

State of California

Unsecured Property Tax Collection Manual

Volume I: Unsecured Tax Collection
Overview



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Introduction

The *Unsecured Property Tax Collection Manual* is a multi-volume manual produced by the State Controller's Office, Division of Accounting and Reporting, Property Tax Standards Unit. This manual provides comprehensive instructions and recommendations on the collection techniques available to county tax collectors.

Volume I: Unsecured Tax Collection Overview provides a general overview of the unsecured collection process and outlines several preliminary collection procedures and techniques to be conducted prior to more complex secondary collection efforts. Unless otherwise indicated, all statutory references cited are from the Revenue and Taxation Code.

The State Controller's Office forms referred to within this manual are samples that contain all of the required information pursuant to statute. The county tax collector's office may use the sample forms or they may create their own forms. Forms should contain all information required by statute.

NOTICE: This publication is provided by the State Controller's Office, Division of Accounting and Reporting, Property Tax Standards Unit, as a general resource for California's county tax collectors. Processes and forms are recommended to assist the counties in performing their duties under the law. This publication is written primarily for use by county tax collectors and does not constitute legal advice. This publication has been reviewed by The Committee on County Tax Collecting Procedures and members of the California Association of County Treasurers and Tax Collectors.

Section 1: Unsecured Property Tax Overview

General Definition

Unsecured property tax is an ad-valorem (value based) property tax that is the liability of the person or entity assessed. The assessment of unsecured property taxes against an individual constitutes a personal lien against the owner of record, not a lien against the property. The tax is assessed to the owner of record as of the January 1 lien date and is the responsibility of the owner of record regardless of any sale or transfer of the property.

Unsecured property tax is applied to personal property that is tangible or moveable and is not attached to real estate. All property, excluding real property, consists of but is not limited to: personal property; personal business property such as furniture, fixtures, machinery, and equipment; and luxury items such as boats, jet skis, and planes. The Assessor is responsible for making the distinction between secured property and unsecured property ([§134](#)).

Improvements to land are also considered unsecured property when they are not permanently attached to the land or they are made to land owned by another person or entity. For example, if a restaurant owner leases space in a building and renovates the space for his or her business by adding restrooms and a kitchen, unsecured property taxes would be due on the increased value of the building as a result of the added restrooms and kitchen.

Other types of unsecured property include:

- Mobile homes;
- Floating homes;
- Vessels;
- Most possessory interests, except when a homeowner's exemption applies;
- Mining claims;
- Racehorses;
- Aircraft; and
- Rubber-tired equipment.

Timeline

This timeline outlines pertinent dates for unsecured property tax collection and applies to annual tax bills. It is not applicable to corrected or escape tax bills.

Jan 1	Lien is established (§2192)
Jan 1	Assessor assesses value of unsecured property and taxes become due (§401)
Jan 1	Unsecured property taxes on racehorses become due and payable (§5761)
Jan 2	First day to file affidavit for documented vessel (on or before February 15) (§255 & §275.5)
Jan 15	Annual statement (inventory) of airplanes including owner names and addresses from public and private airports due (§5366)
Jan 31	First bi-annual report of mobile home addresses licensed to the Department of Housing Community and Development due to the auditor (next report due July 31) (Health and Safety Code §18077.5). Report also goes to the State Controller's Office (§5841)
Jan 31	Timber Tax due for the October 1 – December 31 period (§38401)
Feb 15	Unsecured property taxes on racehorses are delinquent at 5:00PM (§5762)
Apr 1	Last day to file business property statements (§441(b))
Apr 30	Timber Tax due for the January 1 – March 31 period (§38401)
May 7	Last day to file business property statements before penalties apply (§441(b) & §463)
May 31	Last day to amend timely filed business property statements for errors/omissions (§441(i))
Jul 1	Assessor provides assessment information to county auditor as soon as roll is completed (§616 & §617)
Jul 31	Deadline for tax collector to mail unsecured property tax bills no later than 30 days prior to August 31 (§2910.1)
Jul 31	Timber Tax due for April 1 – June 30 period (§38401)
Aug 31	Unpaid unsecured property taxes become delinquent and are subject to a 10% penalty (§2922(a)(b))
Aug 31	Last day to seize and sell three-year delinquent unsecured property taxes (§2963)
Sep 17	Mail notice to assessee of intent to submit tax delinquency to the Department of Motor Vehicles (DMV) (optional notice)
Sep 30	Mail 30 day reminder notices to notify assessee that interest will start to accrue (optional notice)
Oct 15	Mail Notice of Lien to assessee (optional notice). See State Controller's Office sample form, <i>Notice of Lien</i> (SCO 2-32)
Oct 15	Notice to DMV to withhold boat tags in order for notification of the withheld boat tags to appear on the registration notice

- Oct 31** Unpaid delinquent unsecured property taxes subject to additional penalty of 1.5% per month until paid ([§2922\(d\)](#))
- Oct 31** Timber Tax due for July 1– September 30 period ([§38401](#))
- Oct 31** Mail Pre FTB Intercept letter (optional notice)
- Nov 1** Additional penalty begins accruing on delinquent unsecured property taxes of 1.5% per month until paid ([§2922\(d\)](#))
- Nov 15** Record Certificate of Lien (Lien can be recorded any time but it is recommended that it be done by November 15) ([§2191.3](#))
- Dec 1** Submit “Annual” Debtors to FTB (optional notice)

Section 2: Billing and Payment Overview

The assessed value of property, which is used to calculate the amount of tax on the property, is determined by the assessor.

Part of the assessor's valuation process for property requires every business entity to file a business property statement (BPS), or [571L](#) form, with the assessor's office; the statement is due no later than May 7 of each year ([§441\(b\)](#)). The statement is used to estimate the value of the personal property of the business.

Once the assessment data is compiled and completed by the assessor, the auditor calculates the taxes due for each unsecured property item of a given fiscal year (July 1 to June 30) and transmits the information to the tax collector.

The tax collector uses the calculations from the auditor to generate tax bills. The tax bills must be mailed or electronically submitted no later than 30 days prior to the delinquent date, August 31 ([§2910.1](#)). The tax collector should mail all bills as soon as possible after receiving the assessment roll information from the auditor. If the tax amount of a specific item of property is too low to justify the collection of the unsecured property taxes due, then the tax collector can decide not to send a bill for that item of property ([§2910.1](#)).

It is important that the tax collector include all of the legally required items on the tax bill. See State Controller's Office sample form, *Tax Bill Checklist* ([SCO 2-01](#)). The items required on the tax bill are listed and outlined in [§2611.6](#).

Any individual who owns a taxable asset on January 1 of any given year is responsible for taxes that arise during the course of that year and should receive an unsecured property tax bill ([§405](#)). The sale of the property, disposal of the property, or removal of the property from the county after the lien date does not relieve the tax obligation.

Note: The failure to receive a tax bill does not relieve the owner of record of the obligation to pay the tax. The tax collector may, at his or her discretion, waive the penalties if the assessee convinces the tax collector that he or she did not receive a tax bill ([§2910.1](#)).

Unsecured Property Tax Payments

Unsecured property tax payments are delinquent after 5:00 pm or close of business, whichever is later, on August 31. These payments can be recorded in two ways: the tax collector can record the payment on the unsecured roll opposite the tax that is being paid, or the payment can be recorded on a machine-prepared list or recorded electronically. The tax collector can choose which method to use ([§2913](#) and [§2922](#)).

With approval from the board of supervisors, the tax collector may accept a partial payment of unsecured property taxes. The application of these partial payments must first be applied to penalties, interest, and costs. Then the remaining balance can be applied to the unsecured property taxes due ([§2927.6](#)). Pro rata payments may apply if the assessee has a recorded undivided interest in the property.

Section 3: General Collection Procedures

Property on Secured Roll Subject to Unsecured Collection

Certain property is placed on the secured roll for tax collection. However, if the taxes due on that property become delinquent, then they become subject to unsecured collection provisions ([§760](#)).

The property taxes due on manufactured, mobile, and floating homes are entered on the secured roll, but when delinquent may be transferred to the unsecured roll and become subject to procedures applicable to unsecured collection techniques ([§2189.7](#) and [§5830](#)). If the taxes on the property are not a lien on real property, meaning that the property is not permanently attached to a foundation or to the ground, and they go unpaid at the time set for the declaration of default for delinquent taxes, the taxes, including any penalties and interest due, should be transferred from the secured roll to the unsecured roll and may be collected in the same manner as other delinquent taxes on the unsecured roll ([§2921.5](#)).

There are less common types of secured taxes subject to unsecured collection. These taxes include:

- Supplemental assessments after a change in ownership;
- Structural improvements on leased land and other leasehold interests;
- Personal property and fixtures assessed by the State Board of Equalization;
- Possessory interest in tax exempt property/public lands ([§2190](#));
- Leasehold estates for gas, petroleum, or other hydrocarbon substances ([§2189.5](#)); and
- Escape assessments discovered after the real property has transferred ownership.

Note: Real property taxes prior to foreclosure by the Small Business Administration should not be transferred to the unsecured roll ([Garcia v. County of Santa Clara, 87 Cal. App. 3d 319 \(1978\)](#)).

Section 4: After Taxes Become Delinquent (September – October 31)

Background

Unsecured property taxes are due on the lien date ([§2901](#)). Unsecured property tax bills should be mailed by July 31 and payments are delinquent after 5:00 pm or close of business, whichever is later, on August 31. When the last day of a month falls on Saturday, Sunday, or a legal holiday, any penalty to which the tax becomes subject on that date shall not attach if the tax collector receives payment in full by 5 p.m., or the close of business, whichever is later, on the next business day.

Delinquent unsecured property taxes are subject to a 10% penalty. An additional 1.5% penalty is assessed on the first of every month afterwards, beginning November 1. In addition to these penalties, the tax collector may collect actual costs of collection incurred up to the point that the delinquency is paid ([§2922](#)).

The tax collector must prepare the delinquent roll or abstract list annually ([§2927.2](#)), and the auditor must then certify that the roll contains complete and accurate statements of all essential information necessary to the collection of any unpaid taxes on unsecured property recorded therein ([§2927.3](#)). Once the auditor certifies the roll is complete and accurate, the delinquent roll, abstract list, or a copy certified by the tax collector, is *prima facie* (accepted as correct) evidence of the following:

- The property assessed;
- The delinquency;
- The amount of the delinquency;
- The amount of taxes due and unpaid; and
- That there has been compliance with all forms of law relating to assessment, equalization, and levy of taxes ([§2927.5](#)).

Once a property is considered delinquent, the assessee should be notified of the delinquency status and any other impending actions being considered that may affect the amount of taxes due on the property. Notifying the assessee is a mandatory step in every collection action. The notification process is designed to satisfy the due process elements pre-empting the government seizure of property. In addition, providing notice can reinforce the alert of impending seizure and motivate the assessee to pay prior to having to take any collection action.

Note: The unsecured tax bill should be mailed by July 31 and is delinquent after August 31. However, any unsecured tax bill mailed after July 31 becomes delinquent and subject to penalty on the last day of the month following the month the bill was mailed.

Note 2: There may be instances in which the tax collector will need to collect taxes prior to delinquency due to the status of the assessee or property (§2953-2953.1). See Volume III: Seizure and Sale.

Notice of Delinquent Taxes

Providing notice of the delinquency status and any other impending actions being considered that may affect the amount of taxes due on the assessee's property can reinforce the alert of impending seizure and motivate the assessee to pay.

Step 1: On September 1, review the tax payment status for all unsecured property.

Step 2: Confirm the delinquency of any properties.

Step 3: Assemble the records for properties with delinquent taxes.

Step 4: Prepare a notice for each assessee; see State Controller's Office sample form, *Notice of Delinquent Taxes* (SCO 2-30). Ensure that the notice contains all of the following information:

- Date;
- Assessee's name and address;
- Delinquency tax year;
- Tax bill number;
- Tax collector's contact information;
- Base tax owed;
- Initial 10% penalty calculation amount;
- Collection fee;
- Total taxes due;
- Payment information;
- Information about when a lien may be filed for non-payment of taxes;
- Information about how a lien will affect any credit or real property transaction; and
- Information that a lien will remain in effect for 10 years with two 10-year renewal opportunities after that.

Step 5: Send the notice to the assessee by mail.

Step 6: Update all files for which full payment has been received.

Section 5: Certificate of Tax Lien

Preparing to Lien the Property

Once the delinquent roll or abstract list is prepared, the tax collector should begin the initial collection process. Among the various options available, it is recommended that the tax collector consider recording a Certificate of Tax Lien for Unsecured Property Taxes, against the assessee before other actions are initiated. See State Controller's Office sample form, *Certificate of Tax Lien for Unsecured Property Taxes* ([SCO 2-02](#)).

However, as a precursor to that filing, it is also recommended that the tax collector mail a Notice of Intent to Lien to the assessee. See State Controller's Office sample form, *Notice of Intent to Lien* ([SCO 2-31](#)). The recommended schedule for mailing such a notice is 10 days prior to the intended filing.

Although a Notice of Intent to Lien is not required, sending a notice of this type in the recommended time frame is an efficient, cost-effective way to motivate payment. The notice provides the assessee important information as to how a lien might affect his or her credit and business transactions, and gives him or her an opportunity to make payment and avoid such consequences.

Notice of Intent to Lien

It is recommended that the Notice of Intent to Lien process should be executed during September.

Step 1: Determine all unpaid unsecured property taxes.

Step 2: Prepare a Notice of Intent to Lien, see State Controller's Office sample form, *Notice of Intent to Lien* ([SCO 2-31](#)). It is recommended that the Notice of Intent to Lien contain the following:

- Date;
- Tax year;
- Account number;
- Tax bill number;
- Date and time remedy may be made prior to action taken;
- Tax collector's contact information;
- Information describing that the filing of a lien is impending;
- That the lien is a public record;
- That the lien will affect any credit or real property transaction; and
- That the lien will remain in effect for 10 years with two 10 year renewal opportunities.

Step 3: Mail the notice to the assessee of record. The tax collector may choose to send the notice by certified mail as a means to obtain proof of receipt, but using certified mail is not required by law. Allow for a time lag after the 10-day period to account for bills post-marked within the deadline that are still being processed through the mail system.

Step 4: If full payment is received, update files. If no payment is received, proceed to [The Certificate of Lien for Unsecured Property Taxes \(October-November\)](#).

The Certificate of Lien for Unsecured Property Taxes

On November 1, or 10 days after the Notice of Intent to Lien is sent, it is recommended that the tax collector prepare and record the Certificate of Lien for Unsecured Property Taxes. See State Controller's Office sample form, *Certificate of Lien for Unsecured Property Taxes (SCO 2-02)*. It is important that all sections of the form are completed ([§2191.3](#)).

Note: The recording of the Certificate of Lien is the strongest unsecured collection mechanism available to the tax collector, and should be considered in all cases of delinquent unsecured property taxes.

The tax collector files a Certificate of Lien with the County Recorder's Office; there is no fee associated with filing. Upon recording the Certificate of Lien, the county recorder has 30 days to send notice of the recording to the assessee's last known address. The notice must contain all information stated in the Certificate of Lien and include the following statement ([§2191.3](#)):

THIS IS TO NOTIFY YOU THAT A TAX LIEN HAS BEEN FILED WITH RESPECT TO UNSECURED PROPERTY

The lien applies to any real or personal property in the assessee's name when the lien is filed or any real or personal property acquired in the assessee's name while the lien is in effect. It remains in effect for 10 years and has the force, effect, and priority of a judgment lien. The lien can be renewed twice, for a total of 30 years. However, the lien must be renewed before each 10-year period elapses ([§2191.4](#)).

Note: The lien for unsecured taxes is against the assessee. An assessee can be any person owning, claiming, possessing, or controlling the property on the lien date ([§405](#) and [§2186](#)). Enforcement is against property owned by the assessee ([§2191.3](#)).

Preparing the Certificate of Lien

Step 1: Confirm that the delinquent roll or abstract list has been prepared.

Step 2: On November 1, or 10 days after the Notice of Intent to Lien is sent, prepare and record the Certificate of Lien.

Step 3: Determine all unpaid unsecured property taxes and prepare a Certificate of Lien for each. See State Controller's Office sample form, *Certificate of Lien for Unsecured Property Taxes (SCO 2-02)*. A Certificate of Lien must contain all of the following information ([§2191.3\(b\)](#)):

- Assessee's name;
- Assessee's last-known address;

- Last four digits of the assessee's Social Security number, if known;
- The amount due; and
- A statement that the county has complied with all the provisions of computation and levy of the tax, penalty, and interest.

Filing a Certificate of Lien with the Recorder's Office

Step 1: File and record a Certificate of Lien with the County Recorder's Office. The following must be included:

- A completed lien form for each property; and
- The tax collector or designee's signature.

Step 2: File and record the document with the County Recorder's Office ([§2191.3\(b\)](#)).

Step 3: Request a certified copy of the recorded document at the time you are recording the document (optional).

Note: The recorder shall send a copy to the assessee within 30 days ([§2191.3\(b\)](#)).

Note: Obtaining a certified copy of the document allows you to have an official copy for any other purposes. Otherwise, it can take six to eight weeks to receive the original document.

Notice to Assessee that a Lien has been Filed

Although most tax collectors are not required to send a notice to the assessee that the Certificate of Lien has been recorded, a notice of this fashion may resonate with some assessees and motivate them to make a payment, see State Controller's Office sample form, *Notice of Lien* ([SCO 2-32](#)). If you choose to initiate this option, include all of the following:

- Date;
- Assessee's name and address;
- Delinquency tax year;
- Tax bill number;
- Date lien was recorded;
- Certificate lien number;
- Tax collector's contact information;
- Base tax owed;
- Initial 10% penalty calculation amount;
- Monthly 1.5% penalty calculation amount;
- Collection fee;
- Release fee;
- Total taxes due;
- Statement that a lien was filed;

- Penalty and interest schedule;
- Information that the lien is a public record;
- Information that the lien will affect any credit or real property transaction; and
- Information that the lien will remain in effect for 10 years with two 10-year renewal opportunities.

Notice of Intent to File a Summary Judgment

Upon completion of recording a Certificate of Lien and any related noticing, and if taxes are still outstanding, the tax collector may choose to begin the process of filing a judgment lien with the Superior Court to motivate payment ([§3101](#)). The Certificate of Lien has all the force, effect, and priority of a judgment lien ([§2191.4](#)).

The force and effect of the two liens are essentially the same with respect to any actions that may be used to secure property of the assessee. As a result, it may be prudent, in terms of costs and redundancy, to limit the judgment filing to only sending a Notice of Intent to File a Certificate Seeking Summary Judgment and use the recorded Certificate of Lien as the operating document from which to initiate any taking of property. See State Controller's Office sample form, *Notice of Intent to File a Certificate Seeking a Summary Judgment*, ([SCO 2-11](#)).

To ensure that the notice is consistent with the standard requirements for filing of a judgment lien pursuant to Code [§3101\(b\)](#), include all of the following:

- Assessee's name;
- Description of property;
- Assessed value of the property;
- Statement that judgment will be sought for any tax, penalty, and interest unpaid at time of filing;
- Statement that upon issuance and recordation of judgment, additional penalties will continue to accrue at the rate prescribed by law;
- Statement that any bond premium posted or other costs to enforce judgment will be added into the amount owed;
- Statement that a recording fee in the amount set forth in Government Code [§27361.3](#) will required to be paid in additional to the above mentioned charges;
- Base tax owed;
- Initial 10% penalty calculation amount;
- Monthly 1.5% penalty calculation amount; and
- Collection fee.

Note: If pursuing the filing of a summary judgment, refer to *Volume II: Court Actions* for detailed instructions. Otherwise, proceed to [Section 6: Determining of Course of Enforcement Action](#) of this volume.

Section 6: Determining Course of Enforcement Action

The tax collector is charged with collecting delinquent unsecured taxes ([§2903](#)). In doing so, all available resources and actions within the constraints of the law must be considered.

Collection action must be initiated in order to collect delinquent unsecured property taxes. The type and timing of the action necessary will depend upon many variables, including the dollar amount of the bill, whether the assessee can be located, whether the assessee owns real estate or other assets, the assessee's ability to pay, future collectability of the bill, and the assessee's prior payment record. For specific collection techniques, refer to volumes III through V of the *Unsecured Property Tax Collection Manual*.

Volume III: Seizure and Sale

- Collection Actions
- Seizure of Property

Volume IV: Special Property Types

- Aircraft
- Vessels
- Mining Claims
- Racehorses
- Rubber-tired Equipment

Volume V: Special Collections

- Bulk Sales (Bulk Transfers)
- ABC Liquor License Transfers
- FTB Interagency Intercept Program
- Levy of Bank Accounts
- Immediate Levy or "Till Tap"

Section 7: Forms

Tax Bill Checklist.....SCO 2-01

Certificate of Lien for Unsecured Property Taxes.....SCO 2-02

Notice of Intent to File a Certificate Seeking Summary Judgment.....SCO 2-11

Notice of Delinquent Taxes.....SCO 2-30

Notice of Intent to Lien.....SCO 2-31

Notice of Lien.....SCO 2-32

To view an electronic copy of this volume visit:

The State Controller's Website

http://www.sco.ca.gov/ardtax_unsecured_proptax_collection_manual.html

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