



## The Sonoma County Grand Jury

### PALM DRIVE HEALTH CARE DISTRICT PARCEL TAX EXEMPTION PROCESS May 26, 2004

#### Summary

On June 5, 2001, voters within the Palm Drive Health Care District (the district) approved a parcel tax in order to relieve a shortfall in Palm Drive Hospital revenues that threatened the future of the facility. The 2002-2003 Sonoma County grand jury produced a final report on this matter titled Parcel-Tax Controversy which addressed a recommendation to provide a process for refunds and exemptions of this tax where applicable. The district adopted and issued a procedure for implementing the grand jury recommendations. As a result of a complaint, a follow-up investigation by the 2003-2004 grand jury revealed that the district policy of granting exemptions and refunds is in need of review. The history of granting exemptions has not conformed to the letter of the policy which the district had published. Therefore, the grand jury urges the district to reevaluate the procedure for granting exemptions, reexamine the exemptions granted, and determine if these parcels were correctly exempted. If a new parcel tax measure is placed on the 2006 ballot, the district must publish its exemption and refund procedure to the voters together with the description of the forthcoming parcel tax measure.

#### Reason for the investigation

As a result of a complaint received, a follow-up investigation was initiated by the 2003-2004 Sonoma County grand jury to determine whether the exemption and refund process was being applied in a fair and equitable manner.

#### Background

Parcel tax exemptions have been granted to a number of property owners for different reasons. The following criteria as stated in the Palm Drive Health Care District Refund Procedure are the basis for granting exemptions and refunds:

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 Sonoma County Assessor's office. A procedure and application form is available for this purpose from the Sonoma County 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 on the taxpayer.
5. The tax was levied by mistake.

## **Sonoma County Grand Jury**

### **Palm Drive Health Care District – Parcel Tax Exemption Process (continued)**

---

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.

### **Investigative Procedures**

The Sonoma County grand jury:

Interviewed the following persons:

- The complainant
- A director of the Palm Drive Health Care District
- The claims officer of the Palm Drive Health Care District

Reviewed the following documents

- The complaint received
- The final report of the 2002-2003 Sonoma County Grand Jury “Parcel-Tax Controversy”
- The “Refund Procedure for Palm Drive Health Care District Parcel Tax”
- “Voluntary Combination Considerations” published by the Sonoma County Assessor
- The “Request for a Voluntary Combination” form, application package – Sonoma County Assessor’s office
- A number of parcel tax exemption records
- Parcel maps of parcels in the district
- Letter from the attorney for the district
- “Property Tax Postponement for Senior Citizens, Blind or Disabled Citizens”

Conducted visual site surveys of:

- Four non-exempt parcels
- Three exempt parcels

Attended the Palm Drive Health Care District’s tax planning meeting

### **Findings**

- F1. The Palm Drive Health Care District is currently planning a renewal of the parcel tax for 2006. The district agrees that the exemption and refund process needs to be reexamined and improved.
- F2. The parcel tax approved by voters did not contain an exemption process. The district now agrees that it must publish its exemption and refund procedure to the voters together with the description of the forthcoming parcel tax measure.
- F3. The present exemption and refund procedure is not evenly applied to parcel owners in the Palm Drive District.

### **Conclusions**

The Palm Drive Health Care District policy of granting exemptions or refunds is in need of review for proper interpretation and implementation. In the past, granting exemptions had not conformed to the letter of the policy that the district had published. This had led to discrimination where some taxpayer’s in like circumstances had not received exemptions while others had. The creditability of the system is now in question.

## **Sonoma County Grand Jury**

Palm Drive Health Care District – Parcel Tax Exemption Process (continued)

---

### **Recommendations**

- R1. The Palm Drive Health Care District must reevaluate the procedure it has been following in the granting of exemptions to its parcel tax program. This must be accomplished prior to issuing the next regular tax billing.
- R2. Prior to the next regular tax billing, the district must reexamine the exemptions granted, and determine if these parcels were correctly exempted. Those parcels not correctly exempted must have their parcel tax immediately reinstated and the prior exempted amount collected.
- R3. The district is urged to appoint an independent resource to audit the exemptions granted, and determine if these parcels were correctly exempted. The details of the exemption process must be studied and reapplied by the district where applicable.
- R4. The district must publish a tax exemption procedure, if one is to be in effect, to be sent to the voters together with a description of the proposed new parcel tax measure so that there will be no ambiguity when applying a tax exemption in the future.
- R5. All requests for Hardship Exemption must be denied. The applicant must be referred to the program entitled: "Property Tax Postponement for Senior Citizens, Blind or Disabled Citizens", to determine if they are eligible. Prior Hardship Exemptions must be immediately reinstated and the prior exempted amount collected.

### **Required Responses to Findings**

None

### **Required Responses to the Recommendation**

Palm Drive Health Care District Board of Directors - R1, R2, R3, R4, R5.