



PROPERTY TAX UPDATE

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

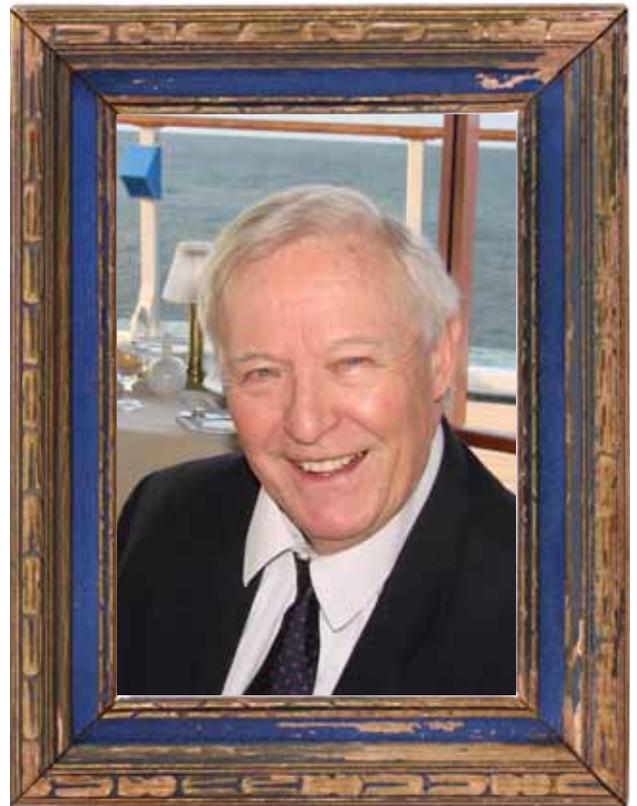
SUMMER

2016

David Louis Gangloff, Senior January 1, 1935 to May 15, 2016

David Louis Gangloff, Sr. was born on January 1, 1935, 3 minutes and 22 seconds after midnight. He loved that the whole world celebrated his birthday with him every year. He was the youngest of 10 children, 3 brothers and 6 sisters (2 sisters passing away at an early age). As a product of the Great Depression, it was common for all family members to work at a young age, to help provide for the family. At 6 years old, Dave began delivering flowers with his brother Ed. He went on to work at Findlay Market in Cincinnati selling fruit and then became a pin setter at the local bowling alley. When asked if his family was poor, he would reply that he never felt poor, but he was very rich with family.

Dave attended Roger Bacon High School in Cincinnati, Ohio and graduated in 1953. In 1954 after high school he enlisted in the Army. Oh how he loved this country and the colors red, white and blue. He loved to decorate the house with flags. He was stationed in Washington State near Portland, Oregon, where he met his wife Carol on a blind date. They married on August 4, 1956 and this August would have been their 60th wedding anniversary. Dave and Carol moved to Cincinnati just after being married so Dave could attend the University of Cincinnati to earn his college degree. In 1959, he completed a 5 year course in just 3 years. After college, he took a job with Georgia Pacific in Portland, Oregon. He was told that there was not much opportunity for moving up the corporate ladder in Oregon and his boss told him he should go to California, the land of opportunity. In California his career would take him to the Tax Departments of Purex Corporation, McDonnell Douglas and California Computer Products (CalComp) as some of you may remember. It was at CalComp that Dave became a pioneer in the tax world. He decided to talk to the assessor about a tax valuation that he didn't think was fair, and they lowered it for him. It was exciting to him, he loved it! That got him thinking, taxes were negotiable and if he could negotiate lower taxes for CalComp, maybe he could do it for other companies also. Dave struck out on his own and Property Tax Assistance Co., Inc. was created. It was his passion and he loved helping the companies so much that he decided that getting a law degree would help him assist those companies even more. What better way to arm himself than to know the tax law, and gain more experience in presenting and negotiating. He created a very successful company saving many companies millions of dollars. Then in the year 2000 Dave retired, as he felt that his sons David Gangloff Jr., Esq. and Ron Gangloff, Esq. would do a wonderful job running the company and his daughter Lisa Gangloff Henry was happy in the marketing department. His children and his PTA work family made him very proud.



Rent Concessions and How to Adjust for them when Estimating Market Rent

Chris Larsen, Tax Consultant

The Income Approach is one of the most widely used methods for valuing real property. In fact, it is often considered to be the primary approach to value for commercial and multi-family residential properties types. The types of properties are regularly purchased by investors, who are not particularly interested in the real estate itself, but, the income that the property can generate. Last year, I wrote an article giving several tips to help with the first step in developing an Income Approach valuation, estimating market rent. This year, I want to write specifically about rent concessions, and how they can effect market rents. Rent concessions are a common occurrence in rental agreements between landlords and tenants. The most typical forms of rent concessions are 'free rent' and 'allowance for tenant improvements'.

The first type of rent concession we will look at is free rent. Free rent can be very beneficial to a tenant, especially to a new business or a business which requires a significant amount of time to establish at a new location. Free rent is typically expressed in terms of months.

Let's consider for example, a hypothetical property located on a busy street corner. Bob is the owner of the land and building, and makes the property available for lease. Larry thinks the corner would be a great location for a restaurant, and contacts Bob about leasing the property. After a few weeks of negotiations, Bob and Larry sign a rental agreement for the property, for a term of 5 years (60 months) at \$2,000 a month. In order to give Larry time to get the business up and running, the lease states that the first 3 months of the lease are rent free.

In this case, the free rent period is an upfront cost incurred by the landlord. As I stated above, the Income Approach is most concerned with the income a property generates for the owner. Therefore, the incursion of any upfront costs must be considered, because they affect the investment return to the landlord. This can be done by calculating the 'effective rent' over the lease period. Going back to the example above, the lease is for 60 months, at \$2,000 a month, which should equate to total rent of \$120,000 over the full term of the lease. However, because of the 3 months of free rent, the landlord's return is only \$114,000 over the 60 month term of the lease. In this case, the effective rent is \$1,900 a month ($\$114,000 \div 60$).

The second type of rent concession we will look at is an allowance for tenant improvements (or T.I. Allowance). An allowance for tenant improvements is essentially money given from the landlord to the tenant, so that the tenant can build special improvements at the property they are leasing. Let's take a look at T.I. Allowance by furthering the previous example:

Bob has agreed to lease his property to Larry for the new restaurant. However, Larry does not have enough available capital to install a new kitchen and sales counter so that the property can be used as a restaurant. So, in addition to the free rent, the lease agreement includes a 'tenant improvement allowance' of \$12,000.

This \$12,000 T.I. Allowance is money given from the landlord to the tenant, and must be also be considered when analyzing the property income. If we deduct the \$6,000 of free rent and \$12,000 tenant improvement allowance from the stated rent, it reduced the landlord's total return to \$102,000 over the term of the lease, or \$1,700.

When trying to estimate market rent for a property or a comparable, it can be very important to consider the effective rent versus the stated rent. In many cases, the effective rent is a better indicator of market rent.





Tax Tidbits

California County Assessment Appeals Filing Periods for 2016

The clerks of county assessment appeals boards and county boards of equalization have certified the assessment appeals filing period for their counties pursuant to the requirements of Revenue and Taxation Code section 1603. The regular appeals filing period will begin on July 2, 2016 in each county and will end either on September 15 or November 30, depending on whether the county assessor has elected to mail assessment notices, by August 1, 2016, to all taxpayers with property on the secured roll.

For a chart of counties and deadlines please go to:

<http://www.boe.ca.gov/proptaxes/pdf/filingperiods.pdf>



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

| | |
|------------------------------------|----------------|
| Aerospace Products Mfg | \$39,560.78 |
| Book Publishers | \$33,505.56 |
| Cereal Manufacturer | \$811,615.88 |
| Commercial Printer | \$35,080.12 |
| Dairies (2) | \$97,397.10 |
| Data Center (4) | \$2,246,402.54 |
| Fruit and Vegetable Processing (2) | \$369,030.76 |
| Grocery Stores | \$47,607.96 |
| Greenhouse Nurseries | \$162,724.35 |
| Machine Shop | \$62,239.48 |
| Machinery Manufacturing | \$128,729.00 |
| Marine Terminal Management | \$649,831.19 |
| Meat Product Manufacturing | \$836,217.23 |
| Primary Metals Manufacturing | \$29,919.96 |
| Warehouse and Storage (2) | \$62,577.78 |

Real Property

California

Multifamily Property - Orange County

\$168,049

Industrial Property - San Bernardino County

\$46,697

Alabama

Hotel Property - Madison County

\$75,134

My Appeal Application was Rejected!

Mandy Ingram, Tax Consultant

Hiring an experienced, legally trained firm or practitioner that specializes in California can be critical for a successful reduction in your property taxes. California has some of the most complex Property Tax laws in the country and many large national firms, while they are great for most areas and services, often don't realize other possible reductions due to inexperience in the intricacies of California law.

Just filing an Assessment Appeal Application can be a daunting experience. Once a deadline has passed, there is very rarely another opportunity to recover or reduce the tax liability on your property. There is no grace period available after the deadlines and the Assessor's office does not highlight or remind taxpayers of the opportunities to ask for additional review of your property's value. Even after a careful review of your Application, there could be problems keeping your appeal valid. Many counties have their own specific rules that must be adhered to and can change from year to year. It has become a trend in many counties to reject Applications due to minor errors and unless you know the exact tax law to defend your appeal, it is very difficult to keep your appeal valid. Often times, the Clerk of the Boards' clerks themselves aren't aware of all of the Revenue and Taxation codes that are in place to protect the taxpayer, and even when you attempt to defend, they may not agree with you.

And what if you have questions when filing your appeal? You may know what issues you'd like to discuss with the Assessor, but what boxes are supposed to be checked on the Application to enable you to formerly protest that issue and retain your rights? What if the Clerk's office rejects your application due to minor errors or differences in information? Unfortunately, many Assessment Appeal Clerk offices or Assessor's Office personnel are not able to provide any guidance or help, other than providing the instructions found on the Application form itself, or recommending a video found on the State Board's website. Not all questions can be answered from this information, and without full knowledge of the various laws and rules to cite in your defense, your appeal may be denied before it has been provided to the Assessor's office. With so many variables between the different counties in California, what may be true in one county would not be true in another. Intimate knowledge of each county's internal procedures and requirements are needed to ensure your appeal will be reviewed by the Assessor's office and if needed, the Assessment Appeals Board. Because we file over 1,400 appeals every year in 42 different counties, we have gained knowledge that is critical for successful appeal filing.

The current political and economic climate in California is not always taxpayer friendly, and without a knowledgeable agent, you may be taking a chance of getting the full savings available to you. It's not impossible to get a successful reduction of your tax assessment, but more often the benefit of hiring a knowledgeable professional far outweighs any savings you may get by using a national firm or doing it yourself.



Living Your Own Fairy Tale

Many people wish they could live an extraordinary fairy tale life. They dream of having the best of the best, being famous or have a perfect relationship with kids and spouses, and live happily ever after. And while they dream about all those things, they are missing out on the real fairy tale life they are actually living. Think about this for a moment. Every creature in this crazy world has to fight for survival. It's called the process of natural selection. Except for us, humans.

There is no creature in the world that has the comforts of humans. And also, there is definitely no creature in the world that has the same intelligence and the ability to learn the world the way we do: enjoy the art and music, reading and traveling, and many other wonderful things. There are no species that have so completely defeated disease, and live as long and as happy as we do. Therefore, stop dreaming about some unreal world, and wake up to this wonderful and extraordinary, fantastic and happy life – this real fairy tale you are living right now!

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Quotes

“When one side only of a story is heard and often repeated, the human mind becomes impressed with it insensibly.”

– George Washington

“I would rather belong to a poor nation that was free than to a rich nation that had ceased to be in love with liberty.”

– Woodrow Wilson

“I hope we once again have reminded people that man is not free unless government is limited. There’s a clear cause and effect here that is as neat and predictable as a law of physics: As government expands, liberty contracts.”

– Ronald Reagan

“However [political parties] may now and then answer popular ends, they are likely in the course of time and things, to become potent engines, by which cunning, ambitious, and unprincipled men will be enabled to subvert the power of the people and to usurp for themselves the reins of government, destroying afterwards the very engines which have lifted them to unjust dominion.”

– George Washington

“A president’s hardest task is not to do what is right, but to know what is right.”

– Lyndon Johnson

“Do what you can, with what you have, where you are.”

-Theodore Roosevelt

“I am a slow walker, but I never walk backwards”

-Abraham Lincoln (1809–1865)

Property Tax Update

U.S. Supreme Court Upholds Nevada Supreme Court Ruling That the FTB Defrauded Nevada

David L. Gangloff Jr. Esq. C.E.O.

In the long running battle between Nevada resident Gilbert Hyatt and the California Franchise Tax Board (FTB), the United States Supreme Court once again sided with the taxpayer except as to the amount of damages.

The decision means that the findings of liability against the FTB - that the agency committed fraud and engaged in intentional infliction of emotional distress upon Mr. Hyatt during a residency audit - stay in place without change.

The court decision allows the Nevada courts to award damages up to \$50,000 - the same amount that they would be allowed to award if the FTB was a Nevada State agency. The Nevada Supreme Court had awarded \$1,000,000 in damages but since a Nevada state agency would be limited to \$50,000 in damages that is the most that they could award.

The Court determined that, "In the course of the audit, employees of the [Franchise Tax] Board traveled to Nevada and allegedly peered through Hyatt's windows, rummaged around in his garbage, contacted his estranged family members, and shared his personal information not only with newspapers but also with his business contacts and even his place of worship." The Court also wrote. "Hyatt claims that one employee in particular had it in for him, referring to him in antisemitic terms and taking 'trophy-like pictures' in front of his home after the audit."

Whereas the Court's majority opinion determined that Nevada failed to show a compelling reason why it would award \$1,000,000 against an out of state agency when an in state agency would be limited to \$50,000, the dissenting opinion argued that Nevada court's had shown a sufficient policy interest and "more than a 'healthy regard' for California's sovereign status" by eliminating a \$250 million dollar punitive damages award.

Still to be decided in the Nevada courts is the amount of damages to be awarded for the intentional infliction of emotional distress. Additionally, the FTB was ordered to pay Mr. Hyatt's attorney fees in the amount of \$2.5M dollars.





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