

PTA

PROPERTY TAX UPDATE

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

SPRING

2011

ARE CALIFORNIA'S PROPOSITION 13 PROTECTIONS IN JEOPARDY?

Sean Keegan, EVP & Principal

Governor Brown's recent election and the passing of Proposition 25 in 2010 has raised the question of "What impact will this have on our property taxes?" We have been asked by our clients (asset managers, property managers, owner-users, and institutions) about whether Proposition 13 protections for non-homeowner properties will change this year based on the current media reports of Governor Brown's recent comments. Based on the information available, there do not appear to be any major changes to Proposition 13 right now (<http://www.hjta.org/california-commentary/what-jerry-didnt-say-about-prop-13>).

Proposition 25 was closely watched since it involved both the California budget and a provision pertaining to the voting requirement for taxes. The passage of Proposition 25 allows the California budget to be passed by a simple majority. However, the voting requirement for tax increases is still two-thirds or a "supermajority." This provision was a part of the original Proposition 13 protection for California taxpayers which requires a two-thirds vote to pass most property, sales, and income tax increases. This requirement does not allow for property taxes to be increased easily or with a simple majority vote.

For many years, we have heard that Proposition 13 may be overturned. The "Split Roll" proposal would affect our clients' future property taxes (non-homeowner properties). Currently, all property owners with property that has not had an ownership change or new construction enjoy the assessment increases limited to a maximum of 2% per year. The Split Roll is proposed in two versions; the first is where a reassessment is allowed for non-homeowner property to reflect the current fair market value annually. The other version would propose a higher rate to current property acquisitions of non-owner occupied property.

The Split Roll proposals have received substantial opposition from the business community, and would require supermajority vote to pass. For 2012/2013 property tax planning and up to date information pertaining to these topics, we encourage you to view these websites:

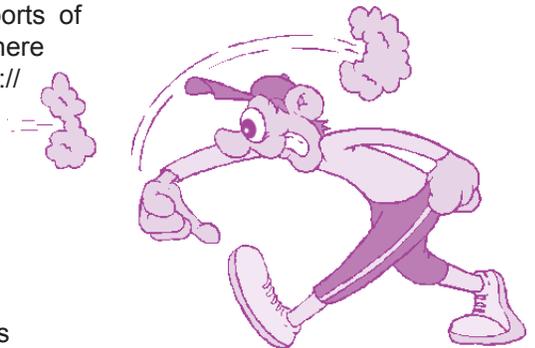
California State Board of Equalization: <http://www.boe.ca.gov/>

California Taxpayer Assn. (CalTax): <http://caltax.org/>

CalTax specific site: <http://www.caltax.org/SplitRoll.htm>

Howard Jarvis Taxpayers Assn: <http://www.hjta.org/>

If we can be of assistance, please contact me or visit our website (<http://www.property-taxes.com/RETD/>)(<http://www.property-taxes.com>).



Business Inventory

Assessable or Non-Assessable

J.P. Patel, Senior Consultant

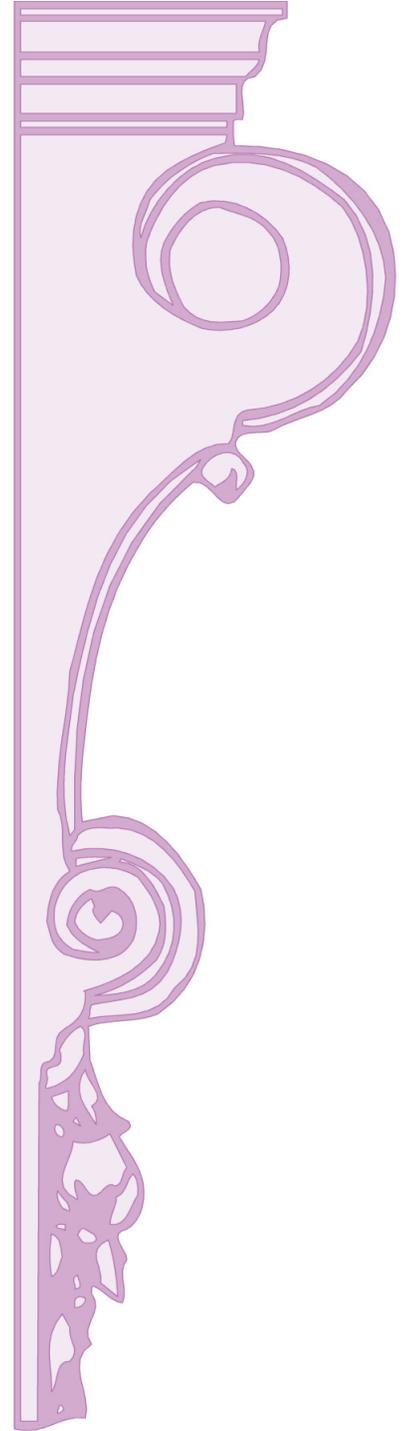
During these uncertain times, it seems appropriate for businesses to tighten their belts and reduce spending where practical. A less painful way of reducing expenses is to try to reduce taxes. Obviously, the savings need to outweigh the costs involved with achieving this type of reduction to be beneficial. Reducing property taxes allows a business to not only save in the current year, but possibly to continue accumulating those savings in future years as well.

One specific area for tax reduction is the area referred to as "Business Inventory." The State of California exempts inventory from assessment, so at first glance, it appears to be a simple tax issue. However, when the business in question is a leasing company or an equipment rental company, the issues are more difficult to understand. Under California Revenue and Taxation Code §129, leased assets are considered part of inventory, and therefore, assets held for lease on the lien date are considered exempt under the law. However, assets that are under lease on the lien date are assessable.

The state requires both the lessor and the lessee to report leased assets. The Business Property Statement (Form 571-L) asks the preparer of the return who has the tax obligation for the leased assets being reported on the 571-L. If the Assessor does not have an indicator as to who has the liability, sometimes bills will be issued to both parties, resulting in a double taxation. While this is good for the county, the error is difficult to find by the taxpayer. It takes a person who is knowledgeable with how each county assesses properties to discover this type of error, which is generally hidden in the total assessed value. If the error is caught in a timely manner, a conversation with the Assessor's Office may produce a correction. However, it is more likely that an assessment appeal will need to be filed to protect the taxpayer's rights until the issue is addressed by the Assessor's Office.

Another error that often occurs on the 571-L, which leads to a higher tax bill, is incorrectly reporting the leased assets as of the lien date. The lessor should be reporting 100% of the assets whether out on lease on the lien date or still on the premises. An attachment should be included with the 571-L to indicate the portion of the assets or asset that would be considered business inventory. In addition, the taxpayer must have the documentation to substantiate the assets that were out on lease or still on the premises as of January 1st of each year.

In conclusion, counties have received substantial excess taxes due to incorrect reporting of leased assets. Therefore, it is advantageous for leasing companies with significant assets to accurately track their leases, and then utilize specialists to report the assets correctly on their Business Property Statement (571-L) every year.



Williamson Act

Albert Zamarripa, Vice President

Pretty much all the honest truth-telling there is in the world is done by children.

—Oliver Wendell Holmes

Success is a lousy teacher. It seduces smart people into thinking they can't lose.

—Bill Gates

The secret to happiness is something to do.

—John Burroughs

A boss creates fear, a leader confidence. A boss fixes blame, a leader corrects mistakes. A boss knows all, a leader asks questions. A boss makes work drudgery, a leader makes it interesting.

—Russell H. Ewing

The older I get, the less I listen to what people say and the more I look at what they do.

— Andrew Carnegie

The most important thing a father can do for his children is to love their mother.

—Theodore Hesburgh

To love and be loved is to feel the sun from both sides.

—David Viscott

Pie can't compete with cake. Put candles in a cake, it's a birthday cake. Put candles in a pie, somebody's drunk in the kitchen.

—Jim Gaffigan

Another word for creativity is courage.

—George Prince

Governor Brown proposes to eliminate funding for the Williamson Act.

The California Land Conservation Act, better known as the Williamson Act (The Act), has been the state's premier agricultural land protection program since its enactment in 1965. The Williamson Act preserves agricultural and open space lands through property tax incentives and voluntary restrictive use contracts. Private landowners voluntarily restrict their land to agricultural and compatible open-space uses under minimum 10-year rolling term contracts with local governments. In return, restricted parcels are assessed for property tax purposes at a rate consistent with their actual use, rather than potential market value. In August of 1998, the Legislature enhanced the Williamson Act with the Farmland Security Zone (FSZ) provisions.

As of January 1, 2009, approximately 15 million reported acres were enrolled under the Williamson Act statewide. This represents approximately half of California's farmland total of about 30 million acres, and nearly one-third of the State's privately owned land. Of California's 58 counties, 53 have adopted the Williamson Act program (Alpine County has adopted the program, but has yet to execute a contract). Del Norte, San Francisco, Inyo, and Yuba have not adopted the Williamson Act program as of the snapshot dates.

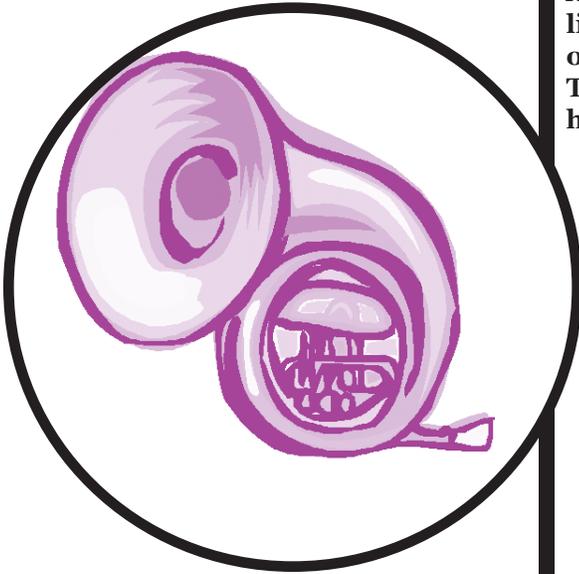
Brown recently unveiled his plan to find \$25 Billion missing from Sacramento by reducing \$12.5 Billion in programs and services, and the remaining \$12.5 Billion by extending tax increases for five additional years. A major drawback of his plan is to eliminate \$10 Million from the General Fund which directly impacts The Act. The state's General Fund pays cities and counties to make up for the lost property tax revenue.

Issues associated with cancellation of the Williamson Act go far beyond lost agriculture jobs and production, according to the State Senate Briefing Report from this year. Cancellation of contracts may also lead to issues of abandoned crops, pest control and loss in revenue to local governments from reduction in business. Governor Brown said his proposal is "painful," but represents "a balanced approach" consisting of cuts, tax increases and a "vast and historic" restructuring of state and local services.

*A man loves his sweetheart
the most, his wife the best, but
his mother the longest.*

~Irish Proverb

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

Canned & Frozen Foods	\$73,997
Casino	\$64,840
Commercial Printing	\$62,849
Concrete	\$29,928
Container Manufacturing	\$41,442
Entertainment	\$69,022
Furniture Manufacturing	\$20,048
Grocery	\$458,921
Marine Cargo Handler	\$161,495
Medical Equipment	\$123,161
Newspaper Publishing	\$30,407
Printing Company	\$77,062
Snack Foods	\$21,330
Steel Production	\$68,498
Wireless Components	\$110,552

Real Property

Multifamily Property	\$101,660
Shopping Center	\$106,707
Retail Properties (8 Prop.)	\$164,180
Retail Property (Bank)	\$55,152
Industrial Properties	\$101,628
Hotel/Club	\$206,927
Office Building	\$58,160
Industrial Property	\$196,728



*"Peace begins
with a smile.."*

— Mother Teresa



THE VALUE OF WORDS

Three children on the playground were bragging about their parents. One little girl said, "My father is a songwriter. He writes a few words and calls it a song, and they pay him 500 dollars."

"Oh, yeah?" said a little boy. "My dad writes a lot of stories and calls it a book, and they pay him 1,000 bucks."

"That's nothing," said the third child. "My dad's a pastor. He scribbles a few words and calls it a sermon, and it takes six people to collect all the money!"

Tax Tidbits

Roger Bacon, et al. v. County of Los Angeles, et al.

For those of you anxiously waiting to hear the outcome of the class action court case, the Fairness Hearing has now been continued to April 18, 2011 at 1:30 p.m. For more information please go to:

www.losangelescountypropertytaxrefundsettlement.com

National Park Week

April 17-25. National Park Week is an effort to raise the awareness of the need for public parks and the pleasure they provide all Americans and their families. To make experiencing the great outdoors easier, the National Park Service is waiving entrance fees for this week in April so visitors can enjoy all 392 national parks for free.

PRIORITIES ON OPENING DAY

On Opening Day at the baseball stadium, a woman sat behind home plate next to the only empty seat in the place. During the seventh-inning stretch, a man in the row behind her leaned forward to ask if she was waiting for someone.

"It's my husband's seat," the woman said. "We bought these tickets six months ago."

"Why isn't he here?"

"Well . . . he died."

"Oh, I'm so sorry!" the man apologized. "And you couldn't find a friend to come with you?"

"Oh, no, they're all at the funeral."



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Property Tax Update

Some people think the government owes them a living. The rest of us would gladly settle for a small tax refund.

President Herbert Hoover was the first President to give his salary back to the government. Now the government would like everybody to do it.

Everybody works for the government, either on the payroll or the tax roll.

A man's home is his castle. At least that's how he feels when he pays taxes on it.

The honeymoon is over when the bride begins to feel like she was never anything but a tax deduction to him.

Don't you long for the good old days when Uncle Sam lived within his income and without most of yours?

Nothing makes a person more modest about their income than to fill out a tax form.

The income tax forms have been simplified beyond all understanding.