



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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Chief Executive Officer

Board of Supervisors  
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MARK RIDLEY-THOMAS  
Second District

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Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

May 5, 2011

To: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

From: William T Fujioka  
Chief Executive Officer

## REPORT BACK TO THE BOARD ON IMPLICATIONS OF STATE ASSEMBLY BILL 448 (ITEM NO. 70-E, BOARD AGENDA OF APRIL 19, 2011)

On April 21, 2011, on a motion by Supervisor Ridley-Thomas, your Board instructed the Chief Executive Officer (CEO) to work with the Assessor, the Treasurer and Tax Collector (TTC), the Registrar-Recorder/County Clerk (RR/CC), and the Auditor-Controller (A-C), and report back to the Board within two weeks with an analysis of the potential impact of passage or failure of Assembly Bill (AB) 448 on the County operations and budget. This analysis was to include:

- a) The potential impact on the assessment, refund, property transfer, and tax collection functions in the departments of the Assessor, TTC, RR/CC, and A-C;
- b) An evaluation of potential cost increases as a result of additional responsibilities including amounts reimbursable to the County for performing any additional responsibilities; and
- c) An evaluation of potential revenue changes as a result of increased tax collections and/or other associated fees.

### Background

Existing property tax law generally provides that a change in ownership and a resulting reappraisal occurs when a legal entity or other person obtains a controlling or majority ownership interest in the legal entity (an interest greater than 50%). Existing law also

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specifies other circumstances in which certain transfers of ownership interests in legal entities result in a change in ownership of the real property owned by those legal entities.

AB 448 would additionally specify that when 100% of the ownership interests in a legal entity, as defined, are sold or transferred in a single transaction<sup>1</sup>, as specified, the real property owned by that legal entity has changed ownership, whether or not any one legal entity or person that is a party to the transaction acquires more than 50% of the ownership interests.

The bill also increases the penalty for not filing the change of ownership notification from 10% to 20%.

#### **Potential Impacts: Assessor**

Presently, the Assessor works in close concert with the State Board of Equalization (BOE) to identify unrecorded corporate changes in ownership via their Legal Entity Ownership Program (LEOP). In this comprehensive statewide program, the BOE gathers information about changes in corporate control and distributes this information to assessors, who then reappraise the affected properties when appropriate. This program has been very successful, with hundreds of millions of dollars added to the Los Angeles County assessment roll. The implementation of AB 448, as presently written, will leave this process intact, but is intended to add to the number of transfers for the Assessor to reassess, thus adding value to the roll. As AB 448 adds an additional circumstance where a legal entity needs to register a change of ownership with the BOE, the BOE may have an increase in their workload.

The duties and responsibilities of the Assessor would remain the same with the possibility of more workload as a result of additional changes in ownership identified by LEOP. We are aware of very few instances where this proposed set of procedures might have resulted in reappraisal. Currently, there is no requirement to monitor these types of events. Therefore, it would be highly speculative and arbitrary to make an estimate of any increased volume. The Assessor is accustomed to changes in their workflow due to fluctuations in the real estate market; whatever increase there might be from this new legislation would not be a hardship.

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<sup>1</sup> "Single transaction" means a transaction in which 100 percent of the ownership interests are sold or transferred in either one calendar year or within a three-year period beginning on the date of the original transaction when any percentage of ownership interests are sold or transferred.

**Potential Impacts: Treasurer and Tax Collector, Auditor-Controller, and Registrar-Recorder/County Clerk**

As with the Assessor, the effects on these departments would also be minimal. The TTC and A-C would need to process a few additional property tax bills each year, which would not be a burden. Since the type of change of ownership addressed by this legislation does not involve the recordation of deeds, the RR/CC would not experience an increase in their document processing workload. They would, however, be involved in collecting documentary transfer tax resulting from the additional number of increased transfers, but this would not affect operations noticeably.

**Potential Cost Increases**

Since most of the effort needed to implement this legislation would fall on the BOE, there are no significant cost increases anticipated for the County.

**Anticipated Revenue Changes**

It is not feasible to accurately predict which properties owned by legal entities would be reassessed to current market value each year as a result of this bill. The legal entity change in control statements processed by the BOE do not capture information that would indicate the number of such transactions that have occurred in the past, nor are such transactions required to be reported. It is the opinion of the BOE, however, that the number would be minimal.

WTF:EFS:  
GS:LM:cg

- c: Executive Office, Board of Supervisors
- County Counsel
- Assessor
- Auditor-Controller
- Registrar-Recorder/County Clerk
- Treasurer and Tax Collector