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April 27, 2004

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

RECOMMENDED ADDITION TO THE COUNTY'S STATE LEGISLATIVE POLICIES AND GOALS (3-VOTES)

This letter contains recommendations to include an additional County-sponsored program specific goal in the State Agenda that would protect public agencies from losing tax revenue and ensure that taxpayers are not barred from an appropriate administrative reduction in assessments due to a decline in value, and to co-sponsor AB 2857 (Laird) upon amendment, which would accomplish this goal. During your Board's consideration of this item, the Assessor and Executive Office will be available to discuss any technical issues related to the bill.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the recommendation to include an additional County-sponsored program specific goal in the State Agenda that would protect public agencies from losing tax revenue and ensure that taxpayers are not barred from an appropriate administrative reduction in assessments due to a decline in value;

2. Based on this goal, approve the recommendation to **co-sponsor AB 2857 (Laird) upon amendment,** which would accomplish this goal; and

3. Instruct the County's legislative advocates in Sacramento, working with the Legislative Strategist, affected departments, and other interested individuals and organizations to advocate this position on behalf of Los Angeles County.

AB 2857 (Laird)

As proposed to be amended, AB 2857 would clarify that when a county board of equalization fails to make a final determination within two years on an application for reduction in assessment involving a base year value of real property, the applicant's opinion of value shall remain on the roll until the board acts to make a final determination on the application. By making this change, AB 2857 would clarify that a reduction in assessed value that occurs as a result of a board's failure to make a timely decision on an application for reduction in an assessment of personal property, or one that involves a decline in value, would be effective for the one year covered by the application, instead of for multiple years.

Existing law provides that personal property assessments and adjustments in assessment affect one tax year, as distinguished from a base-year assessment of real property which, once determined, remains on the property tax roll until a change of ownership or new construction occurs. Thus, applications for assessment appeals affecting personal property and adjustments due to a decline in value would impact one year. In contrast, an assessment appeal requesting a reduction of base-year value would impact multiple years.

In the 2nd District Court of Appeals' recent decision in *FlightSafety International, Inc., v. Los Angeles County Assessment Appeals Boards,* the Court held that one-year assessments, when appealed, and when subject to an untimely decision by the board, are enrolled for multiple years in the same manner as an appeal of a base-year value. The court's reasoning effectively triples the amount of roll value and, therefore, property tax revenue that is lost in each and every personal property and decline-in-value appeal in which the board fails to act in a timely manner.

AB 2857 would appropriately ensure that, in the case of a board's failure to make a timely decision on an application for reduction of a base-year value of real property, the taxpayer's opinion of value would remain on the roll until the county board has decided the appeal on its merits. At a minimum, the taxpayer's opinion of base-year value would remain on the roll for three years, as under current law. This amendment makes it clear that a similar default reduction in an appeal of an assessment of business personal property, or an adjustment due to a decline in value, would be enrolled only for the year covered by the application.

AB 2857 would also protect a taxpayer from a potential loss of tax relief. This may occur in the instance where a failure by a board to make a timely decision may negate a previous reduction by an assessor or an assessment appeals board that gives the taxpayer a *greater* reduction for the tax years immediately following the year covered by

the application that was not decided by the board in a timely manner. The potential for such circumstances is quite high during a period of declining real estate values such as occurred in the 1990s.

The County Assessor and Executive Office indicate that the effects of the court decision have already negatively impacted property tax revenue in Los Angeles County and may continue to do so in the future if left unresolved by the Legislature. **Because AB 2857 would protect taxpayers and public agencies, both departments recommend that the County co-sponsor AB 2857 as proposed to be amended, and we concur.**

AB 2857 is jointly sponsored by the California Assessors' Association and the California Association of Clerks and Election Officials. There is no registered opposition. This measure is set for hearing in the Assembly Revenue and Taxation Committee on Monday, May 3, 2004.

Upon approval by your Board, this recommended position will be added to the State Legislative Agenda and is consistent with the County Strategic Plan.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:GK
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c: Assessor
Auditor-Controller
County Counsel
Executive Office
Treasurer and Tax Collector