

PARCEL-TAX CONTROVERSY

Summary

On June 5, 2001 voters within the Palm Drive Health Care District approved a parcel tax in order to relieve a shortfall in Palm Drive Hospital revenues that threatened the future of the facility. No provisions were written into the measure regarding exemptions from the property tax assessment, and when the approved tax was applied, more than 200 property owners, representing over 400 parcels, complained. The District set up an appeals process to review the complaints. The 2002-2003 Sonoma County Civil Grand Jury investigated this appeals process and found that the District failed to follow its own process.

Reason for Investigation

The Grand Jury received a complaint questioning the Palm Drive Health Care District parcel tax exemption process. The complainant alleged that the parcel tax was unfairly levied on owners of multiple, contiguous (adjoining) parcels and alleged that the exemptions process was unevenly applied.

Background

In October 2001 tax bills were issued by the Sonoma County Tax Collector to parcel owners within the Palm Drive Health Care District. Contiguous parcels were taxed \$60 each as separate units, regardless of the parcel's value or use, or whether the land could be developed. Tax bills were received on parcels that Sonoma County itself does not tax. (The county does not tax parcels valued at less than \$1500.) However, the Sonoma County Tax collector was required to tax all parcels in this District because of the way the measure was written. After receiving complaints from the property owners, the District Directors set up a parcel tax refund process.

The appeal instructions stated:

"Allowable grounds for a refund include:

- 1) The parcels are contiguous but would be treated as a single lot under the Subdivision Map Act or local parcel map ordinance.
- 2) The parcels are contiguous and have been combined for assessment purposes (this requires proof that a "Combination Request" has been filed with the Assessor's Office).
- 3) The parcels are exempt under the state or local law from the parcel tax.
- 4) Payment of the tax would constitute an undue hardship upon the taxpayer.
- 5) The tax was levied by mistake or through clerical error.

It is not sufficient grounds that:

- a) The parcel is "low value" for the purposes of Proposition 13.
- b) The parcel is not capable of being developed.
- c) The parcel is subject to conservation, scenic or similar easement."

For the tax year 2001/2, 369 exemptions from the parcel tax were granted and 39 were denied.

Investigative Procedures

The Grand Jury:

1. Interviewed the following persons:
 - Complainant
 - District Director/Claims Commission Member
 - Claims Officer.
2. Reviewed the following documents:
 - Resolution no.01-10 calling for the special election
 - Parcel tax appeal process
 - Claims files
 - Newspaper articles.

Findings

F1. There was no provision for exemptions or an appeal process in the original measure, only the direction in the resolution to "annually review the equity of the incidence of the parcel tax to fairly spread its burdens among and between similarly-situation persons."

F2. The District Board set up but did not pass a resolution adopting a refund process.

F3. The District was inconsistent in administering its refund process. Sometimes appeals were denied or granted using what the district claimed was a "spirit of fairness" and a "subjective rather than objective" process.

F4. The District gave refunds not allowed under its own process.

F5. The District Board did not take appropriate legal steps to implement a proper exemption process.

Conclusions

The residents of the Palm Drive Health Care District voted in good faith to tax themselves \$60 per year in order to maintain their community hospital. However, many residents did not understand that the District Board intentionally drafted the measure so the tax would be levied on each parcel, not on each taxpayer, creating the lowest possible tax amount in order for the measure to pass. After receiving the complaints, in an attempt to rectify the inequities, the District instituted a refund process which was not part of the original measure and the legality of which is questionable. In addition, the District was inconsistent in the way it handled appeals; it granted exemptions that were not allowed under its own written rules.

Recommendations

R1. The District should create and implement a legal exemption and refund process.

R2. The District should include exemption criteria in future tax measures.

Required Responses to Findings

None

Required Responses to Recommendations
Palm Drive Health Care District: R1 and R2