



## Board Agenda Item 32

DATE: August 23, 2016

TO: Board of Supervisors

SUBMITTED BY: Daniel C. Cederborg, County Counsel

SUBJECT: Settlement of Statewide Verizon Property Tax Litigation

### RECOMMENDED ACTION(S):

**Authorize chairman to sign settlement agreement and stipulated judgment in Verizon California Inc. v. California State Board of Equalization, et al., which is a statewide property tax refund lawsuit**

The recommended action would approve the County's agreement to settle a property tax refund case arising from the State Board of Equalization's (SBOE) valuation of certain property that Verizon California, Inc. (Verizon) owned for the 2013-2014 and 2014-2015 fiscal years. Along with the SBOE, the County and 37 other counties are named as defendants.

### ALTERNATIVE ACTION(S):

There is no viable alternative action. If the Board does not authorize the chairman to sign the settlement documents, the County would remain a defendant in the litigation, which relates to the State Board of Equalization's valuation of Verizon's telephone network property. The County did not participate in that valuation process.

### FISCAL IMPACT:

The settlement would result in a net County cost of about \$6,700. Under the settlement, the amount of property taxes paid to the County by Verizon's affiliates for the 2016-2017 fiscal year would be reduced by \$51,214. Because the County only receives about 13 percent of total property tax revenues after allocations to other agencies, the net negative effect on County revenue would be about \$6,700.

### DISCUSSION:

All taxable property must be appraised at its full cash value so that property taxes can be applied to that value. Most property is appraised by the County Assessor where the property is located. But certain property owned by telephone and utility companies is not appraised by each County Assessor because it lies in multiple counties and must be valued as a whole. The SBOE is responsible for the valuation of that property.

This case arises from the SBOE's valuation of Verizon's property statewide for fiscal years 2007-2008 through 2014-2015. Verizon challenged those valuations, and then filed a lawsuit for each of those years. When there is a property tax refund lawsuit filed against the SBOE, all of the affected counties are named as defendants. That is because the counties have a risk of refund liability if the taxpayer prevails.

In this case, the court has dismissed the case for fiscal years 2008-2009 through 2012-2013, and the County was never named as a defendant for fiscal year 2007-2008. That means the settlement only affects the County for the 2013-2014 and 2014-2015 fiscal years.

Under this settlement, the defendant counties would not pay cash refunds. Instead, the settlement amount of \$3 million each for the 2013-2014 and 2014-2015 fiscal years (and another \$2 million for the 2007-2008 fiscal year, which does not affect the County) would be applied as a credit to the 2016-2017 property taxes of Verizon's affiliated companies. There would be no interest. That means the amount of Verizon's property taxes paid to the County for the 2016-2017 fiscal year would be reduced by \$51,294.

The settlement does not preclude Verizon from appealing the dismissal of the case for the 2008-2009 through 2012-2013 fiscal years. It also does not preclude Verizon from filing another lawsuit for the 2015-2016 fiscal year. After the property tax lien date for the 2015-2016 fiscal year, Verizon sold the property to another company, and would not be able to file any further lawsuits.

OTHER REVIEWING AGENCIES:

The SBOE negotiated the settlement with Verizon and has asked each of the 38 defendant counties to approve.

ATTACHMENTS INCLUDED AND/OR ON FILE:

Stipulated Judgment  
Settlement Agreement and Release of Claims

CAO ANALYST:

Deborah Paolinelli