

Who is IPT's Newest President? Property Tax Assistance's Art Bennett!

At the recent Institute of Professionals in Taxation (IPT) 38th Annual Conference held at the JW Marriott's Desert Ridge in Phoenix, PTA's Vice President-National Property Services, Art Bennett was elected the President of IPT for the 2014-15 term. When asked for comments about this honor Mr. Bennett had this to say "I would like to thank the Institute's members for the opportunity to serve as your President for the upcoming year. As your new President I would like to sum up my feelings in just one word, "WOW! What an honor, I have for many years had a professional goal to serve IPT someday as its President, thank you all."

As the newest President of IPT he looks forward to continuing the long tradition of service of the past Presidents who have lead this premier tax educational organization. He expressed his special thanks to the immediate Past President Arlene M. Klika, CMI, of whom he said, "I want to thank Arlene on behalf of all the members of IPT for an outstanding year of dedicated service and hard work for the organization."

As the newest IPT President he has determined that his vision for the coming year will be focused on: 1) working to gain State/local tax authorities' acceptance of CMI designation in lieu of other licensing requirements, 2) Selection of first Sponsored Research team and commencement of inaugural project, 3) Add substantially to Distance Learning course offerings and 4) Working on the update of the IPT-Property Tax Calendar which was last prepared in 1991. These are only a couple of the goals he has committed to advancing during his term as President.

Looking ahead to his 2014-15 term, he is excited about the 39th Annual Conference which will be held at the Hilton San Diego Bayside, June 28, - July 1, 2015.

Here are a few interesting facts about Mr. Bennett, he has been involved in the property tax field for 43 years, both as a Corporate Tax Manager and Consultant. Also, Mr. Bennett currently is serving his second term as an elected local official, as a City Council Member for the City of Chino Hills, CA, having served as Mayor in 2012. He and his wife Nickie just celebrated their 47th anniversary and have two adult sons and six grandchildren.

We here at PTA are very proud that one of our staff has been chosen to head up IPT and we believe as a company that this is a reflection of the expertise and experience we have to offer our property tax clients.



THEIR ASSUMPTIONS SHOULD BE QUESTIONED!

Sean P. Keegan, EVP & Principal

Does the Assessor's valuation of your property include variables or amenities not present in your property?

With Real Property Values improving over the last year in certain areas compared to earlier years, your property may be reviewed by the County Assessor for potential value increases in 2014-2015. In California, if your property's county assessment was reduced in the last couple of years, the County Assessor may determine that the Fair Market Value for the property is higher on January 1, 2014 or January 1, 2015. The County Assessor is limited to the lower of actual Fair Market Value or the "Trended Base Year Value (Proposition 13 Value)". The County Assessor will generally issue a value notice annually. Although real property values for certain property types have been improving in certain areas (e.g., multifamily, industrial, and commercial properties), real property assessments should be reviewed for possible property tax savings.

It is important to determine whether the Assessor knows the facts about your property, including any limitations, any use restrictions, or deferred maintenance as well as the properties that are used to compare or the income information relied upon from other properties. "No two properties are ever identical, all differ at least in location." (CA Assessment Appeals Board Manual, p. 70). Are the Assessor's assumptions that the asking rent or the signed leases did not include free rent, expensive tenant improvement costs, discounted parking, shorter term to the lease, certain expenses paid by the landlord (i.e. property taxes), or lease type? Another helpful way to check the accuracy of these assumptions is to review the subject property's Operating Statements to see what income is actually being collected. "It is generally preferable that the income to be capitalized be the income from the taxable property to be appraised." (CA Assessor's Handbook 501, p. 98) If the anticipated income is not reasonably accurate for the subject property or a comparable property, it can create a flawed value result.

An example where closer review may provide some tax savings benefits: the County Assessor considers a retail property's income potential estimating the net operating income (NOI) to be \$800,000 by using \$8.00 NNN monthly rent per square foot. They estimate 10% in expenses including vacancy (5% & 5%). Their capitalization rate estimate is 6%. Their value estimate is \$13.3 million. The assumption that the subject property's expenses were to be reimbursed was not accurate. The fair rent was close to \$8.00 however, it was \$8.00 NN. Usually, this landlord would cover the building repairs but the taxes were being paid by the landlord. The taxes are approximately \$110,000 per year. The Assessor assumed these expenses were being paid by the tenant. This was not the case and this expense represented about \$0.99 square foot per month. This adjustment should be accounted for and did result in less income received by the landlord. Assuming the same 6% capitalization rate, the value estimate to the investor is \$11.5 million or \$1.833 million difference in value. If the assessment is revised to this lower value, the property tax savings difference is \$20,167 (1.1% Tax Rate).

In California and Washington, the County Assessors have already issued their 2014/2015 values for land and improvements. The deadline to file an assessment appeal in California counties is either September 15th (10 counties) or November 30th (48 counties). The deadline varies in the other West Coast States. The counties will review these assessments as they are processed by the County Board. By filing an assessment appeal, it will provide you the opportunity to have your valuation questions answered by the Assessor!

Why is filing an appeal necessary?

Ron Gangloff, Esq. EVP & Principal

Each county assessor in the state of California is responsible for generating an annual assessment for every parcel of property, every business operation, every boat and aircraft, and every possessors interest located within the county borders. This assessment ultimately finds its way to the county Tax Collector for billing and collection. Practically every resource at the assessor's disposal is earmarked for that purpose. It should not be any surprise that it is difficult to gain the attention of the assessor's office to correct a complex time consuming issue. That is where an appeal comes in.

An appeal, simply stated, gets the attention of the assessor and gives him a deadline on which to act on any discrepancies a taxpayer may have with his assessment. An appeal is the one point of leverage a taxpayer has when dealing with their local taxing authorities. Without an appeal a taxpayer is as good as "dead in the water." That is not to say that a problem can never be resolved without an appeal, an appeal just makes the simple problems a bit less difficult and makes resolving more complex issues or issues involving value judgment a possibility.

Taxpayers receive their annual tax bills typically between late June and early August. The unsecured bill is payable in late August and an appeal is due in many counties by September 15th. Other counties require an appeal be filed by November 30th. At any rate especially for counties with a September appeal deadline, this leaves very little time to actually identify and document issues before an appeal is due.

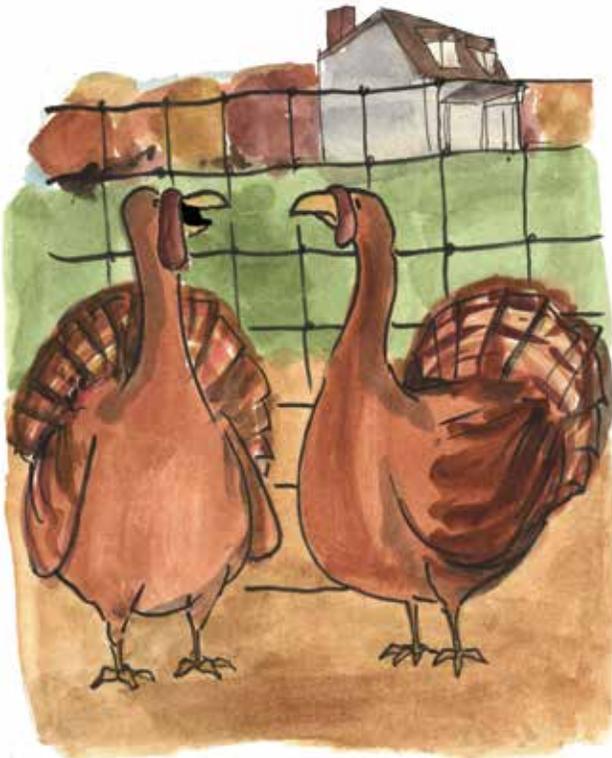
TOOTING OUR HORN



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

Automotive Parts	\$73,359.29
Biopharmaceuticals & Biotherapeutics Manufacturing	\$103,018.16
Chemical Manufacturing	\$32,227.06
Commercial Printing	\$90,762.61
Converted Paper Products Mfg.	\$75,159.67
Dairy Products Mfg	\$169,050.71
Electronic Test Mfg	\$201,213.97
Food Wholesalers	\$149,950.56
Hardware Supply Chain	\$46,308.47
Machine Shops	\$66,790.66
Medical and Diagnostic Labs	\$211,884.60
Mineral Mining and Quarrying	\$223,245.07
Office Supply mfg	\$34,312.29
Specialty Contractors	\$30,740.27
Specialty Food Wholesalers	\$51,192.28
Steel Production	\$807,000.53



“I got invited up to the house for dinner.”

Real Property	
Flex Property - LA County	\$196,555
Industrial Property (3 Prop.) LA County	\$87,172
Retail Property (5) - LA County	\$103,215
Industrial Property-Riverside County	\$50,239
Multifamily Property-Riverside County	\$33,664
Storage Property (3 Prop.) San Bernardino County	\$36,712
Multifamily Property San Diego County	\$73,131
Multifamily Property San Mateo County	\$286,001
Retail - Neighborhood Center Ventura County	\$93,735

Washington

Multifamily Property - King County	\$37,319
------------------------------------	----------

New Construction Headaches

Brent Buskirk, Tax Consultant I

New construction is an issue that we commonly deal with at PTA. Making additions to a property can become a problem for taxpayers because it usually results in a supplemental tax bill. Proposition 13 establishes a base value for a property each time a change in ownership or new construction occurs. When the new construction is complete, a base value is established for that portion of the property, but that value is not always accurate.

When a change in ownership occurs, it is assumed that the purchase price is the fair market value of the property, and that typically becomes the new base year value. However, new construction is not always that simple. The Assessor's Office may rely on several different sources to determine an opinion of value for the new construction.

Sometimes cost manuals are used, which give an average cost per square foot of the type of property constructed. This can lead to the property being overvalued due to the Assessor's Office not having enough information to properly classify the construction. Sometimes the actual costs of the project are used. This can cause an overvaluation because the property may be built to suit, and its unique nature does not necessarily translate to a higher market value.

Other errors may come in the form of duplications. If new construction items end up being reported on a company's business property statement (571-L), then the business division of the county will assess the property. If a supplemental tax bill is also issued by the real property division, then a duplication exists. Depending on the classification of the new construction, these assets need to be taxed by either the business division or the real property division, but not both.

New construction can also be overvalued when exclusions and/or exemptions are not properly accounted for. The state legislature has identified certain types of new construction to be either excluded or exempt from property tax. One type of exclusion that is becoming more common pertains to solar panels. If the appraiser for the Assessor's Office does not know that solar panels are part of the new construction, or if he or she is not aware of the nuances of the exclusion, then an over assessment may exist.

If you have recently had some new construction completed, and you think that the property has been overvalued, let one of our consultants review your assessment to determine if the Assessor's Office has properly done its job. You just may have a case based on any of the scenarios above.



Filing a Base Year Appeal on Leasehold Improvements

Travis Carlson, Tax Consultant 1

All Real Property items reported on Annual 571-L Business Personal Property Statement for Column B1- Structure and B2-Fixture has a base year value/taxable value established at the date of completion.

Over the last few years, I have seen some push back by County Assessors in allowing taxpayers to challenge, through an assessment appeal, the value of leasehold improvements beyond 4 years from the date of completion. Generally speaking, taxpayers only have 4 years to challenge initial base year value of any Real Property additions to a building.

Example: A taxpayer leases a fully improved office building and then decide to remodel (i.e. replace walls, flooring, wiring, doors, windows, HVAC, etc.) the existing office place in 2008. The Assessor then enrolls the value of the improvements for the next 4 years. On the 5th year, the taxpayer files a property tax appeal on the business personal property/fixtures claiming that the remodels are not considered new construction, and therefore, is exempt from taxation pursuant of the Revenue and Taxation Code. The Assessor "could" claim that these improvements are beyond the 4 year statute and no change would be warranted.

Tenants need to be aware that anything they report under B-1 and B-2 begins the clock on the 4 year statute and without filing a protection appeal could prevent future opportunity to remove the assessed value/taxable value. This is why it is so important to have an experienced consulting firm review the business property statement to determine if filing an appeal is necessary.

Quotes

It is the greatest of all mistakes to do nothing because you can only do a little - do what you can.
 —SydneySmith, 1771-1845,
 Clergyman and Writer

Every man feels instinctively that all the beautiful sentiments in the world weigh less than a single lovely action.
 —James Russell Lowell

If you think you are too small to be effective, you have never been in bed with a mosquito.
 —Betty Reese

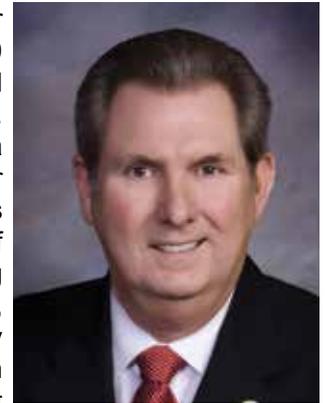
Everybody can be great. Because anybody can serve. You don't have to have a college degree to serve. You don't have to make your subject and your verb agree to serve.... You don't have to know the second theory of thermodynamics in physics to serve. You only need a heart full of grace. A soul generated by love.
 —Martin Luther King, Jr.

Every action in our lives touches on some chord that will vibrate in eternity.
 —Edwin Hubbel Chapin

The work an unknown good man has done is like a vein of water flowing hidden underground, secretly making the ground green.
 —Thomas Carlyle

Autumn is a second spring when every leaf is a flower.
 —Albert Camus

ARTHUR E. BENNETT, CMI, is Vice President of National Property Tax Services, for Property Tax Assistance Co., Inc. in Bellflower, CA. He specializes in assessment appeal representation in real and personal property tax issues. Prior to joining PTA in July 2005, Mr. Bennett was the Regional Manager-Property Tax for Coca-Cola Enterprises, Inc. (CCE), based in Los Angeles, California, where he was responsible for all property tax matters on approximately 400 properties including production (bottling plants) and warehouse/distribution properties in 16 western states. Prior to joining CCE in May 2000, Mr. Bennett was a Principal in the SALT property tax practice for Arthur Andersen LLP in Los Angeles, California, where his experience included property tax representation of hotels, golf courses, industrial and manufacturing properties, office buildings, shopping centers, alternative energy projects and state/centrally assessed properties. Mr. Bennett has also testified on property tax issues before numerous jurisdictions at the county, state and federal level. From 1971 to 1990, he was employed by Santa Fe Railway Company working in the property tax department. Mr. Bennett has held memberships in several property tax and professional associations including, former Director and Executive Committee member Arizona Tax Research Association, former Director and Executive Committee member California Taxpayers Association, former Chairman of the California Legislative Committee of the Western States Association of Property Tax Representatives, American Planners Association and the International Association of Assessing Officers. He has been very involved in the city in which he lives having served for 14 years on the City of Chino Hills, California, Planning Commission and since 2008 Mr. Bennett has served as an elected official as a City Council Member and during 2012 he served as Mayor of the City of Chino Hills, CA, (Population 76,000) and was elected to his second 4- year term. Mr. Bennett holds the professional designation (CMI), Certified Property Tax Member of the Institute for Professionals in Taxation and from 2002 to 2005 he served on its Board of Governors. In June 2004, he was presented with the IPT Distinguished Service Award for his service to the organization and tax profession. In 2012 he was elected 2nd Vice President of IPT, then in 2013 he was elected 1st Vice President and at the 2014 Annual Conference he was elected President of IPT.



A little girl named Janey was asked to say grace before Thanksgiving dinner. The family members bowed their heads, and she began her prayer:

“Thank you, God, for my mother and my father and my brother Jim and my friends Cody and Brandon and Leslie and Michelle, and my Grandpa and my Grandma and my Uncle Steve ...”

This went on for quite some time. Then Janey started giving thanks for the food: “And for the turkey and the potatoes and the fruit salad, and the pie for dessert—”

She stopped and whispered to her mother: “If I give thanks for the broccoli, will God know I’m lying?”



PTA

Volume 19, Issue 4

Presort Std
U.S. Postage
PAID
WMS

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

For information 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

"At Georgia Southern, we don't cheat. That costs money and we don't have any."

Erik Russell / Georgia Southern.

"Football is only a game. Spiritual things are eternal. Nevertheless, beat Texas."

Seen on a church sign in Arkansas prior to the 1969 game.

"After you retire, there's only one big event left . . . and I ain't ready for that."

Bobby Bowden / Florida State

"The man who complains about the way the ball bounces is likely to be the one who dropped it."

Lou Holtz / Arkansas

"When you win, nothing hurts."

Joe Namath / Alabama

"Motivation is simple. You eliminate those who are not motivated."

Lou Holtz / Arkansas

