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Property Tax Agents at the Local Level in California: An Overview

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Assembly Revenue and Taxation Committee

Hon. Henry T. Perea, Chair

Assembly Local Government Committee

Hon. Cameron Smyth, Chair





Background

- ☑ ***Property Owners May Appeal the Assessed Valuation of Their Property.*** Each year, county assessors determine the taxable value of property. In most cases, a property's assessed value is its acquisition value, increased by 2 percent per year. In some cases, however, assessors must determine a property's market value—for example, when a property is sold or undergoes new construction, or when a property's market value declines significantly.
- ☑ ***Property Tax Agents Represent Property Owners at Appeals Hearings.*** Property owners sometimes hire property tax agents—attorneys, certified public accountants, and other professionals—to represent them during the appeals process.
- ☑ ***California Does Not License or Regulate Property Tax Agents.*** Agents must be authorized by owners to represent them before the appeals board. The state does not require property tax agents to meet training, profession, or ethics standards.
- ☑ ***State Law Prohibits Deceptive Advertising as Well as Filing an Appeal Without the Property Owner's Knowledge.***



Property Tax Appeals Process

- County Boards of Supervisors Serve as (or Appoint) Local Boards of Equalization.*** These entities— independent of the county assessor offices—function as local assessment appeals boards.

- Property Owners May Appeal the Assessed Valuation of Their Property.*** Assessment appeals may be filed between July 2 and mid-fall.

- Property Owners May Appeal Their Property Value on One of Four Grounds:***
 - Proposition 8 decline in value assessment.
 - Change-in-ownership reassessment.
 - New construction reassessment.
 - Damaged property reassessment.

- Subsequently, the Appeals Board May:***
 - Raise or lower a property's assessed value.
 - Overturn a new construction or change-in-ownership reassessment decision.
 - Remove a penalty assessment.

- Property Owners and County Assessors May Appeal Board Decisions to the County Superior Court.***



Real Estate Decline Has Led to an Increase in Number of Appeals



Significant Decline in Value of California Residential and Commercial Properties.

- Between 2006 and 2011, the median California home price fell from \$560,000 to \$285,000.



More Than One in Four Properties Has an Assessment That Was Reduced Pursuant to the Provisions of Proposition 8.

- Many of these reassessments occurred through proactive actions taken by county assessors. Others were initiated through a property owner appeal.



Historically, Few Property Owners Filed Assessment Appeals.

- In 2006-07, property owners appealed the assessment of 44,000 properties—less than 0.4 percent of all properties on local tax rolls.
- By 2010-11, the number of appeals increased four fold to about 173,000.
- As the market value of Proposition 8 properties increases in the coming years, county assessors will raise assessed values (potentially by more than 2 percent per year). This may prompt additional assessment appeals.



Texas Licenses and Regulates Property Tax Agents

- Property Tax Agents in Texas Must Register With the Texas Department of Licensing and Regulation.***
 - Licensed attorneys and certified public accountants are not required to register.
 - Agents must meet certain educational standards and pass examinations.

- Agents Are Subject to Disciplinary Action, Including Fines and License Suspension or Termination.*** An online listing of disciplinary actions is available to the public.

- Texas Regulates Deceptive Advertising Practices Through Administrative Fines and License Termination.***

- Tennessee and Arizona Require Property Tax Agents to Register With the State.***



Federal Regulation of Tax Agents

- IRS Circular 230.*** In 1921, the U.S. Treasury Department issued Circular 230, which requires individuals that represent taxpayers before Internal Revenue Service (IRS) proceedings to meet certain qualifications and standards of practice.

- Circular 230 Licenses Enrolled Agents.*** Enrolled agents are tax preparers and advisors (other than attorneys and certified public accountants) who are licensed and regulated by the IRS. Enrolled agents must subscribe to standards of tax practice, pass an entrance examination, and take continuing education courses.

- IRS Circular 230 Also Governs the Advice Tax Preparers May Give Clients.***



Overview of Licensure and Regulation

- ☑ ***State Licenses and Regulates Some Similar Professions.***
California, like most other states, licenses real estate salespersons and brokers. Licensees must be legal residents in the United States, pass a criminal background check, satisfy certain educational requirements, and pass a written state examination.

- ☑ ***Academic Literature Is Not Conclusive About Benefits of Licensure and Regulation.*** In some cases, licensure and regulation appears to increase consumer costs while providing little increased consumer protection.

- ☑ ***Key Questions to Consider.***
 - ***Would Consumers Benefit From a Regulated Profession?***
 - ***Would the Property Tax Appeals Process Benefit?***
 - ***Would These Benefits Outweigh the Resulting Costs of Regulations on Consumers?***
 - ***What Form of Regulatory System Would Be Most Appropriate?***
 - Registration
 - Voluntary certification
 - Licensing