

Disaster Relief for Property Taxes

Richard Gangloff, Tax Consultant



Recently, California has had one of its worst wildfires in history. Cities such as Paradise, CA were completely decimated and many other properties were destroyed. Nothing good comes from disasters. Hopefully this article can help save some money for people or businesses that have been affected by these disasters.

Section 170 in the revenue and taxation code states “that if a calamity such as fire, earthquake, or flooding damages or destroys your property, you may be eligible for property tax relief if the county where your property is located has adopted an ordinance that allows property tax relief to owners of damaged or destroyed property, without fault from the assessee. In such cases, the county assessor will immediately reappraise the property to reflect its damaged condition. In addition, when it is rebuilt in a like or similar manner, the property will retain its prior value (Proposition 13) for tax purposes. All California counties, except for Fresno County, have adopted an ordinance for disaster relief.

If your business’ building or your residential home has been destroyed or partially destroyed by a fire, you should file a claim to the county within 12 months of the incident. You must have damages worth \$10,000 market value to file this claim. This ordinance also works for personal property (machinery and equipment, office equipment, computers, etc.), agriculture groves, boats, aircrafts, and certain manufactured homes. If your property is exempt from taxes you are not allowed to file this claim. After you file a claim, a notice of proposed new assessment will be sent to you. Also you will receive a supplemental refund based on the amount that has been reduced due to the disaster. This refund will be prorated from the month in which the disaster occurred.

Disasters are terrible and cause many people a lot of pain. The employees of Property Tax Assistance send their heartfelt condolences to the victims of these disasters.

*Start by doing what is necessary;
then do what's possible; and suddenly you are
doing the impossible.*

St. Francis of Assisi

Using the Market Approach for Personal Property

Richard Gangloff, Tax Consultant

The market approach is defined as “a method of determining the appraisal value of an asset, based on the selling price of similar items”. (American Society of Appraisers) When discussing the market approach, most of the time people are referring to real property. There is data that can be pulled that reflects the sales of real property within an area. This can help people make decisions on what is the fair market value for land or an improvement. Another avenue where people use the market approach is buying/selling cars. There is a lot of data that can reflect what a car’s value is, based off of previous sales. Since most personal property does not have a lot of sales data, is there any machinery that we can use the market approach on to reflect the fair market value for that equipment?

One area that I have been able to use the market approach on, for personal property, is construction equipment. There is a ton of data, and a secondary market, for used construction equipment. Most websites that sell construction equipment provide how many hours it has been used, the condition it is in, and the year/model the equipment is. This helps to find equipment with similar attributes as the equipment you are appraising. Also, most construction equipment is designed for the same utility. For instance, a John Deere tractor and a Caterpillar tractor are designed to have the same utility. You may have to make an adjustment based off of the manufacturer, but the equipment is designed to do the same thing, which helps us see the fair market value is for that machine. High cost machinery could also be appraised using the market approach. An example of this is in the printing business. Most of the time these businesses use only a couple of printing machines that can cost about 2-4 million dollars each. If you can find enough data to support that these machines should not cost that much, you are effectively using the market approach for your personal property

The market approach can be a great tool to figure out what something can be bought/ sold for. Even though most people only use this approach when valuing land/ improvements, it can be used for personal property, as well. If there is enough data, and/or a secondary market for machines, you should look at the market approach to find the equipment’s value. This is one simple way to see what a machine should be valued at. As always you should look at every approach and consider contacting a consultant to help assist you with any property tax matters.

Trading places

A world-famous scientist was being driven to a university where he was scheduled to give a lecture. During the drive he complained to his chauffeur: “I’m not sure how much longer I can do this. I’m so bored with giving the same lecture at every campus we visit.”

“I have an idea,” said the driver. “I’ve been listening from the back of the room each time you’ve given this lecture. I know the material pretty well. Why don’t we trade places today? I’ll take your notes and give your speech, and you can sit in the back of the room and observe.”

“I’ll take you up on that offer,” replied the scientist. Before they arrived at their destination, the pair pulled into a rest area and traded clothes. The scientist then drove the rest of the way while the driver sat in the backseat reviewing the lecture notes.

The driver was able to pull off the lecture with no one in the audience aware of the deception. Several minutes into the Q&A portion of the presentation a student asked a rather complicated question. The scientist began to panic. This was something they hadn’t anticipated.

Yet the driver, standing confidently at the podium, maintained his composure as he said, “The answer to that question is so simple, I’m going to let my driver, seated in the back of the room, answer that.”

Tax Tidbits



Business Property Statement (571-L Forms)

*Businesses are required by law to file an annual Business Property Statement if their aggregate cost of business personal property exceeds \$100,000, or if the Assessor requests the information

*Separate filings are required for each business location

*Statements are due April 1

*10% penalty will be applied if a statement is received after May 7 .

*If you need to file or for more information on how to file, please call (562) 282-5921

Are you tired of figuring out your compliance each year? Our Compliance Department is top notch and can provide this service for you. Call Linda Offringa for a free quote. 562-282-5921

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 Printing	\$30,928.78
Data Centers	\$4,507,398.13
Diagnostic Laboratories	\$62,823.02
Dredging & Marine Construction	\$171,664.05
Food Manufacturing	\$112,859.73
Manufacturing	\$55,425.82
Semi Conductor	\$535,548.86
Specialty Construction	\$43,478.53
Wind Electric Power Generation	\$36,735.00

PTA Real Estate Tax Division

Real Property

Multifamily Property – King County, WA	\$29,727
Regional Mall Property – Davis County, UT	\$204,778
Retail Property & Land – Maui County, HI	\$109,009



Appraising a Food Processing Building?

Travis Carlson, Sr. Tax Consultant

How do you appraise a specialized Food Processing Special Purpose Industrial Building? This question came up during a recent Assessment Appeals Board hearing on a building constructed for the express purpose of processing quiche and dip products. The Assessor argued that a special use property can only be valued based on their current use. They further argued that the appraiser should assume there is a market composed of potential buyers and sellers who use the property in a similar manner to the way the present owner uses it, unless it is clearly apparent that the market would adapt the property to an alternative use. There are two major pitfalls to the Assessor's logic: 1) They never looked at the most likely alternative use, and 2) they assumed that the cost approach is the only way to value this type of building. What is interesting is how similar this case is to *Pacific Mutual Life Insurance Company v. Orange County*, 187 Cal.App.3d 1141:

"The County and the Board took the position the subject building was so unique that it was not an ordinary office building. They argued it was a monument or figurehead representing Pacific, and, in this function, it attained its highest and best use. The trial court correctly determined this characterization of the building arose from a basic error of law. The Assessor and the Board looked only to the particular use of the building by Pacific. They erroneously failed to consider the value of the property "in view of all the purposes to which it is naturally adapted."

"In characterizing the subject building as unique and as a monument, the Assessor and the Board justified their use of the cost replacement method of valuation by concluding that reliable income and sales data were not available. Income data was in fact readily available from the various office buildings located in Newport Center and in Newport Beach generally. However, in stressing the particular use to which Pacific put the subject building, the Assessor claimed such data was not relevant. In this, the Assessor and the Board erred. Using a method of valuation designed solely to capture the specific utility of property to a particular owner is contrary to law. The highest and best use of the subject building in the marketplace was as an office facility, as the trial court correctly concluded".

In summary, the assessor took the position that the special use property was so unique that it could not be resold in the open market as a less intensive food processing facility. They completely overlooked the fact that there was overwhelming evidence that the market would adapt the property to an alternative use. Furthermore, the Assessor relied solely on the cost approach to value the property in continued use rather than under the required fair market value premise.



Quotes

Someone is sitting under a tree today because someone planted a tree a long time ago.

-Warren Buffett

No matter what people tell you, words and ideas can change the world.

-Robin Williams

I believe in pink. I believe that laughing is the best calorie burner. I believe in being strong when everything seems to be going wrong. I believe that happy girls are the prettiest girls. I believe that tomorrow is another day and I believe in miracles.

-Audrey Hepburn

No act of kindness, no matter how small, is ever wasted.

-Aesop

You must do the things you think you cannot do.

-Eleanor Roosevelt

New Year's Day is every man's birthday.

-Charles Lamb

To us, family means putting your arms around each other and being there.

-Barbara Bush

It's toughest to forgive ourselves. So it's probably best to start with other people. It's almost like peeling an onion. Layer by layer, forgiving others, you really do get to the point where you can forgive yourself.

-Patty Duke

OBSOLESCENCE BASED ON INUTILITY

Ashvinder Dhillon, Tax Consultant

If there are any Bio-gas plants operating at Landfills which are not operating at capacity, Functional Obsolescence may be warranted, depending on circumstances.

A Bio-gas plant collects gas and supplies it for power generation. There is a possibility that a Bio-gas plant is operating a collection system which is not able to provide the sufficient amount of gas.

PTA recently helped a client which supplies gas for power generation obtain a reduction in property taxes due to Functional Obsolescence.

This particular client started building a Bio-gas plant at a Landfill in 2010 and completed it in 2014. It started supplying gas for power generation in 2014. However, it soon discovered that the load factor for power generation was below capacity, which meant that twenty five to thirty percent less electricity was being generated as compared to rated capacity. The power generation company pointed out that there was demand for electricity and the plant could operate at capacity.

The reason for less gas being supplied, as compared to demand, was because fewer wells were being operated. In May of 2016, the Landfill (owned by the county) agreed to install more gas collection wells in order to improve gas collection and, in return, electricity generation.

Our client agreed to take on this new construction work on behalf of the landfill. The cost was recovered by offsetting monthly royalty payments made to the landfill. After the work was completed, the amount of gas supplied for power generation was increased and power generation started operating at full capacity. We showed the county assessor's office that our client was not able to operate at full capacity because the amount of wells originally planned for the site were inadequate and newer wells had to be built and more equipment installed. We further showed the load factor for all years, which showed that electricity was not being produced at capacity. The county assessor's office agreed that there was inutility for multiple years and we were able secure a reduction for our client based on obsolescence.



Q: What do you get when you cross a dog and a calculator?

A: A friend you can count on.



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Property Tax Update

