

## FOR IMMEDIATE RELEASE

### Understanding Property Tax Assessments and Escape Assessments in Mendocino County

Proposition 13 remains the foundation of California's property tax system. Under Proposition 13, the property tax base rate is 1 percent of a property's assessed value, plus any voter-approved local bonds and fees. A property's assessed value is generally established at the time of purchase and may increase by the annual inflation factor, not to exceed 2 percent annually.

When a supplemental event occurs, the assessor determines the fair market value of the property that changed ownership or was newly constructed as of the change of ownership date or completion of construction date (event date). The **supplemental assessment** is the *difference* between the new assessed value and the prior assessed value, prorated for the portion of time within the fiscal tax year. If the property is reassessed at a higher value, a supplemental assessment will be issued calculated on the difference between the new value and the prior value, resulting in an additional bill to the secured annual tax bill. If the property is reassessed at a lower value, a supplemental refund may be appropriate if the secured annual tax bill has been paid.

Recently there has been concern regarding the Assessor's office issuing **escape assessments**. An "escape assessment" in California is a retroactive property tax bill issued when the county assessor discovers property was undervalued, not assessed at all, or missed in a previous year. It is a correction to a property's assessed value on the local property tax roll. This correction is made because the Assessor's Office discovered property or a taxable event that should have been assessed but was not. Current and/or prior tax rolls may be affected.

#### Common Reasons for Escape Assessments:

The most common reasons for an escape assessment are:

- A change in ownership due to a recorded or unrecorded document. A date of death not reported timely. Changes in ownership may be 100% ownership interest or a percentage of ownership interest.
- A change in control or ownership of a legal entity that owns real property.
- Overlooked or unreported new construction.
- A business property statement filed late, not at all, or additional property discovered during an audit.
- Removal or expiration of an exemption.
- Events not processed by the Assessor's Office in time to make the roll year.

**Key Aspects of Escape Assessments:**

- **Trigger Events:** Common reasons include building with or without permits, death of an owner (not reported), or business audits.
- **Retroactive Tax:** The assessor shall assess the property on discovery at its value on the lien date for the year for which it escaped assessment, typically capped at 4 years, but potentially longer if a change in ownership was not filed.
- **Notice and Appeal:** The assessor sends a "[Notice of Proposed Escape Assessment](#)". You have the right to appeal this value, typically within 60 days of the notice or tax bill date.
- **Payment:** Unlike regular secured taxes, you may need to pay this directly, as escrow or the lenders impound might not cover it.

**Illustrated Example: How Supplemental and Escape Assessments Apply**

To help clarify the process, consider the following example:

- A property owner purchases a property of vacant land February 1, 2018, for \$100,000. The Assessor determines this to be fair market value and sets the Proposition 13 land value of \$100,000 with a base year of 2018. The prior owner has an existing roll value of \$50,000. A notice of supplemental is mailed and the difference between the new assessed value and the prior assessed value of \$50,000 is prorated for a portion of the 2017-18 fiscal tax year from February 1, 2018, through June 30, 2018, and the entire 2018-19 fiscal tax year July 1, 2018, through June 30, 2019.

2017 Supplemental Assessment				2018 Supplemental Assessment			
	Existing Value	New Base Year Value	Supplemental Value		Existing Value	New Base Year Value	Supplemental Value
Land	50,000	100,000	50,000	Land	51,000	100,000	49,000
Improvements	0	0	0	Improvements	0	0	0
Taxable Value	50,000	100,000	50,000	Taxable Value	51,000	100,000	49,000

- The change of ownership is processed by the Assessor’s office in June of 2019 prior to closing the 2019-20 secured annual tax roll and the 2018 land value of \$100,000 + Annual Inflation Factor 2% = \$102,000 is enrolled on the 2019 secured annual tax roll.
- The property owner then builds a new residence with a completion date of October 1, 2023. The Assessor’s office does not process the completed new construction until July 2025, *after* closing the 2025 secured annual tax roll.
- The Assessor determines the fair market value of \$200,000 for the completed new construction as of the completion date of October 1, 2023. Since the completion date is after June 30, the Proposition 13 base year is 2024.
- The completed new construction generates a supplemental assessment of \$200,000 which will prorate for a portion of the 2023-24 fiscal tax year between October 1, 2023, through June 30, 2024.

2023/2024 Supplemental Assessment			
	Existing Value	New Base Year Value	Supplemental Value
Land	109,363	109,363	0
Improvements	0	200,000	200,000
Taxable Value	109,363	309,363	200,000

- In addition to the supplemental assessment, this event will generate escape assessments to the 2024-25 fiscal tax year and the 2025-26 fiscal tax year. An escape assessment is in addition to the secured annual tax bill.

2024/2025 Escape Assessment			
	Existing Value	New Base Year Value	Escape Difference
Land	111,550	111,550	0
Improvements	0	200,000	200,000
Taxable Value	111,550	309,363	200,000

2025/2026 Escape Assessment			
	Existing Value	New Base Year Value	Escape Difference
Land	113,781	113,781	0
Improvements	0	204,000	204,000
Taxable Value	113,781	317,781	204,000

The property owners Proposition 13 base year value is now set at \$100,000 (2018 base year) land and \$200,000 (2024 base year) improvements/structures. Since the Assessor processed the completed new construction prior to the closing of the 2026-27 secured annual tax roll, and there are no additional changes of ownership or new construction, the total assessed value factored to 2026-27 will be included in the secured annual tax statement for a total of \$324,137 (\$116,057 Land) + (\$208,080 Improvements/Structures).

**Result**

The property owner will receive:

- **A supplemental assessment** reflecting the value change for the current year after the completed new construction prorated for the portion of the fiscal tax year in which the new construction was completed.
- **Escape assessments** correcting the prior years where the property was not assessed.
- Since many property owners have their taxes paid through an impound account, it is important to note supplemental assessments and escape assessments are typically not impounded by the lender. Supplemental and escape notices and bills are sent directly to the property owner at the address of record.

**Mailing Address Responsibility**

Notices are mailed to the assessee’s last known address of record. Pursuant to RTC §619, failure to receive a notice does not invalidate the assessment; accordingly, it is the assessee’s responsibility to ensure the assessor has a current and accurate mailing address. If a mailing address has changed, it is the property owner’s responsibility to notify the Assessor’s Office, so we may update our records. Changes may be reported by completing and submitting a mailing address change request form to the Assessor’s Office.

The Assessor's Office will be able to answer questions and may be reached by calling (707) 234-6800 or email: [assr@mendocinocounty.gov](mailto:assr@mendocinocounty.gov).