The Star-Spangled Banner."

Quotes

The biggest disease today is not leprosy or tuberculosis, but rather the feeling of being unwanted.
—Mother Teresa

No matter what you've done for yourself or for humanity, if you can't look back on having given love and attention to your own family, what have you really accomplished?
—Lee Iacocca

The bitterest tears shed over graves are for words left unsaid and deeds left undone.
—Harriet Beecher Stowe

You cannot live a perfect day without doing something for someone who will never be able to repay you.
—John Wooden

Keeping score of old scores and scars, getting even and one-upping, always make you less than you are.
—Malcolm Forbes

When you reach for the stars you may not quite get one, but you won't come up with a handful of mud either.
—Leo Burnett

Success isn't permanent, and failure isn't fatal.
—Mike Ditka

My fake plants died, because I did not pretend to water them.
—Mitch Hedberg

Go for it now. The future is promised to no one.
—Wayne Dyer

Property Tax Update

What makes for a Great Property Tax Consulting Firm?

Ron Gangloff, Esq. EVP & Principal

There are many skill sets needed to competently and completely represent a taxpayer for property tax purposes. The firm should have individuals who collectively provide a strong base in valuation, accounting and tax law.

In any property tax case, issues can be found which relate to appraisal, accounting rules required for GAAP that conflict with a desired property tax position and issues stemming from interpretation of tax law, which is the foundation of the property tax. Any specific property tax case is also subject to legal procedural issues, a negotiation phase, a possible adversarial hearing and a formal presentation if an acceptable resolution is not achieved.

Traditionally these skill sets are applied distinctly to the individual disciplines to which they apply. Any individual property tax case requires skill sets from one or all three of these main disciplines. Therefore it is necessary to have all of these disciplines represented in any good property tax consulting firm.

It is also important that the individuals who make up the firm work closely together so all of the individuals benefit from the close working environment of all discipline types. In other words, the synergy created by close working conditions of all the individual skill sets mentioned make for a strong consulting firm, which is likely to achieve the best results on any individual appeal or client.

Identify and develop your greatest strengths

One of the secrets of success is making the most of your strengths. First, though, you have to determine what your strengths are—and that may not be obvious, especially if you're just starting out or looking to make a career change. Zero in on the skills that make you special by looking for these clues:

- What tasks attract you? Think of the types of jobs that you look forward to, that you'd find some way to do even if you weren't paid.
- What tasks do you lose yourself in? When you're involved on certain tasks, do you forget what time it is and how long you've been working? These will usually be the jobs that use your skills best.
- What do you learn quickly? You probably struggle with mastering some skills, but others you pick up effortlessly. That's because you have some natural talent and a deep desire to learn more.
- What do other people ask for help with? Pay attention to the jobs you're assigned and the favors people ask you for. They wouldn't come to you if you weren't good in those areas.
- Where do you succeed? This may seem obvious, but some people miss the forest for the trees. Take a look at the tasks you've done best at; they'll use your most important skills.
- What brings you satisfaction? No matter how tired you are, some tasks make you feel good at the end of the day. You'll do better in life and on the job by concentrating on work that you find fulfilling.



Volume 16, Issue 4

Presort Std
U.S. Postage
PAID
WMS

David L. Gangloff Jr., Esq. CEO & Principal
Property Tax Assistance Co., Inc.
16600 Woodruff Ave. Suite 200
Bellflower, CA 90706

For inquiries on our services, or questions about this newsletter, please contact:

Lisa Henry
562-282-5911
LHenry@property-taxes.com

www.property-taxes.com

Bellflower, CA (Corporate Headquarters)
Property Tax Assistance Co., Inc.
16600 Woodruff Ave.
Bellflower, CA 90706
Phone 562-920-1864 Fax 562-920-5775
PTA@property-taxes.com

Bay Area Office
Property Tax Assistance Co., Inc.
1981 N. Broadway, Suite 342
Walnut Creek, CA 94596
Phone 925-942-1004 Fax 925-942-0369

Property Tax Update

In Honor of Football Season

Pro football is like nuclear warfare. There are no winners, only survivors. ~Frank Gifford

Thanksgiving dinners take eighteen hours to prepare. They are consumed in twelve minutes. Half-times take twelve minutes. This is not coincidence. ~Erma Bombeck

If a man watches three football games in a row, he should be declared legally dead. ~Erma Bombeck

If you're mad at your kid, you can either raise him to be a nose tackle or send him out to play on the freeway. It's about the same. ~Bob Golic

At the base of it was the urge, if you wanted to play football, to knock someone down, that was what the sport was all about, the will to win closely linked with contact. ~George Plimpton

Baseball players are smarter than football players. How often do you see a baseball team penalized for too many men on the field? ~Jim Bouton