

ESCAPE ASSESSMENTS

Rick Gangloff, Tax Consultant

Every 4 years the county is required to audit the books and records of taxpayers and make sure all tangible trade fixtures and personal property is properly assessed. According to the Revenue and Taxation Code § 469 (a) "The assessor shall annually conduct a significant number of audits of the book and records of taxpayers engaged in a profession, trade, or business who own, claim, possess, or control locally assessable trade fixtures and business tangible personal property in the county to encourage the accurate and proper reporting of property as required by this article. The assessor shall conduct an audit of those taxpayers as provided by subdivision (b)." After reviewing § 469 (a) what is an escape assessment?

An escape assessment occurs after the county has audited a businesses' trade fixtures and tangible business personal property and have discovered that the business underreported assets on their Business Property Statement (form 571-L). These assets escaped being taxed during the regular assessment and are now being assessed, thus why it is called an "escape assessment." After receiving escaped tax bills, a company has the option to file an appeal within 60 days of either the Notice of Enrollment or Tax Bill depending on the county. The appeals are not only appealing the escaped tax amount but also allow for the taxpayer to appeal the overall assessment for those years. For instance, if the county audits the taxpayer's books and records for the years 2016-2019 (the county audits 4 years at a time) and they decide all years will receive escape tax bills, then the taxpayer will be able to appeal the overall assessments for the 2016, 2017, 2018, and 2019 years. If the taxpayer had not previously filed appeals for the 2016-2019 years, they are now allowed to file appeals on all those years. So even though receiving escape tax bills are never met with jubilation, there can be some benefits for the taxpayers to appeal years that never had appeals filed. We always recommend filing appeals and having professionals investigate your business personal property taxes. For the most part, even when you receive an escape tax bill you are ultimately still being over assessed by the county for a plethora of different reasons.



The Correct Depreciation Table Should Be Used

Ashvinder Dhillion, Tax Consultant

Are there any companies out there, which feel that their Business Personal Property in Alameda County is not assessed correctly? One of the reasons why it is not being properly assessed is because the county Assessor's Office is not using the correct trend table in order to depreciate the property. Property Tax Assistance Co., Inc. (PTA) recently helped a client in Alameda County lower their property taxes by pointing out to the Board that the correct trend table, was not being used by the county assessor's office, hence a reduction in taxes was warranted.

This client operates a Metal Fabrication shop in Oakland. They have seen a decline in their business in recent years. PTA represented them at a hearing for the lien date 2017, requesting a reduction in their taxes based on Economic Obsolescence. PTA believed that the county did not use the proper trend table in order to depreciate the Machinery and Equipment. A commercial fifteen-year life table was used by the Assessor's Office; however, a commercial twelve-year life should have been used in order to calculate the depreciation.

Before the hearing, PTA tried requesting an exchange of information multiple times with the county Assessor's Office, the county refused to comply. PTA did provide all relevant information to the county. During this struggle, the county's attitude was less than courteous.

PTA consultants prepared a deprecation schedule chart based on a commercial twelve-year life for machinery and equipment in order to show it to the Assessment Appeals Board. During the hearing, this chart was presented to the Appeals Board, along with informing them that the Assessor's Office had not been courteous and refused to exchange the requested information. Had they provided this information, this particular matter would have been resolved before the hearing.

The Assessment Appeals Board agreed with PTA that a commercial twelve-year life should have been used in order to depreciate the equipment, therefore they granted the reduction.

PTA can certainly help clients in similar situations. If you believe that your Business Personal Property is not being assessed using the right depreciation schedule, a PTA consultant can look more thoroughly into this matter and tackle the issue with the Assessor's Office.

Should Proposition 13 be Repealed?

Lisa Henry, Director Sales and Marketing

Young voters today may not remember the yearly 50-100% property tax increases that occurred before Prop 13's approval in 1978. Prop 13 has protected homeowners, renters and small businesses by reducing the uncertainty they faced before Prop 13's passage 41 years ago. I remember the conversations my parents had as they struggled to come up with the funds for property taxes. Each year the property tax bill was a surprise, it caused enormous amounts of anxiety.

Increased taxes will ultimately drive up prices for consumers on everything we buy and use. Higher property taxes and prices on everything from gasoline to groceries is the last thing California families need when we're battling a housing crisis and a rising cost of living.

If Prop 13 is repealed it would have disastrous effects on California families.



Tax Tidbits

The Nightmare Before Proposition 13

On June 6th, 1978, nearly two thirds of California's voters passed proposition 13, reducing property tax rates on homes, businesses and farms by about 57%.

Learn more about the environment prior to Prop 13, Prop 13 tax reform, specific features of Prop 13, the vote requirement for state taxes and voter approval for local special taxes by visiting.

californiataxdata.com/pdf/Prop13.pdf



Property Tax Update



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

Clothing Manufacturer	\$116,371.95
Data Centers	\$1,961,745.53
Dairy Farms	\$50,581.81
Equipment Leasing, Inc.	\$36,575.57
Food Manufacturing	\$765,711.82
Graphic Film Manufacturer	\$52,676.52
Hospital	\$262,246.41
Marine Terminals	\$480,647.41
Metal Products Manufacturing	\$134,671.84
Mineral Product Manufacturing	\$52,315.20
Oil Field Service, Co.	\$567,711.25
Private Hangars	\$37,294.05
Restaurants and Bars	\$136,073.73
Plastic Product Manufacturing	\$111,245.97
Semiconductor	\$106,669.79

PTA Real Estate Tax Division

Real Property

Gas and Car Wash-Los Angeles, CA	\$222,370
Grocery & Retail-Maui County, HI	\$91,428
Shopping Center-Maui County, HI	\$201,171
Shopping Center-San Bernardino	\$237,944
Regional Mall- Davis County, UT	\$248,909

“Life is like riding a bicycle.
To keep your balance,
you must keep moving.”
---Albert Einstein

Duplicate Assessments of “Fixtures”

Brent Buskirk, Tax Consultant

In July of 2019, we presented a case to the Los Angeles County Assessment Appeals Board for a tenant in a high rise office building located in Downtown Los Angeles. Considering the fact that our client occupies a space in an office building, the county’s assessment seemed to be fairly straightforward and simple. When we look at the business property statements submitted by typical office tenants, the equipment reported does not usually suffer from extraordinary obsolescence. This equipment generally includes items like desks, chairs, computers, and network equipment. However, this case went beyond the personal property reported to the county, as it pertained to a duplicate assessment of “fixtures” between the Business and Real Property divisions of the Assessor’s Office.

A fixture is defined as “an item of tangible property, the nature of which was originally personality, but which is classified as realty for property tax purposes because it is physically or constructively annexed to realty with the intent that it remain annexed indefinitely.” Fixtures are real property items by definition, but they are valued by the Business Division of the Assessor’s Office. In this case, some of the items that our client reported as fixtures included door and window casings, baseboards, crown molding, and decorative wood paneling.

For the lien dates in question, our client’s building was valued by Los Angeles County on a Proposition 8 basis, meaning a temporary reduction in value was given to the real property due to adverse market conditions. Since the real property, including land and improvements, was completely revalued for these lien dates, our argument was that all fixtures were included in this valuation.

The leasehold improvements reported to the county were the types of finishes a person would expect to see in a high rise office building in Downtown Los Angeles. These types of high-end finishes are meant to generate a higher income for the property owner. Not surprisingly, the income was one of the components used to value the property. Since the property is classified by the county as an office building, we made the argument that all components of an office building are already included in the Prop 8 valuation, so anything duplicated on the personal property assessment needs to be removed.

The Appeals Board ended up ruling in our favor, giving our client a substantial value reduction. Special attention needs to be given in how leasehold improvements are reported and assessed, especially when a Prop 8 is involved on the Real Property Division’s side.

Bake Something



If you’re snowed in and looking for a fun activity to do with your family, consider baking a cake or some other sweet treat that is just as fun to make as it is to eat.

There’s no better time than the present to teach your kids the basics of baking. Show them how to choose, measure, and mix ingredients as you follow the steps of a recipe that will transform the components into something yummy.

Working in the kitchen is also a great way to show the importance of being organized and tidying up while you cook, keeping hands and surfaces clean, and addressing safety do’s and don’ts to avoid accidents and injuries.

If what you’re making takes a while in the oven or requires a cool-down period before you can decorate it and eat, you might want to have a game or activity ready to help pass the time.

Visit the Homebaking Organization website for tip sheets, recipes, and other resources at <http://www.homebaking.org/familyfun/>

Quotes

“Love is that condition in which the happiness of another person is essential to your own.”

—Robert A. Heinlein, *Stranger in a Strange Land*

Laughing together is as close as you can get to a hug without touching.

—Gina Barreca

When nothing is sure, everything is possible.

—Margaret Drabble

The beginning is always today.

—Mary Shelley

“You've gotta dance like there's nobody watching,

**Love like you'll never be hurt,
Sing like there's nobody listening,
And live like it's heaven on earth.”**

—William W. Purkey

“When I despair, I remember that all through history the way of truth and love have always won. There have been tyrants and murderers, and for a time, they can seem invincible, but in the end, they always fall. Think of it—always.”

—Mahatma Gandhi

“We delight in the beauty of the butterfly, but rarely admit the changes it has gone through to achieve that beauty.”

—Maya Angelou

“If you want to be happy, do not dwell in the past, do not worry about the future, focus on living fully in the present.”

—Roy T. Bennett, *The Light in the Heart*

Reductions on Construction Equipment

Rick Gangloff, Tax Consultant

Recently, in San Diego County we have been able to get reductions on construction equipment due to the California Air Resource Board's (CARB) regulations. CARB states “Construction equipment is a major contributor to air pollution, especially when large construction projects are adjacent to neighborhoods. To address this source of air pollution, the California Air Resources Board adopted the nation's first regulation aimed at cleaning up off-road construction equipment such as bulldozers, graders, and backhoes. Starting in 2014, these requirements ensure fleets gradually turnover the oldest and dirtiest equipment to newer, cleaner models and prevent fleets from adding older, dirtier equipment”. Construction Equipment's engines are labeled between 0-4 tiers, whereas a 4-tier engine is the cleanest for pollution and a 0-tier engine is the dirtiest for pollution. CARB regulations state that all construction equipment from tiers 0-2 cannot be added to a fleet in California. The equipment can still be used in a fleet but cannot be bought or sold in California. That means surrounding states will have an increase in supply of used Construction equipment which will make the equipment's price discounted which needs to be reflected in the value of the equipment. Therefore, we have argued that the equipment needs an economic obsolescence penalty and have had success in reducing our client's property taxes for Construction equipment.

Don't be rude about money

Money is a delicate subject. Too many people forget that, though, and ask impertinent questions or make rude mistakes with their friends. The Reader's Digest website points to these habits that can alienate others and make you look like a jerk:

- Making assumptions. Someone who sports an expensive wristwatch might not be rich; people who shop in secondhand stores aren't necessarily poor. Don't jump to conclusions about anyone's financial situation based on superficial appearances.
- Automatically splitting the bill. Four friends go to a restaurant. One orders multiple drinks and the most expensive meal on the menu, then suggests splitting the bill four equal ways. Don't be that person. Be sensitive to other people's preferences and financial situations, and be willing to pay your fair share.
- Asking for “friend discounts.” If you hire a friend to do a professional service for you, don't ask for a break on the fee. This is how your friend makes a living. Be willing to pay full price or hire someone else to help you out.

PTA

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Property Tax Update

