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California Raises Penalty for Failure to File COS

By Scott Donald, Irvine

A new law that went into effect this year ramps up the penalty for failure to file a Change of Ownership Statement (COS) in California.

Previously, the maximum penalty for most commercial property owners was \$2,500. Now it's \$20,000.

REAL PROPERTY TRANSFERS

Under Proposition 13, real property is reassessed to its current fair market level when there is a change of ownership. There are numerous laws in place intended to assist county assessors with obtaining this information.

Many times, a document similar to a COS is filed concurrently with ownership transfer documents that are recorded by the county. This document is known as a Preliminary Change of Ownership Report (PCOR) and it is completed during the escrow process.

If the PCOR is filed, this will satisfy the assessor's request for a COS. If a PCOR is filed and the assessor inadvertently requests a COS, we recommend attaching a copy of your PCOR (previously filed) to the COS document with an explanation in the notes that it was already executed.

The new law, [Senate Bill 507](#), relates to an assessor's written request for a property owner to file a COS.

- Raises the failure-to-file penalty on commercial property with a value of \$2.5 million or more to \$20,000
- Increases the time to file from 45 days to 90 days
- Specifies that the date of the mailing, not the date of the written request begins the 90 period

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- Stipulates that the postmark date will serve as the date that the owner has filed the COS

LEGAL ENTITY OWNERSHIP TRANSFERS

Real property owned by a legal entity may undergo a change of ownership without any transfer documents filed so self reporting is required.

The law states that when there is a change in more than 50% control of any corporation, LLC or other legal entity, a signed COS must be filed with the State Board of Equalization in Sacramento. The statement must list all the counties in which the legal entity owns property.

SB 507 amends the law by:

- Increasing the time period to file a COS from 45 days to 90 days
- Clarifies that the penalty for failure to file be levied by the assessor

To help discover unreported ownership changes, the State Board of Equalization can request a COS be filed by a legal entity at any time. Failure to file results in a penalty of 10% of the taxes applicable to the new base year value, or 10% of the current year's taxes if no change in control occurred.