County Supervisors unanimously approve proposal from Assessor Larry Stone

Additional Property Tax Relief on Its Way for Small Business Owners

The Santa Clara County Board of Supervisors unanimously approved County Assessor Larry Stone’s recommendation to dramatically increase the number of property owners eligible to receive a “too low to assess” exclusion, benefitting mostly small business owners. (See today’s Board Agenda, Item: 125- http://sccgov.iqm2.com/Citizens/Detail_Meeting.aspx?ID=7206)

The new ordinance not only doubles the amount of the exclusion (from $5,000 to $10,000) for business personal property, it also adds two new categories of property eligible for the exemption. They are:

- Possessory Interests (a taxable possessory interest is created when a person or entity uses publicly owned real property) with a full value of $10,000 or less. The Assessor’s Office estimates approximately 1,200 businesses and/or individuals will no longer have to pay the tax. Examples of possessory interests include the rental of an airplane hanger at Reid Hillview, a booth at a convention center or a concession stand at the fairgrounds.

- Real property and parcels with a total adjusted base year value of $5,000 or less. These parcels consist of vacant property in remote locations with limited utility and marketability. It is estimated that there are approximately 2,000 parcels that will benefit from this expansion of the low value ordinance. The ordinance will not apply to properties under the California Land Conservation Act (CLCA), Mills Act (historical) contracts, timber production zone designation (TPZ), non-profit golf courses, and low-value properties that are component parts of larger total property economic units.

“This low value ordinance is a ‘win-win’ for both the County and some taxpayers. For every $10,000 of assessed value, the county sends a tax bill of $100. The ordinance will eliminate property tax bills of $100 or less,” Stone said. In a formal cost study, Stone’s office demonstrated that the costs to the Assessor, Tax Collector and Controller to assess and collect diminimus assessments, exceeds the revenue generated.

“When I was first elected, I promised that the Assessor would not spend a dollar to collect a dime. I guess I need to update that; the Assessor’s office will not spend $100 to collect $100 dollars or less!” The new ordinance is effective January 1, 2017,

The expansion of this ordinance to $10,000 for taxable personal property will primarily benefit
business owners of property like business equipment, computers, fixtures and small boats. The Assessor’s Office estimated that 7,600 owners have total business property valued between $5,000 and $10,000, which would now be excluded from taxation. There are approximately 70,000 business property accounts filed in Santa Clara County each year.

“This is a perfect example of how we continue to do things differently,” said Stone. As Assessor I have implemented a sophisticated, at least by government standards, cost accounting system which has enabled the assessor’s office to utilize data to continuously review opportunities for making the department more efficient and smarter. Stone’s recommendation to the Board of Supervisors estimated that the cost to assess and collect these low value properties was approximately $1,895,000, which is far in excess of the projected property tax revenue of $602,000. Moreover it enables the assessor’s office to reallocate approximately 11,000 hours of staff time toward more significant assessments such as commercial and industrial assessment appeals, changes of ownership, and new construction activities.

While business property owners must continue to file a Business Property Statement (Form 571) each year detailing the cost of all supplies, equipment, improvements and land owned at each location within Santa Clara County, they will not have to pay the tax if the assessed value of their property is less than $10,000. “The real benefit is customer service and maintaining public confidence that government can run efficiently,” said Stone.