

# PTA

# PROPERTY TAX UPDATE

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**WINTER**

**2011**

## Another New Year

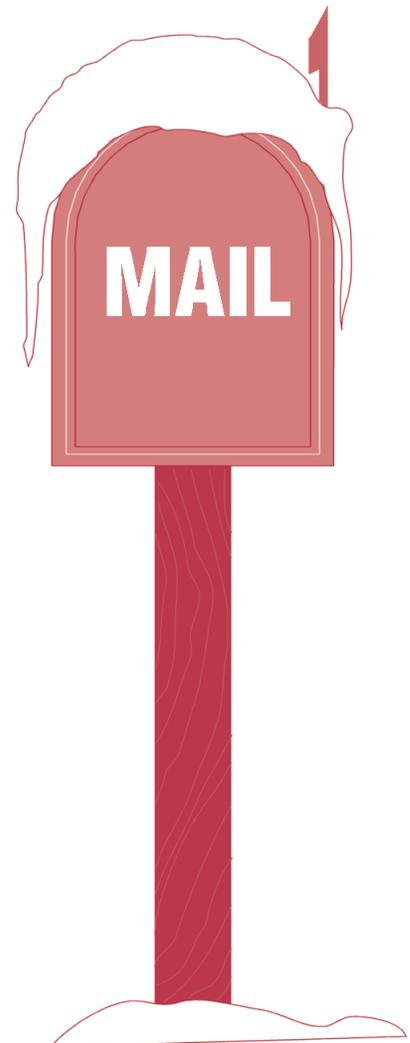
Linda Offringa, Director Tax Compliance

### Another Opportunity to Reduce your Property Tax.

Once again it is the beginning of another new year and with it, another opportunity to reduce your personal property tax liability. This year before you turn in your property statement, take a close look at the property you are reporting. Are you reporting assets that have been physically removed from the building but not off the books and records? Are there assets that have been sitting idle due to a drop in sales? Has your market changed and subsequent profit margins reduced? Has repair and maintenance been reduced or postponed due to lack of revenue?

These are questions every accountant should ask before filing their property statement. But who has time for that? By now, most companies have downsized and accounting departments are running thin on personnel who are overwhelmed already. For many companies, fixed asset maintenance is not a high priority. One option to consider is to conduct a "brief" inventory with the plant manager. This can be done rather quickly and may prove invaluable in the amount of property tax dollars saved in advance; avoiding the filing of an appeal after the assessed value has been placed on the tax roll. This is a quick way to shave off those property tax dollars. If time is an issue, this job can also be outsourced to an independent consultant .

Unfortunately, due to the mass appraisal techniques used by the State, many of the more complex issues involving excess economic, functional or physical obsolescence can only be dealt with in the appeal process. Appeal deadlines vary from state to state but in California an appeal must be filed by Sept. 15 or Nov. 30 depending on which county you are located in. It is in the appeal process, that issues involving the overall drop in the economy or changes in the processes used by your particular industry are introduced. This process is more time consuming but will save money for your company for years to come.



# Audits are an Opportunity!

David L. Gangloff Jr. Esq. CEO & Principal

In one recent case, after the audit was completed the taxpayer was unhappy with the results and filed assessment appeals for all years under audit at one time. Eventually, those audit appeals resulted in assessment reductions of approximately 65% for each year under audit and almost \$4 million in tax refunds. While the size of the refunds is somewhat unusual - mostly because taxpayers do not generally pay this much in personal property tax - the concept of reducing assessments during audit is not at all unusual.

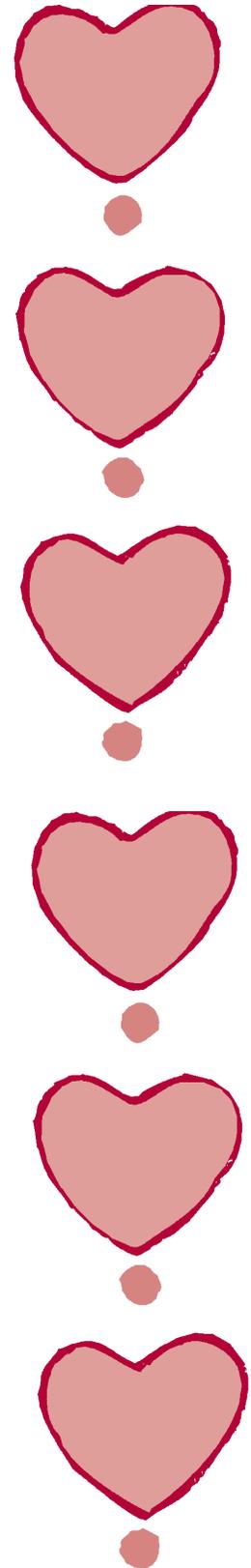
If you are like most taxpayers, you dread the idea of a county auditor-appraiser coming in and examining your books. This is so, regardless of any doubts you may have in regards to the way that you reported your property to the county in the first place. You may believe that you reported everything according to the instructions, and yet the idea of an audit sends shivers down your spine. On the other hand, you may have reported in an aggressive fashion and now worry about what the auditor may change. Additionally, you may be so busy with other pressing matters that the idea of dealing with an auditor-appraiser may send you off the deep-end.

So why are audits good, you might ask? The reason is because they allow you to review four years of assessments at one time. If the auditor-appraiser discovers that property has been under assessed the auditor-appraiser is required to issue an escape assessment. If, however, the auditor-appraiser concludes that the property has been over assessed the auditor-appraiser is required to let the taxpayer know that he is entitled to file a claim for refund. Considering that the assessor uses a mass appraisal technique to value property, any doubt as to the value of the property when the Business Property Statement is being processed is resolved in favor of higher assessments.

The audit is the taxpayers' first real chance to sit down with an appraiser and discuss the value of the property. If you can convince the auditor-appraiser that the mass appraisal techniques do not adequately appraise the value of your assets and that a reduction is in order, you will receive a refund.

Of course, many auditor-appraisers resist the "appraiser" aspect of their title. They prefer to think in terms of being an "auditor" only. In this case you may have to file an assessment appeal at the end of the audit and take your case to the local assessment appeals board. You may file an assessment appeal only when the auditor-appraiser finds property "subject to escape assessment." Because of recent court decisions and revisions to the rules relating to when an audit may be appealed, the ability of a taxpayer to file an appeal after audit has been greatly enhanced. At the very least, the local assessment appeals board has the responsibility to determine if property was "subject to escape assessment."

Whereas there is no doubt that there is extra work with an audit, if you keep in mind that you have a good opportunity to reduce four years of assessments at one time and receive refunds, the time and energy spent on the audit actually makes money for your company. It is not unusual for us to see assessments reduced after audit by 15-50%, or even more. So, the next time an auditor comes calling, think of it as an opportunity rather than a nuisance.



### Is Your Building Assessed as "Special Purpose"?

J. Patel, Sr. Tax Consultant

**The hardest arithmetic to master is that which enables us to count our blessings.**

—Eric Hoffer

**If you find it in your heart to care for somebody else, you will have succeeded.**

—Maya Angelou

**Time is the coin of your life. It is the only coin you have, and only you can determine how it will be spent. Be careful lest you let other people spend it for you.**

—Carl Sandburg

**Rice is great if you're really hungry and want to eat two thousand of something.**

—Mitch Hedberg

**A person without a sense of humor is like a wagon without springs. It's jolted by every pebble on the road.**

—Henry Ward Beecher

**A snowflake is one of the most fragile creations, but look what they can do when they stick together!**

—unknown

**If you honor and serve the people who work for you, they will honor and serve you.**

—Mary Kay Ash

**Nothing fails like success because we don't learn from it. We learn only from failure.**

—Kenneth Boulding

What does the assessor mean by special purpose? There is no definition of a special-purpose building in the revenue and taxation code. The assessor, when faced with this question says that the building was constructed for a specific use and that there are very few buildings like that one. They also say that a special-purpose property would not or can not be adapted for any other use. The interesting thing is that many times the assessor is able to say this without ever stepping one foot in the building.

How does this affect a property's value? The assessor's argument is that since there are very few like properties the comparable sales approach and the income approach are not reliable approaches to value. This leaves the assessor relying on the cost approach. The cost approach has always and will always be a viable way to value a property. However, the cost approach usually comes in at the high end of the value range due to the difficulty of estimating depreciation. When using comparable sales and the income approach depreciation is inherent in the value. In the cost approach, depreciation is a separate calculation with many forms and variables that is estimated by the appraiser.

That is why the assessor likes to say your property is special-purpose. They then rely on the cost approach and make their own estimate as to the depreciation of the property. And the assessor rarely sees anything wrong with a building and is very conservative in estimating depreciation.

So then what can you do as a taxpayer? First, just because the assessor says that your property is special-purpose does not mean that there isn't an opportunity for a reduction. It is important to do all three approaches to value. Look at what other similar type buildings are selling for in your area. Look into how much others are leasing buildings for in your area. And when looking at the cost approach, look at all forms of depreciation or other factors that would cause the building to valued for less, things that the assessor doesn't know about or is simply overlooking.

The moral of the story is that just because the assessor says that your building is special-purpose doesn't mean that their value conclusion is correct or that the cost approach is the only approach to use. Ask the assessor what about your building makes it special-purpose. Most of the time their answer is that it is owner occupied or is because it is being used for a special use. A circular argument at best. Look at all the approaches to value and you may find that even with the assessor calling the building special-purpose there is still an opportunity for a reduction.

# TOOTING OUR HORN!

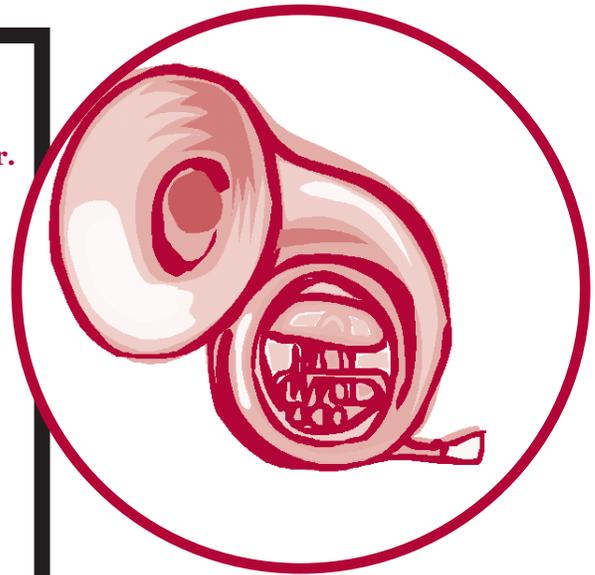
Although this is an informational newsletter, we would like to take the opportunity to brag about a sampling of our successes, from various industries, in the last quarter. These are a few examples of the refunds that our clients have received from the county, due to our work.

### Personal Property

<i>Business Services</i>	\$18,167.12
<i>Commercial Printing</i>	\$133,508.37
<i>Dairy Farm</i>	\$181,330.89
<i>Data Center</i>	\$152,931.00
<i>Department Store Chain</i>	\$10,895.00
<i>Direct Mail Advertising</i>	\$83,682.36
<i>Financial Advisors</i>	\$66,640.97
<i>Food Mfg.</i>	\$24,511.16
<i>Grocery Stores</i>	\$44,009.95
<i>Home Centers</i>	\$153,844.85
<i>Mfg Polyester Resins</i>	\$31,028.70
<i>Paper Product Mfg.</i>	\$40,591.03
<i>RV Parks &amp; Campgrounds</i>	\$32,747.00
<i>Semiconductor Mfg.</i>	\$39,531.29

### Real Property

<i>Retail Property</i>	\$28,600
<i>Multifamily Property</i>	\$86,601.22
<i>Office Building</i>	\$18,819.06
<i>Retail Center Property</i>	\$77,270.38
<i>Multifamily Property</i>	\$65,314.27
<i>Office Building</i>	\$129,292
<i>Hotel/Club</i>	\$126,152
<i>Multifamily Property</i>	\$82,324
<i>Office Building</i>	\$17,621.98
<i>Storage Units</i>	\$16,288.48
<i>Industrial Building</i>	\$310,640
<i>Multifamily Property</i>	\$172,920
<i>Storage Units (5 Prop.)</i>	\$44,471
<i>Single Family Res</i>	\$22,284



Look not mournfully into the past. It comes not back again. Wisely improve the present. It is thine. Go forth to meet the shadowy future, without fear, and with a manly heart.

Henry Wadsworth Longfellow



## Words of wisdom from a famous motivator

Motivational writer and speaker Zig Ziglar has a lot to say, and his words have inspired thousands of people to reach for and achieve their dreams. Here's a selection of some of his most powerful quotes:

- "You can have everything in life that you want if you will just help enough other people get what they want."
- "The greatest good we can do for others is not just to share our riches with them, but to reveal theirs."
- "Your attitude, not your aptitude, will determine your altitude."
- "Every choice you make has an end result."
- "If you learn from defeat, you haven't really lost."
- "If you wait until all the lights are green before you leave home, you'll never get started on your trip to the top."
- "Sometimes adversity is what you need to face in order to become successful."

# Tax Tidbits

## NO LONGER MAILING TAX BOOKLETS

Taxpayers expecting a tax booklet this year will instead receive a letter informing them of the change and information on e-filing or how to obtain a tax booklet.

[www.ftb.ca.gov/professionals/taxnews/2010/December/Article\\_1.shtml](http://www.ftb.ca.gov/professionals/taxnews/2010/December/Article_1.shtml)

## Every Vote Counts!

Tax in Siskiyou County Fails by One Vote. A parcel tax measure in Siskiyou County failed by just one vote, while a school bond in Contra Costa County failed by two.

[caltax.org/homepage/120310\\_tax\\_fails\\_by\\_one\\_vote.htm](http://caltax.org/homepage/120310_tax_fails_by_one_vote.htm)

## The geese, the gardener, and a lesson in compassion

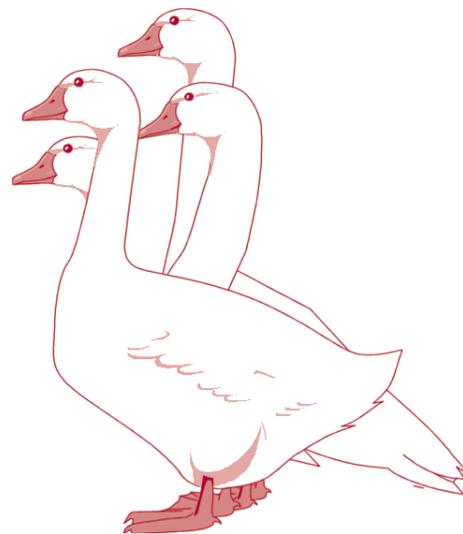
Medical missionary Albert Schweitzer once wrote a fable about a flock of wild geese who shamed a human with their ethical behavior.

As the geese rested near a pond one day, a gardener captured one and clipped its wings. When the geese started to resume their flight, the wounded bird tried frantically to fly off with them but couldn't get off the ground.

Instead of flying off without the bird, the flock settled back on the pond and waited. Fortunately the gardener's clipping hadn't inflicted permanent damage, and after several days the damaged feathers had grown back well enough to allow the goose to take flight.

The flock's loyalty to its wounded member touched the gardener's heart and made him realize that he had been wrong to hurt a bird that had done him no harm.

In fact, as Schweitzer wrote, the gardener "gladly watched them as they finally rose together and all resumed their long flight."



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## Property Tax Update

Congress has the unsolved problem of how to get the people to pay taxes they can't afford for services they don't need.

Every year around April 15 Americans have a rendezvous with debt.

One of the great blessings about living in a democracy is that we have complete control over how we pay our taxes . . . cash, check or money order.

The rich and the poor are alike. They both complain about taxes.

The wealth of experience is one possession that hasn't been taxed . . . yet.

A fool and his money are soon parted. The rest of us wait until income tax time.

This country is as free today as it ever was. . . unless, of course, you happen to be a taxpayer.

Golf is a lot like taxes. You drive hard to get to the green and then wind up in the hole.