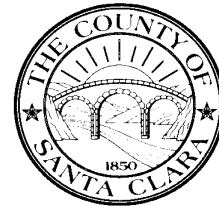


# MEDIA RELEASE

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*Lawrence E. Stone, Assessor*

For Immediate Release:  
July 2, 2008

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## Assessor changes procedures to increase compliance

### **OVER 14,000 BUSINESSES, NEARLY 30 PERCENT FAIL TO TIMELY FILE PROPERTY TAX STATEMENT**

In an effort to reduce the number of businesses that routinely do not file their annual business property statements mandated by law, thereby evading payment of taxes on business personal property, the Assessor's Office has implemented new procedures to improve compliance. On the 2008-09 assessment roll, just over 14,000 businesses out of a total of 50,791, failed to return a property statement to the Assessor's Office by the May 7 deadline. As a direct result of existing and new procedures associated with assessing businesses that fail to file, the Assessor's Office added over \$1.8 billion dollars in business personal property assessed value and penalties to the assessment roll. Since the Assessor can recover value and penalties as far back as four years, more than \$400 million more may be added from prior year assessments after July 1.

"We are in the information business, and without accurate information from taxpayers, we are out of businesses," said County Assessor Larry Stone. "This year the burden is placed on those businesses who fail to return their property statement. Over the last decade, we simplified the process and made it easier for companies to file. This year, nearly 10,000 businesses filed their statement on-line via e-filing, a process that on average requires less than 15 minutes to complete. There is simply no excuse for not returning the statement," Stone said.

In January, after the completion of an intensive field-canvassing program to identify new businesses, the Assessor's Office mailed 50,791 business personal property statements (Form 571-L) to every known business in Santa Clara County. Businesses are required to disclose the cost of the assets they own such as machinery, equipment and fixtures. Such properties includes computers, supplies, office furniture, tooling, machinery and equipment. Most business inventory is exempt. The Assessor uses this information to determine the assessed value.

Business property statements are due on April 1 and are delinquent, and incur a penalty, if not filed by May 7. The Assessor must process the information by July 1 when the assessment roll is delivered to the Tax Collector. The Tax Collector issues the tax bill for unsecured business personal property accounts, which are due no later than August 31. Due to the short turn around between May 7 and July 1, the Assessor relies on businesses to properly and timely report their assets. Businesses with values in excess of \$400,000 in assets and equipment are mandated by State law to be audited every four years. Other businesses are audited subject to the availability of resources. On average, 1,000 businesses are audited annually by the Assessor's Auditor-Appraisers, certified by the State Board of Equalization.

Like the Internal Revenue Service and other authorities, when a business fails to return a property statement, the

Assessor has the authority and responsibility to both determine the assessed value of a company's assets and equipment using the best information available and levy a 10 percent penalty.

Over 5,000 businesses that were assessed in prior years did not return their property statement by the May 7 deadline. Based upon economic conditions in Santa Clara County, the Assessor's Office estimated the fair market value and added the statutory 10 percent penalty. The new assessed value, including the penalty, is then used by the Tax Collector to calculate the taxes, which are typically 1.2 percent of the assessed value.

The Assessor's Office also valued the assets of over 4,000 businesses that failed to file a business property statement this year and had not been previously assessed. In prior years, non-filers were called or personally visited after the assessment roll closed. Corrections to the assessment roll were processed to enroll values based upon an examination of the business records or physical inspection of the assets. Because the number of non-filers has increased steadily over the past several years, the Assessor modified the program, this year. The assessed values were determined based on business type and location, the statutory 10 percent penalty was added and the resultant value was enrolled prior to the close of the July 1 assessment roll. As a result of this proactive effort to assess businesses that have ignored their legally required responsibility to timely file a property statement, the Assessor's Office added nearly \$1 billion in assessed value to the County assessment roll.

An additional 5,000 businesses that also failed to file a business property statement need additional research and/or were determined to have a value of \$5,000 or less. Santa Clara County has a low value ordinance that permits the Assessor to exclude business property assessments of less than \$5,000 when the cost of assessment and tax collection exceed the taxes that would have been collected. Regardless of this ordinance, property owners that receive a business property statement from the Assessor are required to complete and return the statement. In addition, businesses with assets of more than \$100,000 are required to file a statement regardless of whether or not the Assessor mailed one to them.

"Seventy percent of companies, large and small, timely return their property statements. Prior to becoming Assessor I personally have owned a business that filed property statements with the Assessor. I realize we are all busy, but there is simply no excuse for a business not to return the property statement. As Assessor, I have a responsibility to make sure that those who do not comply, and may be deliberately trying to avoid paying taxes, are provided sufficient encouragement to comply. It is a matter of simple fairness and equity to the tens of thousands of businesses who routinely return their statement and pay their taxes," said Stone.

On June 30, the Tax Collector sent tax bills to all businesses on the assessment roll including those who have failed to file their property statement. This bill serves as their first notice of their assessed value and tax. "We expect many businesses to contact us seeking clarification about their assessed value. That's fine. If they think their assessment is too high and they can provide us with appropriate documentation, we will adjust their assessment and proportionally reduce the penalty," said Stone. A complete list of the information requested for a review is attached to this media release. Further information is also available on the Assessor's website at [www.sccassessor.org](http://www.sccassessor.org). Returning the property statement now will not be sufficient to avoid the penalty. It should be noted that even if the Assessor agrees to a correction to the original assessed value, businesses must pay the original tax bill no later than August 31 or be subject to further penalties from the Tax Collector's Office.

In Santa Clara County, the assessed value of business property represents 8.78 percent of the entire assessment roll. Statewide, unsecured business property accounts for less than 6 percent of the total assessment roll. While Santa Clara County ranks sixth in population, and has historically ranked fourth in total assessed value, it is second only to Los Angeles in unsecured assessed value.

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Lawrence E. Stone, Assessor

## **List of documents needed to correct an assessment:**

1. Purchase agreement of the business (including attachments)
2. Income Tax Returns (including attachments)
3. Premise lease agreement
4. General Ledger or Trial Balance
5. Balance Sheets and Income Statements
6. List of fixed assets or depreciation schedules
7. Lease equipment agreement
8. If the business was sold or closed prior to the lien date, provide:
  - a. Sales agreement
  - b. Final escrow closing statement
  - c. Final utility bill
  - d. Final telephone bill

## **Note: Other documents may be requested**

For more information call (408) 299-5400 or email [busdiv@asr.sccgov.org](mailto:busdiv@asr.sccgov.org)