

Los Angeles County Passes Tax Agent's Registration Notice

David Gangloff Jr., Esq. CEO & Principal

On April 30, 2013 the Los Angeles County Board of Supervisors enacted an ordinance - Chapter 2.165 - to implement a registration process for all tax agents practicing in Los Angeles County.

For anyone that has been following the scandal that has rocked the Los Angeles County Assessor's Office for the last year or so it does not come as any surprise that the Los Angeles Board of Supervisors would adopt an ordinance that would require tax agents to register with the County. What is a surprising though, is the ordinance's definition of a tax agent. According to the ordinance: "1.7 Tax Agent means any individual who is employed, is under contract, or otherwise receives compensation to communicate directly, or through agents, employees or subcontractors, with any County official for the purpose of influencing official action. A tax agent shall not include:

- A. An elected or appointed public official or public employee when acting in his or her official capacity; or
- B. A person representing the following:
 1. Himself or Herself;
 2. An immediate family member; or
 3. An entity of which the person is a partner, officer, or owner of 10 percent or more of the value of the entity."

Continued Los Angeles...

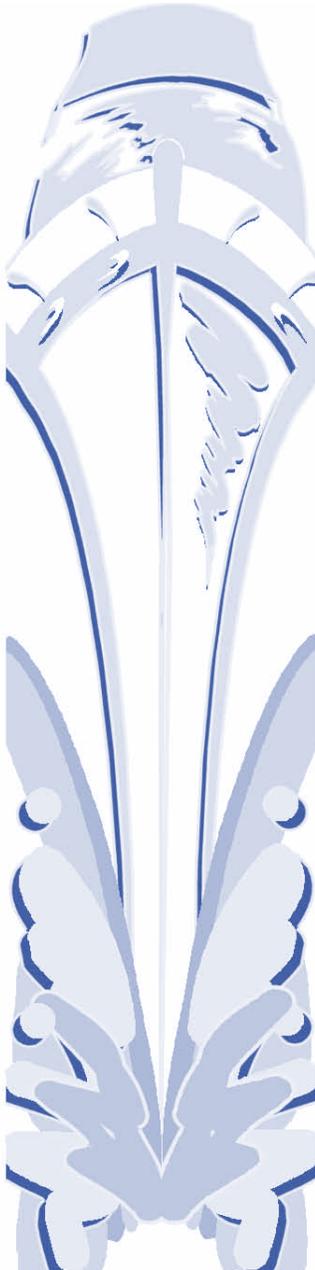
Wine Industry-Overvaluation of Stainless Steel Tanks

Travis Carlson, Tax Consultant

County Assessors have begun to rethink how they value Stainless Steel Tanks used in the Wine Industry. Stainless Steel Tanks have historically been valued using a mass appraisal technique with a normal useful life of 15 years; however, it appears County Assessors are now following the California Assessors Association recommended normal useful life of 40 years. Changing these lives can have a major effect on your current and future tax property tax liabilities.

As a general rule, all business personal property is taxed at one percent of Fair Market Value/Assessed Value. Given that mass appraisal techniques are employed by the County Assessors to value personal property, Fair Market Value is typically lower than Assessed Value.

Continued Wine Industry.....



Let go of problems before they crush you

The professor began her class by holding up a glass with some water in it. "How much do you think this glass weighs?" she asked her students.

They shouted out answers, but obviously the glass was very light. "I could weigh it," the teacher said, "but my real question is, how would it feel if I held it up for five minutes? Anyone?"

"Still not very heavy," said one student.

"And what if I held it up for an hour? Or two hours? Or all day?"

"Your arm would start to hurt," said another. "After a few hours you might start developing muscle stress, or maybe even paralysis."

"But its weight hasn't changed, has it? So what should I do to stop the pain in my arm?"

"Put the glass down!"

"Exactly," said the professor. "Life is like that: Hang on to a problem for a short time and it doesn't feel very powerful. But over time it will grow and end up crushing you under its weight, even though it hasn't changed at all. What I want you to remember is that to succeed you have to be able to put your problems down before they paralyze you. Learn to do that, and you'll be able to handle any challenge that comes your way."



Cost Approach to Value - Mass Appraisal

The reproduction cost approach is most commonly used to value personal property and business fixtures at the county level. In general, the cost approach uses historical or original cost information and a price index to estimate a reproduction cost new (current cost new to reproduce an identical property). Then, the reproduction cost new is adjusted using normal percent good factors to reflect depreciation to arrive at an assessable value. (historical cost x index factor x percent good factor = Assessed Value).

Example: Assume the Valuation Date is 1/1/2013, and Stainless Steel Tanks were purchased for \$1,000,000 in 2004-2012.

40 Year Average Service Life						15 Year Average Service Life					
Year	Historical Cost	x Price Index	= RCN	x % Good	Assessed Value	Year	Historical Cost	x Price Index	= RCN	x % Good	Assessed Value
2012	\$1,000,000.00	x 100%	= \$1,000,000.00	x 99%	\$ 990,000.00	2012	\$1,000,000.00	x 100%	= \$1,000,000.00	x 95%	\$ 950,000.00
2011	\$1,000,000.00	x 101%	= \$1,010,000.00	x 98%	\$ 989,800.00	2011	\$1,000,000.00	x 101%	= \$1,010,000.00	x 90%	\$ 909,000.00
2010	\$1,000,000.00	x 104%	= \$1,040,000.00	x 97%	\$1,008,800.00	2010	\$1,000,000.00	x 104%	= \$1,040,000.00	x 84%	\$ 873,600.00
2009	\$1,000,000.00	x 104%	= \$1,040,000.00	x 96%	\$ 998,400.00	2009	\$1,000,000.00	x 104%	= \$1,040,000.00	x 79%	\$ 821,600.00
2008	\$1,000,000.00	x 105%	= \$1,050,000.00	x 95%	\$ 997,500.00	2008	\$1,000,000.00	x 105%	= \$1,050,000.00	x 73%	\$ 766,500.00
2007	\$1,000,000.00	x 110%	= \$1,100,000.00	x 94%	\$1,034,000.00	2007	\$1,000,000.00	x 110%	= \$1,100,000.00	x 67%	\$ 737,000.00
2006	\$1,000,000.00	x 112%	= \$1,120,000.00	x 92%	\$1,030,400.00	2006	\$1,000,000.00	x 112%	= \$1,120,000.00	x 62%	\$ 694,400.00
2005	\$1,000,000.00	x 116%	= \$1,160,000.00	x 91%	\$1,055,600.00	2005	\$1,000,000.00	x 116%	= \$1,160,000.00	x 56%	\$ 649,600.00
2004	\$1,000,000.00	x 120%	= \$1,200,000.00	x 90%	\$1,080,000.00	2004	\$1,000,000.00	x 120%	= \$1,200,000.00	x 50%	\$ 600,000.00
Total	\$9,000,000.00		\$9,720,000.00		\$9,184,500.00	Total	\$9,000,000.00		\$9,720,000.00		\$7,001,700.00

This example illustrates how the Assessors mass appraisal methodology using a 40 year life - Stainless Steel Tanks is flawed and results in property appreciating in value. This appreciation in assessed values stems from the price index increasing at a faster rate than the percent good factors can depreciate the value.

One of the major problems effecting taxpayers is they will end up paying on a higher value each year until the assets are disposed of. Wineries need to be diligently reviewing their property taxes to make sure they are not paying on an "appreciating" asset. PTA has the expertise in reviewing property tax assessment and to negotiate at the county level a lower life on Stainless Steel Tanks.

Quotes

Property Tax Appeals

Chris Larsen, Tax Consultant

Dreams are what guide us, art is what defines us, math is what makes it all possible, and love is what lights our way.
—Mike Norton

It is difficult to say what is impossible, for the dream of yesterday is the hope of today and the reality of tomorrow.
—Robert Goddard

The bond that links your true family is not one of blood, but of respect and joy in each other's life.
—Richard Bach

Any problem, big or small, within a family, always seems to start with bad communication. Someone isn't listening.
—Emma Thompson

Life expectancy would grow by leaps and bounds if green vegetables smelled as good as bacon.
—Doug Larson

As a job seeker, remember this: You only lack experience if they want it done the same old way.
—Robert Brault

The best way to appreciate your job is to imagine yourself without one.
—Oscar Wilde

The summer night is like a perfection of thought.
—Wallace Stevens

In summer, the song sings itself.
—William Carlos Williams

As a part of the ongoing nationwide recession, commercial and residential property values have not recovered as quickly as we all hoped. However, some assessment jurisdictions are not maintaining the lower values assessed over the past couple years; but have instead begun to return assessed values back to highest factored base year value possible.

Property Tax Assistance Company can file an Application for Changed Assessment on your behalf, which will require the Assessor to reexamine the market value of the property. Each county in California will begin accepting appeal applications on July 2. For most counties, appeals must be filed by November 30. However, appeals must be filed by September 15 in Alameda, Inyo, Kings, Orange, Placer, San Francisco, San Luis Obispo, Santa Clara, Sierra, and Ventura counties.

Property Tax Assistance Company has been successful in appealing many real estate values during the current recession. Therefore, we are encouraging our clients, whether they are the landlord or the tenant responsible for payment of the taxes, to consider filing appeals to preserve their rights to review the values.



Here's one spelling rule to remember:

The letter I always comes before E—
except when you want to pull off a feisty
heist on a weird beige foreign neighbor.



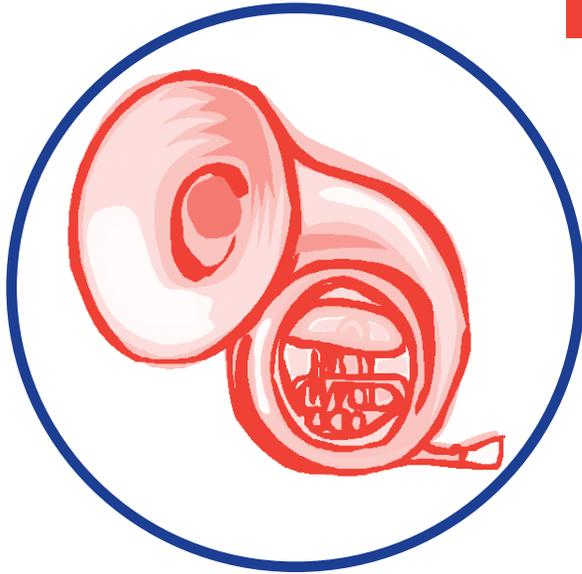
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This definition is extremely broad and it will create many problems for corporations and other legal entities who actively manage their property taxes thru their own employees. According to the Ordinance definition any employee of a corporation who is not an officer or who does not own 10 percent or more of the legal entity will have to register as a tax agent prior to most communications with the assessor or risk not being in compliance with the Ordinance.

So now, it appears that if a legal entity wants an employee to file an appeal on its behalf, communicate with the assessor or otherwise seek to influence official action on the part of a County Official, that person will have to register as a tax agent and pay the \$250 registration fee.

Editor's Note: This ordinance was not well thought out nor is it necessary. It is nothing more than government once again interfering with business and creating regulations that are redundant. After all, this ordinance will do nothing to keep honest people honest or prevent the few unscrupulous people from continuing to commit illegal activities.

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.

Business Personal Property

Campgrounds	\$117,775.99
Cement Manufacturing	\$173,565.86
Commercial Printing	\$77,377.93
Construction Company	\$33,921.75
Dairy Products Mfg	\$3,086,547.04
Data Center	\$190,524.23
Equipment Rental	\$37,236.82
Food Growers	\$93,005.39
Food Wholesalers	\$97,631.54
Fresh Prepared Foods	\$76,842.29
Grocery Stores	\$207,299.61
Hospital	\$26,940.21
Instrument Manufacturer	\$39,107.49
Machine Shops	\$48,390.95
Meat Product Mfg	\$782,901.20
Medical Device Manufacturer	\$1,478,635.00
Metal Forging	\$261,135.38
Office Supply Manufacturing	\$26,497.46
Paperboard Container Mfg	\$67,307.65
Plastic and Rubber Product Mfg	\$56,466.98
Specialty Chemical Mfg	\$60,327.15
Steel Pipe/Tube Mfg	\$133,476.84
Steel Production	\$51,596.27
Textile and Fabric Finishing Mills	\$25,117.38
Warehousing & Storage	\$124,295.54
Wood Window & Door Mfg	\$64,630.11

Real Property

MultiFamily Properties	\$250,598.10
Industrial Properties	\$427,312.37

These refunds could belong to your company. With little effort on your part!

call 562-282-5911 for information.

Tax Tidbits

May I file for an assessment appeal at any time?

No, based on the type of appeal you are filing, applications may only be accepted during a specific time period.

Lien Date Appeal / Decline in Value - The filing periods for a lien date appeal (where the value of your property was on the roll on January 1) are from July 2 to September 15, or July 2 to November 30, depending upon the county in which you are located. Please check the filing deadline for the county in which your property is located or contact your clerk of the board.

Base Year Value / Supplemental and Escape Assessments

- If you are appealing the value based on a notice sent to you because your property had a change of ownership or new construction, you must file within 60 days of the mailing of the supplemental assessment notice. If no notice was sent to you, you must file within 60 days of the supplemental tax bill.

Calamity Reassessment Appeals - If you disagree with the value stated on a reassessment notice sent to you because your property was damaged due to a natural disaster or other calamity, you must file within six months of the mailing of the notice

For more information please visit: www.boe.ca.gov/info/taxoverview.htm



Food Processing and Fixtures

Gilbert Arciba, Sr. Tax Consultant

If you are a regular reader of our newsletter, we focus a lot on fixtures. I recently worked on an appeals case which involved fixture cost being erroneously assessed.

The subject property is a food processing operation. Typical of a food processing operation, it includes refrigeration equipment, conveyors, water systems, etc. For assessment purposes, the landlord paid property tax on the land and building and all personal property was declared in the tenants, Business Property Statement, Form 571L.

The tenant went out of business and abandoned all property. The landlord proceeded to market the property for sale. The property was listed as a food processing facility; which included some of the abandoned equipment by the previous tenant. The fixturized nature of the abandoned equipment made it difficult to remove without significantly damaging the real property. The landlord sold the property. The real property division of the Assessor's Office enrolled the purchase price as a basis of their value. The buyer occupied the property and operated a food processing business. In a mandatory audit, the Assessor discovered the abandoned cost from the prior tenant was unreported and assessed this cost to the new owner. The Assessor relied on the records from the prior tenant and issued escape assessments to the current owner.

In review of the asset listing utilized by the assessor in establishing their opinion of value, the majority of the costs assessed were fixtures. A fixture is an item of tangible property, the nature of which was originally personalty, but which is classified as realty for property tax purposes because it is physically or constructively annexed to realty with the intent it remain annexed indefinitely (Assessor Handbook 504). When a sale occurs and the real estate division of the Assessor's Office relies on the sales price for a new base year value, all fixtures that were conveyed are part of the base year value. The real property division does not receive an accurate, detailed itemization of the fixtures or improvement value from the assessee when the transaction is finalized. However, when a purchase price for real property is reported, items previously identified as fixtures by the personal property areas may be included in the real property purchase price.

The new owner purchased the property in an arm's length transaction, as is, where is condition; the assessor accepted the purchase price as fair market value. In speaking with the new owner, when they tendered their offer it was his understanding it included land, building, and all equipment affixed to the property. The property was marketed as a food processing facility, thus inclusive in the purchase price would be all process related equipment abandoned by the former tenant. Therefore, issuing escape assessments on a cost already included in the real estate transaction duplicates the assessment.

The California Supreme court determined that the best way to determine whether something was a fixture for property tax purposes was to determine whether it would be considered a fixture in the conveyance of a property. In *Crocker National Bank v. City of San Francisco*, the court concluded the classification should turn on whether a reasonable person would consider the item in question to be a permanent part of the host real property, taking into account annexation, adaptation and other objective manifestations of permanence (*Crocker v. County of San Francisco*).

The buyer indicated he believed the fixtures were part of the real estate purchased. This view is supported by the courts decision. The Assessor did not recognize the error in their assessments and did not cancel the tax bills. The Assessment Appeals Board, did however, rule in our favor and our client was able to be relieved of an unfair tax liability.



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Property Tax Update



"Collecting more taxes than is absolutely necessary is legalized robbery."
-- Calvin Coolidge

"The government deficit is the difference between the amount of money the government spends and the amount it has the nerve to collect."
-- Sam Ewing

"Taxes: Of life's two certainties, the only one for which you can get an automatic extension."
-- Anonymous

"There's nothing wrong with the younger generation that becoming taxpayers won't cure."
-- Dan Bennett