

**CALIFORNIA PROPERTY VALUES AFFECTED BY COVID-19 ISSUES**

Sean P. Keegan, EVP &amp; Principal

With the COVID-19 pandemic, each taxpayer has been impacted in some way from the personal changes, someone known to you that has become ill, workplace distance rules, more video conferences, business interruption, effects on manufacturing processes, unemployment, and tenants' ability to pay their rent timely. California real property owners (multifamily, hospitality, commercial and industrial property owners) and business owners who own machinery or equipment, referred to as personal property, will be reviewing their County Assessment(s) when the Notices are issued this summer or when the 2020/2021 Tax Bills are delivered.

Due to COVID-19, Governor Newsom's Executive Order restricted access to many businesses when he ordered "all individuals living in the State... to stay home." (EO No. 33-20, 03/19/20). COVID-19 has caused "actual" damage or value loss to equipment and real property. The Revenue & Taxation Code (RTC) provides guidance for "misfortune or calamity" damages and the available relief under Section 170. The County Assessors have stated that the conditions resulting from COVID-19 were not known or measurable until early March.

Now, the first step is to determine if the County Assessor's enrolled value(s) for your property is fair or does it exceed the current market value as of January 1, 2020. County Assessors will close the assessment roll by June 30th each year. In the cases where the County Assessment exceeds what the owner believes to be the "fair market value" (FMV), an Assessment Appeal Application may be completed and filed with the County Clerk of the Assessment Appeals Board (Board), completing the second step.

These Appeal Applications are filed to contest the fair market value where the taxpayer believes the actual value is less than the property's factored base year value (Proposition 13 – Value). Proposition 8, which was approved by the legislature in late 1978, provided for value declines to be recognized after a property was acquired (referred to as "Prop. 8" – Decline in Value Appeals). In some situations, the County Assessor may determine that the enrolled value should be lowered. In other cases, the Board will schedule the Appeal Application for a hearing.

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# Understanding Property Tax Audits

Linda Offringa, Director Compliance

Historically in California, the Assessors were mandated to audit all property tax filings with a value over \$400,000 every 4 years. The BOE has since eased up on this requirement by adjusting R&T Code 469 to state that "The assessor shall annually conduct a significant number of audits ...". This brought the number of audits down 25% per county. The reduction in audits is supposed to be allocated among the larger taxpayers to the smaller ones. This means that if you are a smaller taxpayer and have had a clean audit in the last cycle, odds are they will not audit you in the next 4 years. Unfortunately, it's a gamble to believe your firm will not be audited, so it is in your best interest to prepare for an audit in advance.

All counties allow the transmission of information via email. However, most require their auditors to take a physical tour of the facility and sometimes compare the information provided to them online to the records held at the company. Note that these tours are just a walk through and should not take up much time.

Also required are invoice samples. Auditors are looking to make sure you are capitalizing sales tax, freight and installation and not including any trade ins or deductions that would reduce the purchase price. I try to choose a few invoices each year as the returns are filed and save them for the audit. Invoices are easier to pull in the year they occur. I also keep the year end detailed trial balance and the reconciliation between the G/L and the assets listing. The auditor will review all expenses to find the supply and expensed asset accounts. Importantly, if possible, keep computer hardware and software in separate expense accounts.

Importantly, the CIP account should be reviewed and documentation kept in the file. Deposits on asset purchases, progress payments and intangible planning costs on assets not yet delivered should be documented in the file for the current year. An asset is only taxable when ownership of that asset is transferred and the asset is delivered to where the company has designated it. It is taxable at that situs to the owner or the lessee depending on the contract. Without detailed notes and documentation, it is sometimes difficult to figure out 4 years later in an audit what is taxable vs nontaxable without the notes and documentation of the preparer.

Contracts for leased equipment should be included in the annual file as well.

If you take a little time each year to include these items in your audit file, you will be able to avoid any conflicts with the auditor and speed up the audit process.

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## Guard against phishing scams during the outbreak

The implications of COVID-19 are scary enough without adding the threat of online fraud or identity theft. However, determined criminals are "phishing" for information by posing as officials of the CDC, as health experts offering cures, and even as your own employer. The Norton website shares these clues that can help you spot a scam and keep your data safe:

1. Requests for personal information. Government agencies and legitimate organizations won't ask for your Social Security number, passwords, or other private details. Don't turn any of that over.
2. Untrustworthy links. You can determine where a link is actually going by hovering your mouse over it and looking at the URL. Many times you'll be able to tell that it's not a legitimate online destination. On the other hand, some scammers can create very realistic-looking destination URLs, so be cautious and delete the link in case of any doubt.
3. Grammatical mistakes. Errors in spelling, punctuation and grammar are telltale clues of a phishing attempt. Again, delete the message immediately.
4. Generic greetings. "Dear sir or madam," or "To whom it may concern," mean that the sender has no idea who you are.
5. Instant action. Phishing scams will insist that you respond immediately. Don't panic. Just delete the message right away.





# TaxTidbits

## Appeal Filing Season Opened July 2nd.

This has been a crazy year so far and who knows what the long term impact on the economy and property values will be. In case you didn't know Property Tax Assistance employs Tax Attorneys. This means we can maximize your tax savings by navigating and applying all of the new and existing tax laws to your advantage. Filing an appeal is a good opportunity for businesses to take a closer look at their taxes and help their bottom line.

## 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

Dairy Farms	\$27,732.43
Data Centers	\$294,195.80
Air Transportation Services	\$653,146.22
Food Manufacturing	\$426,905.96
Metal Products Manufacturing	\$133,368.42
Semiconductor	\$106,669.79
Shipping and Transportation	\$2,518,214.98
Window Manufacturer	\$67,298.52
Winery	\$26,652.82

### PTA Real Estate Tax Division Real Property

Senior Housing Property-Alameda County	\$68,266
Hotel Property – Los Angeles County	\$145,994.34
Residential Land - Ventura County	\$216,704.00



All the beautiful sentiments in the world weigh less than a single lovely action.

James Russell Lowell

# Issue with “Notice of Escapes”

Vanita Bansa, I Tax Consultant

Recently, one of our clients received a ‘Notice of Escape’ which was issued to them as a result of a mandatory audit of their business property.

Our client was surprised to receive a Notice of Escape since they had disclosed all their business property on the Business Property Statement form 571-L. Having doubts in their mind, the taxpayer wanted us to review their audit. During our review it was found that the assessor made an error while processing the 571-L, which is filed every year with the assessor. During the audit, the assessor corrected the error, which resulted in escapes.

Now the question arises, does an assessor have the authority to correct an error that is made while processing the statement?

If it is a clerical error then the assessor has the authority to correct it during an audit; however: if the error is involving the exercise of value judgement then an assessor has no authority to correct it.

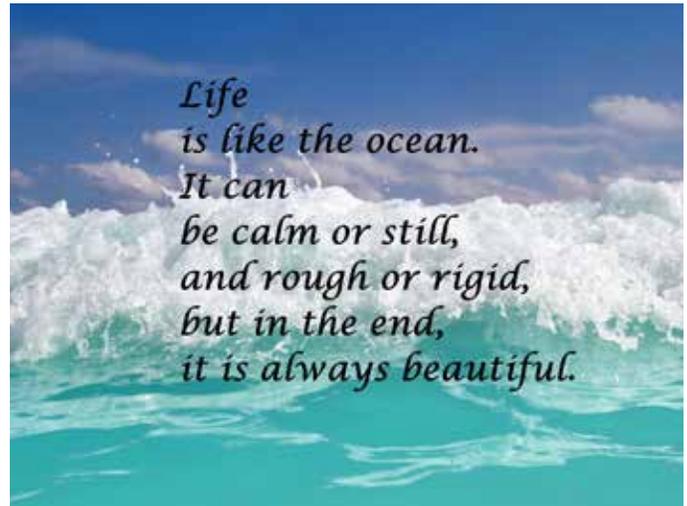
“...if a taxpayer filed a property statement which failed to properly classify taxable property, an assessor may issue an escape assessment.... However, if the taxpayer accurately reported the property on the property statement, an assessor has no authority to correct assessment errors involving the exercise of value judgements. Additionally, the assessor is not authorized to correct such errors under section 4831”

In our opinion, if you are sure that you have disclosed all your property accurately on your 571-L property statement, yet receive a Notice of Escape resulting from a mandatory audit, you should review your audit thoroughly and try to find out the reason for the escapes. In addition, review the Notice of Escape assessment carefully. The ‘Notice of Escape’ assessment should document the reason for the escape and the Revenue and Taxation Code. An Assessor must determine if the missed assessment was due to an assessee error or an assessor error and/or concealment or fraud.

## ***Continued from front page....***

We are recommending to our clients that a 2020/2021 Appeal Application be filed by the County filing date (09/15/20 or 11/30/20) to protect your rights in these uncertain times. RTC Section 1603(a) specifies that, “A reduction in an assessment on the local roll shall not be made unless the party affected or his or her agent makes and files with the county board a verified, written application showing the facts claimed to require the reduction and the applicant’s opinion of the full value of the property.”

With the impact of COVID-19, which is now in its fourth month and the effects that will be felt for many more months, we are also recommending a proactive approach to providing valuation information to the County Assessor’s Office for the January 1, 2021 lien date, as well. We will continue to monitor the Governor’s Office, California State Board of Equalization, and the County Assessor’s websites for information and developments which we anticipate will provide relief opportunities to our clients.



## **Keep your sanity as the crisis drags on**

The COVID-19 pandemic has taken a toll on everyone, and not just physically. Taking care of your mental health is important too, especially because no one knows when the crisis will end. The GOV.UK website shares this guidance on staying sane during these uncertain times:

- **Stay connected.** Maintain your relationships with friends and family. Social distancing guidelines may be looser these days, making things easier, but if you or a loved one is in self-quarantine because of a positive test for the coronavirus, don’t stay isolated. Reach out.
- **Talk about your worries.** Whether you work with a counselor or just talk to friends, don’t bottle up your emotions. Speak up about what’s worrying you. Letting your feelings out is good for your mind and soul.
- **Take care of yourself physically.** Eat healthy meals and exercise. Take a walk or a bike ride now that communities have started to open up. Work in your garden. Getting outside and staying in good physical shape will help you maintain a healthy mental state.
- **Get plenty of sleep.** Sleep can be elusive when you’re nervous about life. Stick to a routine that encourages eight or nine hours of sound sleep every night. You’ll get the physical rest you need and the mental break necessary to brain health.
- **Manage your media consumption.** There’s lots of information out there, often more negative than positive. Don’t obsess over every new report. Limit your intake of news so you don’t start feeling overwhelmed and helpless. Check the facts to be sure you’re not being exposed to bad information.
- **Find things to enjoy.** Make a point of pursuing pleasurable activities to take your mind off things. Read a good book, watch a lighthearted movie, finish a jigsaw puzzle, cook a gourmet meal—do anything that lifts your spirits and makes you feel better.

# Quotes

Before I can live with other folks  
I've got to live with myself. The one  
thing that doesn't abide by majority  
rule is a person's conscience.  
--Harper Lee

It is during our darkest moments  
that we must focus to see the light.  
--Aristotle

Freedom is never more than one  
generation away from extinction.  
We didn't pass it to our children in  
the bloodstream. It must be fought  
for, protected, and handed on for  
them to do the same.  
--Ronald Reagan

Childhood is a short season.  
--Helen Hayes

You can fool all the people some  
of the time, and some of the people  
all the time, but you cannot fool all  
the people all the time.  
--Abraham Lincoln

All major religious traditions carry  
basically the same message, that is  
love, compassion and forgiveness  
the important thing is they should  
be part of our daily lives.  
--Dalai Lama

An eye for an eye only ends up  
making the whole world blind.  
--Mahatma Gandhi

I never considered a difference of  
opinion in politics, in religion, in  
philosophy, as cause for withdrawing  
from a friend.  
--Thomas Jefferson

I like the dreams of the future  
better than the history of the past.  
--Thomas Jefferson

## Help! Late Payment Penalties!

Mandy Ingram, Tax Consultant  
Breanna K. Larsen, Appeals Clerk

### **CALIFORNIA COUNTY PROPERTY TAX LATE PAYMENT PENALTIES - ABATEMENT REQUEST FORMS**

*The County Treasurer-Tax Collectors' Offices have made announcements that they will help homeowners and small businesses regarding property tax late payment penalties due to effects of COVID-19. With California Governor Newsom's directive issued on May 6, 2020, he ordered that a "[T]ax collector shall cancel such penalties, costs, and interest ..." where "it requires a tax collector to impose penalties, costs, or interest for the failure to pay taxes on property on the secured or unsecured roll" that become delinquent. There are a few conditions, such as the taxes owed must be current as of March 4, 2020, a timely filed claim form is submitted, and the taxpayer demonstrates that the "taxpayer has suffered economic hardship or was unable to tender payment of taxes in a timely fashion" (Executive Order No.61-20). We encourage you to monitor the California County websites. If we may assist you or your company, please do not hesitate to contact us.*

Please go to <http://www.property-taxes.com/about/recommended-links> for a compiled list of county websites.

## Reviewing your Property Tax Bill

Albert P. Zamarripa, VP

An annual review of the corporate property tax bill is not a bad idea and is something that does not take too much of your time. A cursory review, may lead to discovery of errors by the Tax Collector's Office. These can include clerical errors on the values posted or the amounts due.

For example, a few years ago I completed work on a client's personal property and fixture assessment. My client was issued an escape assessment totaling \$11,300,000 in value. I addressed various cost and value related issues and was able to reduce the assessment by roughly \$5,000,000 full cash value, to a revised valuation of \$6,300,000. My client was happy with the results and as we were getting ready to close out the appeal, I asked him to send me a copy of his tax bill.

As I was reviewing his values and tax rates posted on the bill, I noticed one of the bond assessments being extraordinarily high in comparison to the total tax bill. The bond rate in question was for a State Water Project (SWP) and the rate on the tax bill was .75%, which resulted in an added assessment of \$84,750. The tax rate of 1.1299% multiplied by the assessment, resulted in a taxable amount of \$128,808. As you can surmise the bond amount seemed excessive.

After reviewing the regular bill for the same property and year, I noticed that the SWP bond rate on the regular bill was .0075%, which made a large difference in the correct amount due. My next step was to contact the tax collector and ask questions about the SWP rate and find out whether they were aware of this error.

The Tax Collector indicated they needed to research the bill in question and give me a call back. When they called back, the representative indicated that this was indeed an error and the correct amount should have been \$847.50 for the SWP charge. The representative also indicated that they would issue a refund for the difference of \$83,900, which was received by my client a couple of weeks later.

Goes without saying, a little extra effort goes a long way.

# PTA

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## Property Tax Update



**The Dog Days of a Covid-19 Summer**