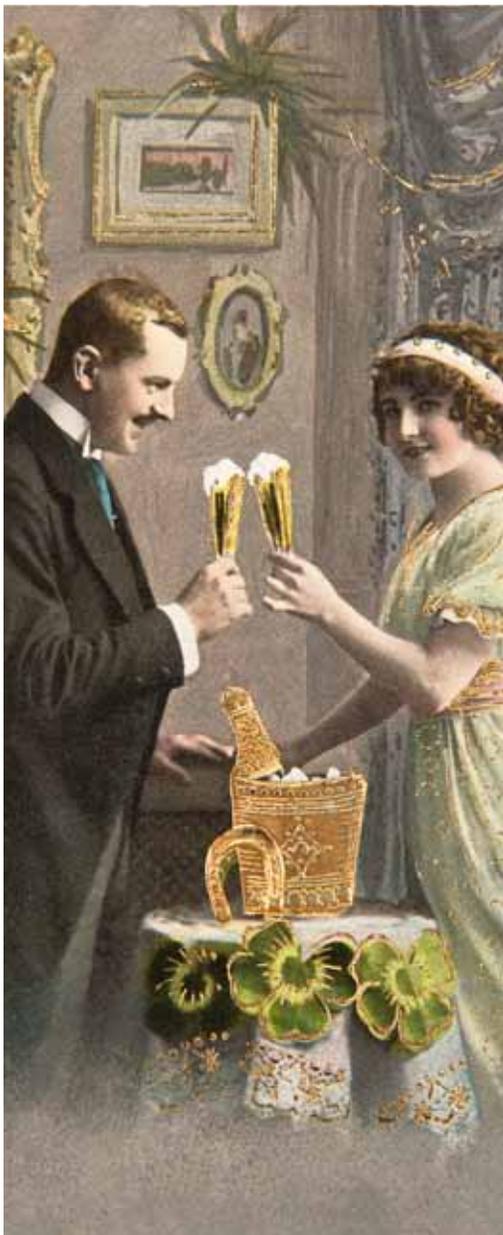


CATA Bestows its inaugural Lifetime Achievement Award



The Gangloff Family was honored and grateful to accept CATA's first Lifetime Achievement Award on behalf of their father David L. Gangloff Sr. at the CATA (California Alliance of Taxpayer Advocates) Award dinner on December 12, 2016.

The California Alliance of Taxpayer Advocates was formed on May 20, 2011 and is a non-profit trade association made up of tax consultants representing taxpayers before County Assessors, the Franchise Tax Board and the State Board of Equalization. CATA's purpose is to protect the rights of state and local taxpayers by advancing the professional practice of state and local tax consulting through education, advocacy, and high ethical standards.

CATA was organized to ensure the adherence of high ethical standards by its membership in the property tax consulting profession and to promote sound public policy that protects taxpayers.

If you would like to watch go to this link <https://youtu.be/T6Rg1Vxmiwc> *the url address is case sensitive.*

Assessors Bias on Appraisals

Travis Carlson, Senior Tax Consultant

County Assessors are known to stir up some creative arguments when it comes to protecting their valuations and the following story is no exception. This illustrates the importance of the County Board of Equalization to provide some checks and balances to an already biased assessment process.

Recently, I was involved with a tax appeal out in Washington State where the Assessor took exception to the taxpayer's use of an independent 3rd party appraisal to support their opinion of value. The Assessor pointed out that the stated purpose of the appraisal was to assist the owners with an ad valorem tax appeal. In their view, "This statement shows the immediate bias of the appraisal assignment and renders the value conclusion irrelevant for purposes of estimating true and fair market value." Appraisals, by their very nature, are a non-biased opinion of value. Therefore, the assessor's conclusion is contrary to what an appraisal is.

In this passage, the Appeals Board's findings show the problems with such unsubstantiated allegations.

Continued.....

California Property Tax Exemptions: A Brief Overview

Cristhian Tucker, Tax Consultant

California state law mandates that all property is taxable unless specifically exempt. However, many companies and individuals fail to take advantage of many these tax breaks afforded by the state. It is always a good idea to familiarize yourself with the various exemptions in order not to pay above what you're legally entitled to pay.

Here is a list of some of the most popular exemptions for you to look at and their relevant tax code sections:

Works of Art: Works of Arts made available for viewing in a publicly owned art gallery and museum and operated by a non-profit are exempt from being taxed as personal property. To qualify the property must have been on display 90 days for the 12 month period preceding the lien date. Qualifying works of arts include paintings, sculptures, and lithographs. (See California Revenue and Taxation Code Sec. 217).

Business Inventories: Goods held for the intention to buy or lease. These can include office furniture, business machinery, and other types of machinery. (See California Revenue and Taxation Code Sec. 129).

Religious Exemption: Property owned and used by religious organizations for religious purposes is exempt from property taxation. These types of properties include places of worship and parochial schools. (See California Code Section 206 & 207).

Aircraft: Aircraft that is made available for display in an aerospace museum or Aircraft of "Historical Significance." (See California Revenue and Taxation Code Sec. 220.5 & 217.1)

Disabled Veterans Exemption: Servicemen and servicewomen deemed 100% disabled because of a service-related injury or disease are exempt from paying property taxes for the first \$100,000 fo the full value of their residence. This amount increases to \$150,000 if household income does not exceed \$40,000. (See California Revenue and Taxation Code Sec. 205.5).

Institutional Exemptions: Real and personal property used exclusively for libraries, churches, cemeteries, schools, and colleges may qualify for an exemption.

You can visit www.boe.ca.gov/proptaxes/exempt.htm for more information on these exemptions and contact your local assessor's office for the relevant forms and any eligibility questions that you might have.

Continued from front page....

The Petitioner's contention is based on an appraisal contracted by the Petitioner 'to assist with ad valorem tax appeal.' The appraiser is identified as Jack Young, ASA-MTS/ARM, CPA, and the Board of Equalization (BOE) has no reason to question Mr. Young's credentials or experience. In response, the Assessor states that the statement by the appraiser and Petitioner that the purpose of the appraisal is to assist with an ad valorem tax appeal "shows the immediate bias of the appraisal judgment and renders the value conclusion irrelevant for purposes of estimating true and fair market value." The BOE has seen other responses by the Assessor in which the Assessor has stated, for example, that an appraisal used to establish fair market value to support a mortgage or loan cannot be used to support an ad valorem appeal. In short, the Assessor sets up a Catch-22 that will nullify the value of any appraisal no matter the stated purpose. The Assessor states that the Department of Revenue's depreciation schedules are designed to mimic the expected economic life of each item of personal property. The Assessor, in effect, elevates the DOR depreciation schedules above rebuttal, a position that would make a mockery of offering an appeal process that contests anything other than the existence of pieces of personal property. The BOE finds that the appraisal conducted for the Petitioner to be compelling evidence, particularly the fair market value of property listed in the schedule of subject assets, Appendix A-1, pp. 1-7. The Board concludes that the Petitioner has provided clear, cogent, and convincing evidence sufficient to overcome the Assessor's presumption of correctness and to warrant a reduction in the valuation.

Essentially, the Appeal's Board found that the Assessor was grasping at straws, finding reasons why any personal property appraisal would not be suitable for property tax appeal. This is important to know because, without an appeals process, there would be no checks and balances to ensure a fair assessment process.

Tax Tidbits

What is the meaning of auld lang syne?

Written by Robert Burns in 1788, the title of the Scottish tune translates to "times gone by" and is about remembering friends from the past and not letting them be forgotten.

It is sung all over the world, evoking a sense of belonging and fellowship, tinged with nostalgia.



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

Commercial Printers	\$75,169.66
Construction (2)	\$101,841.80
Data Center (4)	\$1,034,030.76
Food Wholesalers	\$33,197.22
Grocery Stores	\$285,104.88
Plastics Manufacturer	\$146,027.15
Private Banking	\$67,704.90
Semiconductor Equipment Mfg.	\$151,566.70
Testing Laboratories	\$38,466.61
Well Drilling Contractor	\$32,966.53

PTA Real Estate Tax Division Real Property 10/01/16 to 12/01/16

- California**
- Industrial Property – Napa County \$11,098
- Multifamily Property - Placer County \$29,452
- Hawaii**
- Commercial Property – (4 Prop.) - Maui County \$111,947
- Industrial Property – (4 Prop.) – Maui County \$176,649
- Land – (2 Prop.) - Maui County \$121,949

- Washington**
- Multifamily Property – King County \$50,23



Purchase Price: Indicator of Value

Ashvinder Dhillon, Tax Consultant

How many companies out there are aware of the fact that purchase price could be used as an indicator of value? If a company has purchased assets in the open market and their purchase price is less than what is being assessed by the assessor, then YES a reduction in property taxes is possible.

When personal property is assessed for property tax purposes, it is assessed using the cost approach. In cost approach the market price of property is equal to the actual cost less depreciation. However, if the personal property was sold in the open market then the purchase price should be used as the indicator of value.

According to Assessor Handbook 504:

Normally, a recent purchase price is the best evidence of the value of an asset. The revenue and Taxation Code permits the assessor to presume fair market value from a property's full purchase price (less allowable discounts), but does not bind the assessor to rely upon it.

Rule 6 contemplates the use of the original cost of the property and adjusted for subsequent price level changes. However the Rule states, "If the property was not new when acquired by its present owner and its original cost is unknown, its acquisition cost may be substituted for original cost in the foregoing calculation. "The calculation referenced here is the one involving the application of price index factors to be the original cost to determine replacement or reproduction cost new.

However, the assessor should determine whether the purchase price accurately represents market value at the time of acquisition. If evidence shows that purchase price is not a good indicator of value, it should not be used. For example:

If a seller were in dire straits and was required to sell an asset, the price might be below the maximum value a "willing" buyer in the market would pay in other circumstances; the asset may be sold for less than "fair market value".

If the transaction was between related parties (i.e., not an "arms-length" transaction), the price might be below the maximum value of a "willing" buyer in the open market would pay.

A total sale price may have been allocated to various property types (e.g., land, improvements, equipment, and goodwill); the allocation may not be an accurate indication of market value.

If the sale is of an ongoing business or operation, or includes non-assessable intangible property, the sale price might be above the value of the assessable property.

According to Sec. 110:

The purchase price shall, however, be rebuttably presumed to be the "Full Cash Value" or "Fair Market Value" if the terms of the transaction were negotiated at arm's length between knowledgeable transferor and transferee neither of which could take advantage of the exigencies of the other.

According to Rule 4:

Convert a noncash sale price to its cash equivalent by estimating the value in cash of any tangible or intangible property other than cash which the seller accepted in full or partial payment for the subject property and adding it to the cash portion the sale price and by deducting from the nominal sale price any amount which the seller paid in lieu of interest to a lender who supplied the grantee with part or all of the purchase money.

It's also important to take Revenue and Taxation Code-Sec. 110 and Property Tax Rules-Rule 4 into consideration. According to these rules if the terms of transaction were negotiated between two parties at arms-length, then purchase price shall be presumed to be the "full cash value" or "fair market value".

Property Tax Assistance Northern California office recently had some success in getting a property tax reduction for our clients, based on purchase price. PTA can certainly assist companies who have made asset purchases in open market and the purchase price of the assets was less than what they are being assessed at.

Quotes

Remember, even if we can't see them, those we love are always with us.

—Lucinda Riley

There is no greater agony than bearing an untold story inside you.

—Maya Angelou

At the end of the day, that's what a family is—a group of different people who accept each other.

—Sara Sheridan

Keep away from people who belittle your ambitions. Small people always do that, but the really great make you feel that you, too, can become great.

—Mark Twain

There is little success where there is little laughter.

—Andrew Carnegie

Happiness is good health and a bad memory.

—Ingrid Bergman

Those who are not grateful soon begin to complain of everything.

—Thomas Merton

There's lots of people in this world who spend so much time watching their health that they haven't the time to enjoy it.

—Josh Billings

People need to feel safe to be who they are—to speak up when they have an idea, or to speak out when they feel something isn't right.

—Eunice Parisi-Carew

WARNING! When filing your 571L

Kris Chacko, Esq. Senior Tax Consultant

Property Tax Assistance (PTA) has been reviewing and reducing property taxes for taxpayers, since 1975. Our service generally involves the review of personal and real property assessments. A review of personal property assessments invariably involves the review of Business Property Statements (571-L), in certain instances, filed by other consulting firms. For the most part, filings by these firms, are accurate and are an asset to the tax payer. Most firms such as PTA charge a fixed fee for the filing of tax returns, with no other motivation, but to verify that the property is accurately reported and assessed. However in some instances, firms charge a filing fee determined by how much "savings" are involved. In those instances, taxpayers should be especially vigilant.

Based on our experience, a taxpayer using such a service, should be mindful of some of the items referenced below, so that "savings" are not erroneously created.

Obtain a copy of the original tax returns for your file. Verify that the industry reported and classification of equipment is accurate. The taxpayer's industry determines the appropriate economic life that the machinery and equipment will be subjected to. A higher tech industry tends to get a lower life. For example, equipment found at a bio pharmaceutical company is valued using a shorter life than a machine shop.

Incorrect classification of equipment or categories could also result in an incorrect lower assessment. For example, if machinery equipment is reported as computer equipment, the resulting assessment will be incorrect and undervalued. In both of these instances, these assessments would then be subject to escapes during the following audit.

Obtain a reconciliation for each return. A reconciliation will determine that all assets have been accounted for, even if they are not to be reported. PTA has reviewed tax returns, where preparers motivated by "savings", purposefully omitted certain assets by incorrectly classifying those items as exempt. In such an instance, costs were coded as exempt application software, and omitted from the return. The resulting savings was then used as justification and a basis to bill the taxpayer, for the filing of the return. This classification was erroneous, unjustified and not supported with any evidence. These "savings" were then negated when the returns were audited four years after the fact. Obtain justification or evidence from the preparer for any items not reported or classified as exempt.

Most reputable firms, such as PTA, who provide reporting services to their clients make certain that all classifications are supported during the audit. It is imperative as a taxpayer to determine why and how a company has determined tax savings and whether these savings could be reversed in audit. If you should have any questions regarding Property Tax Assistance Company's retainer service, please call Linda Offringa at 562-282-5921.

PTA

Volume 22 Issue 1

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Property Tax Update



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