



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION  
PROPERTY AND SPECIAL TAXES DEPARTMENT  
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No. 2008/059

November 5, 2008

TO COUNTY ASSESSORS AND INTERESTED PARTIES:

BUSINESS PROPERTY AUDITS

Assembly Bill 550 (Ch. 297, Stats. of 2008) amended Revenue and Taxation Code section 469 and will become effective on January 1, 2009. This bill changes the requirements for what is commonly known as a *mandatory audit*. The bill deletes the requirement that an assessor must audit every four years taxpayers that own, claim, possess, or control locally assessable trade fixtures and business tangible property with a full value of at least \$400,000. Section 469, in part, has been amended to read:

(a) The assessor shall annually conduct a significant number of audits of the books 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).

(1) For purposes of this section, "significant number of audits" means at least 75 percent of the fiscal year average of the total number of audits the assessor was required to have conducted during the 2002-03 fiscal year to the 2005-06 fiscal year, inclusive, on those taxpayers in the county that had a full value of four hundred thousand dollars (\$400,000) or more of locally assessable trade fixtures and business tangible personal property....

The entire text of Assembly Bill 550 may be viewed at [http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab\\_0501-0550/ab\\_550\\_bill\\_20080925\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_0501-0550/ab_550_bill_20080925_chaptered.pdf). The Legislature declared its intent regarding this legislation:

Therefore, it is the intent of the Legislature in enacting this act to provide assessors with discretion in selecting which business taxpayers to audit, thereby adding an element of unpredictability to the audit process and ultimately advancing the policy goals of the audit process, and furthering the constitutional requirement of equal and uniform assessment.

To implement the new audit procedures, Board staff is initiating a project to review and revise, as appropriate, the Property Tax Rules pertaining to audits of locally assessed properties:

Rule 191, *Property Tax Audits, General*  
Rule 192, *Mandatory Audits*  
Rule 193, *Scope of Audit*

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The rules are posted on the Board's website at <http://www.boe.ca.gov/proptaxes/ptrules.htm>. Interested parties are encouraged to participate in this project. Suggestions for revisions to the rules, which are not limited to just language associated with the new provisions of section 469, should be submitted by December 12, 2008 to Ms. Sherrie Kinkle at [sherrie.kinkle@boe.ca.gov](mailto:sherrie.kinkle@boe.ca.gov) or mailed to the above address.

Staff will analyze the suggestions received and then release draft rule language to interested parties for consideration. Thereafter, an interested parties meeting will be held to discuss the proposed language. Ultimately, the rules will be presented to the Board for discussion prior to being placed in the official rulemaking process.

If you have questions regarding this project, you may contact Ms. Kinkle at 916-322-2921.

Sincerely,

/s/ Mickie Stuckey for

David J. Gau  
Deputy Director  
Property and Special Taxes Department

DJG:sk